

DEPARTMENT OF STATE REVENUE

Information Bulletin #74
Sales Tax
July 2022
Effective Date: Upon Publication
(Replaces Bulletin #74 issued April 2016)

SUBJECT: Sales and Use Tax Exemption for Aircraft Being Repaired or Remanufactured

REFERENCES: [IC 6-2.5-3-2](#); [IC 6-2.5-5-42](#); [IC 6-2.5-5-46](#)

DISCLAIMER: Information bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules, and court decisions. Any information that is not consistent with the law, regulations, or court decisions is not binding on either the department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.

SUMMARY OF CHANGES

Aside from technical, nonsubstantive changes, the bulletin was changed to reflect guidance concerning optional maintenance agreements for aircraft or aircraft parts.

I. INTRODUCTION

The purpose of this bulletin is to explain a sales and use tax exemption for aircraft brought into Indiana to be repaired, refurbished, or remanufactured, for a prepurchase evaluation, or for completion work.

II. DEFINITIONS

"Completion work" means the addition of tangible personal property to or reconfiguration of the interior of an aircraft, if the work requires the issuance of an airworthiness certificate from the Federal Aviation Administration or an equivalent foreign regulatory authority, due to the change in the type certification basis of the aircraft resulting from the addition to or reconfiguration of the interior of the aircraft.

"Delivery" means the physical delivery of the aircraft regardless of who holds title.

"Prepurchase evaluation" means an examination of an aircraft by a potential purchaser for the purpose of obtaining information relevant to the potential purchase of the aircraft.

III. EXEMPTIONS FROM SALES TAX

A transaction involving an aircraft, including completion work performed, is exempt from the sales tax if all four of the following requirements are met:

- (1) The purchaser is a nonresident.
- (2) The purchaser transports the aircraft to a destination outside Indiana within 30 days after:
 - (A) Accepting delivery of the aircraft;
 - (B) A repair, refurbishment, or remanufacture of the aircraft is completed, if the aircraft remains in Indiana after the purchaser accepts delivery for the purpose of accomplishing the repair, refurbishment, or remanufacture of the aircraft; or
 - (C) Accepting delivery of the aircraft following completion work or a prepurchase evaluation.
- (3) The aircraft will be:
 - (A) Titled or registered in another state or country; or
 - (B) Based in another state or country, if the state or country does not require a title or registration for aircraft.
- (4) The aircraft will not be titled or registered in Indiana.

Within 60 days after a purchaser accepts delivery of an aircraft and claims an exemption for an aircraft to be registered outside Indiana, the purchaser shall provide the seller with a copy of the purchaser's title or registration of the aircraft outside Indiana.

Within 60 days after a repair, refurbishment, or completion or remanufacture of the aircraft is completed, and if the aircraft remains in Indiana after the purchaser accepts delivery of the aircraft for the purpose of accomplishing the repair, refurbishment, or completion or remanufacture of the aircraft, the purchaser shall provide the seller with a copy of the purchaser's title or registration of the aircraft outside Indiana.

There is also a sales tax exemption for parts, materials, equipment, and engines used, consumed, or installed in the repair, maintenance, refurbishing, remodeling, or remanufacturing of an aircraft or an avionics system of an aircraft. The exemption applies only under either of the two circumstances:

- (1) If the work is performed by a retail merchant who possesses a valid repair station certificate issued by the Federal Aviation Administration; or
- (2) For transactions after June 30, 2014, if the retail merchant
 - (A) has leased a facility at a public use airport for the maintenance of aircraft,
 - (B) meets the public use airport owner's minimum standards for an aircraft facility, and
 - (C) the work is performed by a mechanic who is certified by the Federal Aviation Administration.

This is an exemption that applies to the transaction between the person performing the work and the aircraft owner or lessor. This exemption does not apply to the transaction for parts, materials, equipment or engines purchased by the person performing the work from a vendor. Those items may be exempt under the "sales for resale" exemption.

As described in Sales Tax Information Bulletin #2, transactions involving optional maintenance agreements (which may be referred to by other terms, such as service contracts or plans, as long as they meet the definition outlined in the bulletin) are considered a taxable bundled transaction. This would generally also apply to optional maintenance agreements for maintenance of aircraft or aircraft parts. However, if the terms of the optional maintenance agreement comported with the terms of the exemption outlined above, such that maintenance had to be performed either at an FAA-certified repair station or by an FAA-certified mechanic operating at facility leased at a public use airport, then the optional maintenance agreement would not be considered a taxable bundled transaction because the tangible personal property involved would be exempt. Instead, the optional maintenance agreement would be considered a sale of a service, and not subject to Indiana sales tax. Sales Tax Information Bulletin #2 can be found at the following address:
in.gov/dor/legal-resources/tax-library/information-bulletins/sales-tax-information-bulletins/.

IV. EXEMPTION FROM USE TAX

There is also an exemption from the use tax for an aircraft that meets the following requirements:

- (1) The aircraft is titled, registered, or based in another state or country;
- (2) The aircraft is delivered to Indiana by or for a nonresident owner or purchaser of the aircraft;
- (3) The aircraft is delivered to Indiana for the sole purpose of being repaired, being refurbished, being remanufactured, having completion work performed, or being subject to a prepurchase evaluation; and
- (4) Within 30 days after completion of the repair, refurbishment, remanufacture, or prepurchase evaluation, the aircraft is transported to a destination outside Indiana.

Robert J. Grennes, Jr.
Commissioner

Posted: 04/26/2023 by Legislative Services Agency
An [html](#) version of this document.