

The sales and use tax treatment of aircraft in Colorado depends on various factors. Under certain circumstances, sales of aircraft and aircraft parts are exempt from sales and use taxes. Additionally, the tax treatment of leased aircraft depends on various factors.

This publication is designed to provide general guidance regarding the tax treatment of aircraft and aircraft parts, including exemptions and leases, and to supplement guidance provided in the [Colorado Sales Tax Guide](#). Nothing in this publication modifies or is intended to modify the requirements of Colorado's statutes and regulations. Taxpayers are encouraged to consult their tax advisors for guidance regarding specific situations.

The information in this publication applies generally to state and local sales and use taxes administered by the Department. The information in this publication does not apply to sales and use taxes administered directly by home-rule cities. Please contact any applicable home-rule city directly for information about their sales and use taxes and exemptions. Contact information for home-rule cities can be found in Department publication [Colorado Sale/Use Tax Rates](#) (DR 1002).

Aircraft used in interstate commerce

Aircraft purchased for use in interstate commerce by a commercial airline are exempt from sales and use tax. A commercial airline is defined as an airline carrying freight or passengers on regularly scheduled flights for a fee and generally includes air carriers authorized to operate under a Part 121 certificate issued by the Federal Aviation Administration (FAA).

On-demand operators do not qualify as commercial airlines for the purpose of the exemption because their flights are not regularly scheduled. Consequently, the aircraft they use do not qualify for this exemption even if they are used in interstate commerce.

Aircraft for use outside the state

Sales of new or used aircraft to nonresidents of Colorado for use outside of Colorado are exempt under certain circumstances.

To qualify for the exemption, the aircraft must be sold to a nonresident and removed from the state within the longer of the following:

- 120 days after the date of the sale; or
- 30 days after the completion of maintenance, interior refurbishment, paint, or engine work associated with the sale of the aircraft.

The aircraft cannot be hangared or parked overnight in Colorado for more than 73 days in any of the three calendar years following the calendar year in which the aircraft is removed from Colorado.

A purchaser of an aircraft who claims this exemption must provide an affidavit to the seller at the time of purchase that they are not a resident of Colorado and that they agree to pay the applicable sales or use tax if they fail to remove the aircraft from Colorado within the specified time periods.

If the aircraft is not removed from Colorado within 120 days after the sale or 30 days after completion of work associated with the sale, or if the aircraft is hangared or parked in the state for more than 73 days in any of the three calendar years following the calendar year in which it was removed from the state, then the exemption does not apply and the purchaser must pay the applicable use tax to the Department on the full purchase price of the aircraft. Please see the [Colorado Consumer Use Tax Guide](#) for additional information about the payment of use tax.

Aircraft used as farm equipment

Under certain conditions, qualifying farm equipment is exempt from state and state-administered special district sales and use taxes and may be exempt from state-administered city and county sales taxes. Qualifying farm equipment may include an aircraft that is designed or adapted for agricultural use. For additional information, please see Department publication [Sales & Use Tax Topics: Agriculture](#).

Aircraft parts

In general, the sale of tangible personal property that is to be permanently affixed or attached as a component part of an aircraft is exempt from sales and use taxes. Exempt aircraft parts may include, but are not limited to, fuselage parts, parts for the aircraft's engine(s), and seats permanently affixed to the aircraft.

Aircraft relocated into Colorado

If an aircraft owner relocates an aircraft into Colorado, the aircraft owner generally must pay Colorado consumer use tax on the aircraft. Colorado consumer use tax is discussed in the [Colorado Consumer Use Tax Guide](#).

The owner is allowed a credit for any legally imposed sales or use taxes the purchaser paid in another state for the aircraft. Credit is not allowed for any tax paid to either:

- any foreign country or any subdivision thereof; or
- any state that did not legally impose a tax on the aircraft under the laws of that state.

Lease of an aircraft

In general, aircraft leases are considered retail sales and are subject to Colorado and state-administered sales and use taxes. Different rules and requirements apply depending on whether the lease is a long-term lease or short-term lease.

General information about the tax treatment of leased property can be found in Department publication [Sales & Use Tax Topics: Leases](#). Information about sourcing aircraft lease payments and aircraft lessor registration requirements is provided below.

Sourcing lease payments

The sourcing of periodic lease payments depends on whether an aircraft is “transportation equipment.” An aircraft is “transportation equipment” if it is operated by an air carrier authorized and certificated by the U.S. Department of Transportation or another federal or foreign authority to engage in the carriage of persons or property in interstate or foreign commerce.

Aircraft that are “transportation equipment”

If an aircraft is “transportation equipment” as described above, all payments made pursuant to the lease are generally sourced to the location where the lessor takes possession of the aircraft. Please see section 39-26-104(3)(a), (3)(b)(III), and (3)(d)(III), C.R.S., for additional guidance regarding sourcing of lease payments for “transportation equipment.”

Aircraft that are not “transportation equipment”

For aircraft that are not “transportation equipment,” all periodic (e.g. monthly) lease payments are sourced to the primary property location for the aircraft. If the lessor is required to collect sales tax on the lease, the lessor must collect all state and state-administered local sales taxes applicable to the primary property location. The primary property location is the location indicated by an address for the aircraft provided by the lessee that is available to the lessor from its records maintained in the ordinary course of business, when use of this address does not constitute bad faith.

If the primary property location for the aircraft changes during the lease term, the state and state-administered local sales taxes due on subsequent lease payments will be based upon the new location for the aircraft.

If an aircraft lessee relocates a leased aircraft into Colorado from out of the state, changing the primary property location for the aircraft to Colorado as a result, any lease payments made after the change will be subject to Colorado state and state-administered local sales taxes.

If an aircraft lessee relocates a leased aircraft out of Colorado, moving the primary property location for the aircraft out of Colorado, no Colorado state or state-administered local sales taxes will be due on any lease payments made after the primary property location is moved out of Colorado.

Lessor registration requirements

Any lessor required to collect sales tax must apply for and maintain an active sales tax license and submit a completed [Lessor Registration for Sales Tax Collection](#) (DR 0440). Aircraft lessors must provide several pieces of documentation and information with their form DR 0440. Please see the instructions for form DR 0440 for additional information.

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to the tax treatment of aircraft and aircraft parts. This list is not, and is not intended to be, an exhaustive list of authorities that govern the tax treatment of every situation. Individuals and businesses with specific questions should consult their tax advisors.

Statutes and regulations

- § 24-60-1301. Execution of compact.
- § 39-26-102. Definitions.
- § 39-26-103, C.R.S. Licenses.
- § 39-26-104. Property and services taxed.
- § 39-26-202. Authorization of [use] tax.
- § 39-26-711, C.R.S. Aircraft.
- § 39-26-711.5, C.R.S. Aircraft- use outside state.
- § 39-26-713. Tangible personal property.
- Rule 39-26-102(10).
- Rule 39-26-711.
- Rule 39-26-713-4.
- Special Rule 46. Leases.

Forms and guidance

- [Tax.Colorado.gov](https://tax.colorado.gov)
- [Colorado Sales Tax Guide](#)
- [Colorado Consumer Use Tax Guide](#)
- [Lessor Registration for Sales Tax Collection \(DR 0440\)](#)
- [Sales & Use Tax Topics: Agriculture](#)
- [Sales & Use Tax Topics: Leases](#)