

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 taxability of aircraft leases may depend on the duration of the lease and whether the lessor paid sales or use tax on the acquisition of the aircraft.

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 to state and local sales taxes administered by the Department. The information in this publication does not apply to sales 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.

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 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 a 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 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.

Lease of an aircraft

If a lease is for a term of greater than 36 months, the lessor must collect all state and state-administered local sales taxes from the lessee on all payments made pursuant to the lease.

If the lease term is 36 months or less and the lessor has paid Colorado sales or use tax on the acquisition of the leased property, the lease payments are tax-exempt. However, the lessor may request permission from the Department to collect sales tax on all lease payments received on the property by submitting a completed *Lessor Registration for Sales Tax Collection (DR 0440)* along with a copy of the proposed lease agreement. If the Department grants permission to collect sales tax on the lease payments, it will issue an *Exempt Certificate (DR0160)* to the lessor.

If the lessor has not received permission to collect tax prior to the acquisition of any property that will be leased for a term of 36 months or less, the lessor must pay sales tax to the seller at the time of acquisition. If immediately thereafter the lessor files a DR0440, the lessor may apply for a refund of the sales or use tax the lessor paid on the acquisition of the property.

A lessor who has filed form DR 0440 with the Department may purchase an aircraft tax-free only if the primary purpose of the transaction is the acquisition of the aircraft for resale or lease in an unaltered condition and basically unused by the purchaser. If the lessor uses or intends to use the aircraft they purchase, the exemption does not apply, and they must pay sales tax on the full purchase price of the aircraft at the time of purchase.

Forms and instructions can be found online at [Tax.Colorado.gov/sales-use-tax-forms](https://tax.colorado.gov/sales-use-tax-forms). Additional information about leases can be found in Department publication *Sales & Use Tax Topics: Leases*, available online at [Tax.Colorado.gov/sales-use-tax-guidance-publications](https://tax.colorado.gov/sales-use-tax-guidance-publications).

Aircraft used as farm equipment

Under certain conditions, qualifying farm equipment is exempt from state and state-administered special district sales and use taxes. Qualifying farm equipment may include an aircraft that is designed or adapted for agricultural use. More information pertaining to this exemption can be found in *Sales and Use Tax Topics: Agriculture*, available online at [Tax.Colorado.gov/sales-use-tax-guidance-publications](https://tax.colorado.gov/sales-use-tax-guidance-publications).

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

- § 39-26-711, C.R.S. Aircraft.
- § 39-26-711.5, C.R.S. Aircraft- use outside state.
- Rule 39-26-711.

Forms and guidance

- [Tax.Colorado.gov](https://tax.colorado.gov)
- [Tax.Colorado.gov/sales-use-tax-forms](https://tax.colorado.gov/sales-use-tax-forms)
- [Tax.Colorado.gov/sales-use-tax-guidance-publications](https://tax.colorado.gov/sales-use-tax-guidance-publications)
- *Colorado Sales Tax Guide*
- *Colorado Consumer Use Tax Guide*
- *Lessor Registration for Sales Tax Collection (DR 0440)*
- *Sales and Use Tax Topics: Agriculture*
- *Sales & Use Tax Topics: Leases*