

# TAX MATTERS

*A newsletter dedicated to informing California Aircraft and Vessel owners about taxes*

*Prepared and distributed by Aero & Marine Tax Professionals*

## Legislature completes attack on aircraft and vessel owners.

The comfortable 90 day and six month test that exempted property that was stored out side California is gone. However, there is hope. There is still a method left that will exempt vehicles, vessels and aircraft after SB1100 attempted to wipe out all exemptions.

As far as doing damage control for the aircraft, vessel and vehicle industry, here is my assessment of the current scene. The principal use test which was based on an exemption that was calculated on storage time outside the state has been eliminated. The traditional 90 day, and the half of six month storage time test are a thing of the past. The law change does allow for a review of this in two years. However, unless a new party becomes the majority, I would not hold my breath on this test returning for our use.

This means in plain English that the method used by most of the vessel and motor home owners that were granted in the past few years has been eliminated.

The law specifically excludes any change in the law relative to interstate commercial use of property, so at this time this provision that has primarily been used by some portion of aircraft owners and trucking companies is still intact.

The portion of Regulation 1620 that spells this out states in pertinent part:

Regulation 1620 (b) (4) PURCHASE FOR USE IN THIS STATE—VEHICLES VESSELS AND AIRCRAFT, A vehicle, vessel or aircraft purchased outside of California which is brought into California is regarded as having been purchased for use in this state if the first functional use of the vehicle, vessel or aircraft is in California. When the vehicle, vessel or aircraft is first functionally used outside of California the vehicle, vessel or aircraft will nevertheless be presumed to have been purchased for use in this state if

it is brought into California within 90 days after its purchase, exclusive of any time of shipment to California or time of storage for shipment to California.

### (B) Used in Interstate or Foreign Commerce

1. If the property is a vehicle, use tax will not apply if one-half or more of the miles traveled by the vehicle during the six month period immediately following its entry into this state are commercial miles traveled in interstate or foreign commerce.

2. If the property is a vessel, use tax will not apply if one-half or more of the nautical miles traveled by the vessel during the six-month period immediately following its entry into the state are commercial miles traveled in interstate or foreign commerce.

3. If the property is an aircraft, use tax will not apply if one half or more of the flight time traveled by the aircraft during the six-month period immediately following its entry into the state is commercial flight time traveled in interstate or foreign commerce

Such use will be accepted as proof of an intent that the property was not purchased for use in California. For purposes of subdivision (b)(4), the term "commercial" applies to business uses and excludes personal use. However, the term commercial is not limited to for profit business.

What this means to you is that there are still some methods available to exempt your purchase from tax. Yes, there are provisions for aircraft, vessels and vehicles. Before you decide to give in to the insatiable desire for the California legislature to waste your money on programs that do not produce a good result, call me and we will help you decide on a strategy based on the correct application of the law.

**DON'T LET IT HAPPEN TO YOU.** If you have the slightest discomfort about your tax status for purchases you have made any time in the last ten years, I will offer a free analysis of your situation. Go to [www.aeromarinetaxpros.com](http://www.aeromarinetaxpros.com) and fill in the appropriate form. Or, call me personally at:

916-691-9192.