

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of) DOCKET NO. 1-666-192-384 &
[REDACTED]) 0-592-450-560
[REDACTED])
[REDACTED])
Petitioners.) DECISION

[REDACTED] (Non-Resident) and [REDACTED] (Resident) (collectively referred to herein as Petitioners) each protested the Notice of Deficiency Determination (Notice), dated August 14, 2024, issued by the Tax Discovery Bureau (Bureau), for the period of January 1, 2022, through January 31, 2022. The Idaho State Tax Commission (Tax Commission), having reviewed the matter, hereby upholds the Notices as issued by the Bureau.

BACKGROUND

In January 2022, the Tax Commission received information indicating a 1967 Aero Commander 500-B [REDACTED] Aircraft (Aircraft), owned by Petitioners, may have been present in Idaho for more than 90 days. The Bureau sent correspondence to Non-Resident requesting the following information: flight logs, evidence of tax paid to another state, any documentation supporting an exemption from Idaho tax, and purchase documentation. Petitioners' attorney-in-fact (AIF) responded to the Bureau's inquiry, submitting a copy of the purchase agreement and copies of the flight logs.

The Bureau reviewed the submitted documentation and determined that the Aircraft was not in Idaho for more than 90 days, contrary to initial assumptions. However, because the purchase agreement listed an Idaho resident as an owner, the Aircraft became subject to use tax at the time of purchase.

The Bureau contacted AIF to explain the basis for taxation. AIF disagreed, arguing that the Aircraft is not taxable since it was not physically present in Idaho for more than 90 days. The Bureau clarified that the key issue was not the Aircraft's presence in Idaho, but the Idaho resident's participation in the purchase and ownership, which triggered tax liability.

As an administrative courtesy, the Bureau issued Notices to Petitioners on a pro rata basis, which would allow each owner to pay their respective share. AIF then submitted a protest on behalf of Petitioners, including two letters from aircraft mechanics offering opinions on the Aircraft's market value.

In the protest, AIF stated that Petitioners never intended to bring the Aircraft to Idaho. He explained that the Aircraft diverted to Idaho after it malfunctioned during a flight from Florida to Arizona. AIF maintained that the Aircraft's limited time in Idaho exempted it from tax and further argued that, if taxable, the tax should not be based on the original purchase price, but rather the Aircraft's market value at the time it entered Idaho. AIF asserted in his protest that "The aircraft today, even after thousands of dollars' worth of repairs and upgrades is valued around \$5,000 and is virtually impossible to sell."

The Bureau acknowledged the protest and forwarded the case to the Tax Commission's Appeals Unit. Appeals sent letters to Petitioners outlining their options, and AIF requested an informal hearing. Resident and AIF attended the hearing.

During the hearing, Resident explained that the Aircraft appeared to be in good condition at the time of purchase but later required repairs, which led to its temporary relocation to Idaho. AIF reiterated their interpretation of Idaho's "presumptive evidence" rules, arguing that the market value, rather than the purchase price, should determine the taxable amount, if any.

After Petitioners completed their oral testimony, Appeals asked whether the Aircraft was still in use and Resident affirmed the Aircraft was currently still in use.

The Tax Commission, having reviewed all submitted information, issues its decision.

LAW AND ANALYSIS

The basis of Petitioners' protest centers on two primary issues: 1) Whether the Aircraft is subject to tax in Idaho; and 2) If so, what the correct taxable amount should be. The following discussion addresses each of these issues in turn.

Is the Aircraft subject to tax in Idaho?

Idaho Code section 63-3621(8) presumes that a purchaser brings tangible personal property into Idaho for storage, use, or consumption within the state. Additionally, after the Aircraft was purchased by Petitioners, one of whom is an Idaho resident it was flown into and used in Idaho by that Idaho Resident thereby confirming the presumption that it was intended for use in Idaho that attaches upon its purchase by an Idaho Resident. In this case, the Aircraft became subject to tax when Resident participated in its purchase. Because no sales or use tax was paid at that time, the tax remains due.

Additionally, Idaho Code section 63-3621(2) states that any person who stores, uses, or otherwise consumes tangible personal property in Idaho is liable for the tax. This liability continues until the person pays the tax to the state. Therefore, Resident's ownership interest in the Aircraft creates a tax obligation, regardless of how long the Aircraft was physically present in Idaho.

Was the Aircraft taxed at the correct amount?

Idaho Code section 63-3621(1) provides that the recent sales price is presumptive evidence of the value of tangible personal property for use tax purposes. Idaho Code section 63-3613 defines

“sales price” as the total amount paid for tangible personal property, without deductions for the seller’s costs, including materials, labor, or service charges, unless specifically exempted by law.

In this case, the purchase agreement identifies the sales price agreed upon by Petitioners and the seller. That amount constitutes the best evidence of the Aircraft’s value and is the amount subject to tax. Petitioners contend that the Aircraft’s condition and need for repairs should reduce its taxable value. In effect, Petitioners assert that the amount subject to tax should be reduced to reflect the cost of post purchase repairs and the Aircraft’s market value upon entering Idaho.

This position is inconsistent with Idaho Code section 63-3619, which provides that tax is calculated on the sales price. The statute does not allow deductions for post-sale expenses. Specifically, Idaho Code section 63-3613(a)(2) excludes from the definition of “sales price” any deductions for “the cost of materials used, labor or service cost, losses, or any other expense.”

Moreover, even if the Aircraft’s fair market value at the time it entered Idaho is relevant to the tax calculation the evidence submitted by Petitioners does not credibly establish a different value. The letters submitted by aircraft technicians regarding the Aircraft’s value assert that the Aircraft had less value than the amount paid for it, reasoning that it needed repair as demonstrated by the later problems. The assertions that the Aircraft was nearly valueless when it entered Idaho is further opposed by Petitioners’ admission that they are still using the aircraft for their intended purposes years after the repairs. The purchase price is the best evidence of the value of the Aircraft and Petitioners have not provided credible evidence of a different value.

CONCLUSION

The Tax Commission determined the Aircraft became subject to Idaho tax at the time of purchase due to the participation of an Idaho resident in the transaction. The Aircraft’s temporary presence in Idaho does not negate the tax obligation. The purchase price identified in the purchase

agreement constitutes presumptive evidence of value and no statutory exemption applies to reduce that amount. The Tax Commission found no basis to adjust the valuation or invalidate the assessment and therefore upheld the Bureau's determination.

THEREFORE, the Notice is hereby APPROVED with interest calculated at the rate set forth in Idaho Code section 63-3045, in accordance with the provisions of this decision and is AFFIRMED and MADE FINAL.

IT IS ORDERED that Non-Resident and Resident each pay the following tax, penalty, and interest:

<u>DOCKET NUMBER</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
1-666-192-384	\$4,155	\$1,039	\$576	\$5,770
0-592-450-560	\$4,155	\$1,039	\$576	\$5,770

DEMAND for immediate payment of the foregoing amount is hereby made and given.

An explanation of Petitioners' right to appeal this decision is enclosed.

DATED this _____ day of _____ 2025.

IDAHO STATE TAX COMMISSION

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____, 2025,
a copy of the within and foregoing DECISION was served by sending the same by United States
mail, postage prepaid, in an envelope addressed to:

Receipt No.

[REDACTED]

[REDACTED]

[REDACTED]