

#41 TRANSPORTATION

An Educational Guide to Sales Tax in the State of Idaho

This brochure is intended to help people in the transportation industry understand the sales tax laws that apply to their business. This information is based on the sales tax laws and rules in effect on June 1, 2008.

GROUND TRANSPORTATION

Are purchases of interstate trucks, buses, and trailers tax exempt?

Under the IRP exemption, trucks and buses registered with a gross vehicle weight of more than 26,000 pounds and trailers that are part of a fleet may be purchased exempt from Idaho sales and use tax if:

- The motor vehicle will be immediately registered under the International Registration Plan (IRP) or similar pro rata registration system, or the trailer will become part of an IRP-registered fleet, *and*
- The vehicle or trailer will be part of a registered fleet of vehicles that operates at least 10 percent of its fleet miles outside Idaho. An IRP-registered truck or bus may operate less than 10 percent of its miles outside Idaho and still be exempt from tax *if* the carrier operates at least 10 percent of its *overall fleet* miles outside of Idaho.

Buyers claiming this exemption must give the seller or the Idaho Department of Transportation a completed form ST-104-MV, Sales Tax Exemption Certificate—Vehicle.

If a vehicle or fleet doesn't meet both of the above conditions, Idaho use tax is due at the end of the registration period. *For example*, if a vehicle is removed from IRP or similar registration, use tax is due on the vehicle's fair market value determined as of the last day of the registration period. If the fleet miles outside of Idaho drop to less than 10 percent of the total, use tax is due on all vehicles and trailers that are part of the registered fleet and purchased under this exemption.

NOTE: Trucks and buses with a maximum gross registered weight of 26,000 pounds or less *don't* qualify for the IRP exemption.

How many vehicles does it take to make a fleet?

A fleet can be one or more vehicles.

What about repair parts and supplies?

The IRP exemption described earlier applies only to purchases of motor vehicles, trailers, and glider kits assembled into vehicles and immediately registered under the IRP or similar registration plan. All purchases of repair parts, supplies, tires, and other tangible personal property are taxable.

Do my vehicles qualify for the IRP exemption if I haul my own goods?

Generally, yes. You should contact the Idaho Department of Transportation to find out if your vehicles qualify for the International Registration Plan.

Does the IRP exemption apply to rentals and leases of trucks, trailers, and buses?

Yes. Rentals and leases of motor vehicles and trailers qualify for the IRP exemption. The customer must give the rental or leasing company a completed form ST-104-MV.

What about trucks, buses, taxis, or trailers that are used in Idaho but aren't IRP-registered?

These vehicles are taxable. Parts, supplies, and glider kit purchases are also taxable.

Do ground transportation companies have to charge sales tax on their services?

Ground transportation services, such as freight transportation by a trucking company or passenger trips offered by bus or taxi companies, aren't taxable. However, if a freight, bus, or moving company sells tangible personal property in Idaho, it must have an Idaho seller's permit and collect and pay sales tax on the items it sells, unless the buyer qualifies for an exemption and gives the seller a completed form ST-101, Sales Tax Resale or Exemption Certificate. (For more information, see Brochure #5—Retailers & Wholesalers: Making Exempt Sales.)

Examples are sales of trucks, buses, other motor vehicles, office furniture, and shop tools, and rentals of items such as boxes, hand trucks, forklifts, and packing materials.

Is there tax on items purchased by a common carrier for use out of state?

A common carrier may buy goods for out-of-state use without paying sales tax when:

- The common carrier uses its own vehicles to ship the purchases out of state,
- A bill of lading is written for the delivery, *and*
- The goods will be used in the buyer's business as a common carrier.

A common carrier that buys goods in Idaho and takes delivery of them in the state without a bill of lading must pay tax to Idaho like any other consumer from out of state. The point of sale, not the destination, determines which state receives the tax.

FLYING SERVICES

Are purchases of aircraft exempt from sales and use tax?

Yes, if the aircraft will be used primarily (more than 50 percent of its flight hours) to transport passengers or freight for hire. Transporting passengers by aircraft means a service offered to the public that takes people from one place to a different place where they will land and disembark. Transporting freight means hauling items fully enclosed within the aircraft from one location to another.

Purchases of aircraft that *are* exempt from sales tax include: aircraft used for regularly scheduled commercial flights, air ambulance transportation, and charter flights to landing destinations. Purchases of parts, repair, and replacement materials for these aircraft are also exempt from tax. Buyers who qualify for this exemption need to provide the aircraft vendor with a completed form ST-101, Sales Tax Resale or Exemption Certificate.

Buyers can also purchase aircraft tax exempt if they're held for resale or rented to customers who provide their own pilots. For more information on resale purchases and flight instruction, see Brochure #15—RVs, Boats and Aircraft.

Purchases of aircraft that *aren't* exempt from sales tax and are taxable include:

- Aircraft used for recreational flights such as hot air balloon rides, sightseeing, wildlife viewing, and similar services where the purpose of the trip isn't to get from one place to another.
- Aircraft used for airlifting power poles or machinery at installation sites, aerial logging, aerial spraying, fire suppression, or crop dusting.
- Aircraft owned by a company that offers services to its related companies, but not to the general public.

Purchases of parts and supplies for these aircraft are also taxable.

Are sales of flying services taxable?

No. Charges for flying services aren't taxable. Flying services include transporting passengers and freight for hire; recreational flights, including balloon rides, sightseeing, wildlife viewing, or similar activities; and flights for surveying, photography, and mapmaking.

Are fuel charges taxable when renting aircraft?

It depends. If the charge for aircraft fuel is separately stated from the aircraft rental fee on the invoice, sales or use tax doesn't apply to the fuel charge. If the charge for aircraft fuel isn't separately stated, that charge becomes part of the invoice amount subject to sales or use tax.

RAIL TRANSPORTATION

Are purchases by a railroad taxable?

When items are purchased by a railroad for use in Idaho, they're subject to sales or use tax unless a specific exemption applies to the purchase. Taxable purchases include office supplies and equipment, computers, motor vehicles, repair parts, and repair supplies.

Is there an exemption for railroad rolling stock?

Yes. The sale of railroad rolling stock that's been rebuilt or remanufactured in Idaho is exempt from tax, as well as all parts, material, or equipment used to rebuild or remanufacture the rolling stock. To qualify for this exemption, the railroad rolling stock must be used in interstate commerce for three consecutive months before being rebuilt or remanufactured.

Should a railroad collect sales tax on its sales?

The charge for transporting passengers or freight by rail isn't taxable. However, a railroad may sell other items that are taxable. Promotional items, supplies sold to employees, equipment, and other tangible personal property sold by the railroad are subject to sales tax unless the buyer qualifies for an exemption and gives the railroad a completed form ST-101.

The railroad also owes use tax when it gives away items on which sales or use tax hasn't already been paid. *For example*, when a railroad gives a boxcar to a school for use as a storage building, the railroad must pay use tax on the value of the boxcar when it's donated, unless the railroad paid tax when it acquired the boxcar.

SALES TO PASSENGERS

Are sales to airline, bus, and railway passengers taxable?

Some airline, railway, and bus companies buy food, drinks, souvenirs or other items exempt from tax and sell them to their customers in addition to the fare for the trip. A company that sells such items is a retailer. When a trip includes one or more scheduled stops in Idaho, the retailer must collect and pay sales tax on these sales. If the product is ordered or delivered in Idaho, Idaho tax is due, regardless of where the product is consumed. If a trip occurs in more than one state, businesses can prorate the sales for the trip by multiplying the total sales by the percentage of Idaho miles in that portion of the trip, instead of keeping track of the sales by state.

Transportation companies also may buy items that are provided to customers as part of the fare for the trip, or are given as gifts. *Examples* include in-flight meals, complimentary beverages, and souvenirs. These items are taxable if purchased in Idaho. If the transportation company buys the items in another state and doesn't pay sales tax to that state, use tax is due on these goods for any trip that includes one or more scheduled stops in Idaho. The company can prorate the amount subject to tax using the Idaho mileage percentage method described earlier.

For more information, read:

Brochure #2	Use Tax
Brochure #5	Retailers & Wholesalers: Making Exempt Sales
Brochure #11	Rental & Leasing Firms
Brochure #14	Motor Vehicles
Brochure #15	RVs, Boats & Aircraft
Rule 17	Airlines, Buses, and Railway Dining Cars
Rule 37	Aircraft and Flying Services
Rule 101	Motor Vehicles and Trailers Used in Interstate Commerce

For more information, contact:

- Idaho State Tax Commission: In the Boise area, 334-7660; Toll free, (800) 972-7660
- Hearing impaired: TDD (800) 377-3529
- tax.idaho.gov

This information was prepared by the Idaho State Tax Commission. It does not provide comprehensive explanations of Idaho tax laws or rules. Specific questions should be addressed to the Tax Commission or a qualified tax practitioner.