



NORTH DAKOTA AERONAUTICS COMMISSION
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Frequently Asked Questions

My aircraft has been in North Dakota for more than 30 days within a calendar year. If I register my aircraft with the FAA, do I still need to register it in North Dakota?

Yes. Registering your aircraft with the FAA does not meet your obligation to register it in North Dakota. You can register your aircraft here: www.aero.nd.gov/licensing/aircraft-registration

I live in Montana (or have a mailing address in Montana). Do I owe an excise (sales) tax in North Dakota?

An aircraft owner's address does not automatically exempt you from excise tax in North Dakota. To determine the answer to this question, we would ask: Is your aircraft based (parked/hangared/landed) in North Dakota for more than 30 unique days in a calendar year? If the answer to that is yes, then the aircraft is required to be registered, and an excise tax may be due. If you have never paid a tax on your aircraft before, you would owe a 5% tax on the purchase price or fair market value of your aircraft to the North Dakota Aeronautics Commission. If the aircraft has been subjected to tax in another state, and that aircraft is now based (parked/hangared/landed) in North Dakota, a credit for excise tax may apply by providing documentation verifying the tax was paid or that a valid exemption applies. Using a Registered Agent address from a state like Montana or Delaware **does not** exempt you from tax in North Dakota.

I only had to pay 4% tax when I lived in South Dakota. Do I still owe an excise (sales) tax?

Yes. North Dakota's excise tax rate is 5% (unless used exclusively for aerial application). If your aircraft is in North Dakota for more than 30 unique days in a calendar year, you would owe the remaining 1% tax on the purchase price of your aircraft to be able to register the aircraft and be compliant in North Dakota.

I am in North Dakota for more than 30 days in a calendar year, but I am already registered in another state. Do I still have to register and pay tax?

Possibly. You may need to be registered in multiple states. Each state has different requirements. It is up to the aircraft owner to research each state's regulations before visiting that state. If you've paid the correct sales tax to another state, at least equal to or greater than North Dakota's tax, you would not owe a tax but would still need to register the aircraft.

Do I have to prove a tax exemption?

Applications claiming tax exemption must include evidence of exemption.

I purchased my aircraft from a dealer. Didn't they pay the excise (sales) tax on my behalf to you?

No. When a sale takes place between an aircraft dealer and an individual, the dealer should notify the North Dakota Aeronautics Commission of the sale, and the commission collects the tax from the individual at the time of aircraft registration (which is due within 30 days of the purchase).

How long do I have before I am required to register and pay the excise (sales) tax on my aircraft?

There is a 30-day grace period for aircraft excise tax and registration payment from the time of transaction (or from bringing the aircraft into North Dakota if a tax has not yet been paid in another state).

I am buying an aircraft – do I have to pay an excise (sales) tax?

There is a 5% excise tax on the purchase price of any aircraft purchased or acquired either in or outside the state of North Dakota if the aircraft is required to be registered under the laws of this state. Aircraft used exclusively for aerial application purposes have an excise tax imposed at a rate of 3%. If an aircraft is parked/hangared/landed in North Dakota for 30 or more unique days within a calendar year, it is required to be registered, and an excise tax is due (unless it has been previously paid in another state).

Remit a copy of your purchase agreement or proof of purchase showing the amount paid along with SFN 11627, which is the Application for Registration of Aircraft/Ultralight and Remittance of Excise Tax Form. This can be found at www.aero.nd.gov/forms. Under NDCC 57-40.5-01, 'Purchase price' also means the *fair market value* when no current purchase is involved. Please note that a bill of sale with a nominal value such as \$1 and 'other valuable consideration' will not be considered adequate documentation of purchase price.

Can I register my aircraft in North Dakota without paying an excise tax?

All aircraft must be registered in North Dakota. You must provide proof that the correct sales or use tax has been paid or that your purchase is exempt. Exemptions from excise tax can be located here: www.aero.nd.gov/licensing/aircraft-excise-tax.

I cannot locate my purchase agreement. What can I do?

Our office will generally request the purchase contact, insurance documents, photographs, or any additional relevant documentation to establish the taxable base. If the purchaser is unable or unwilling to provide any relevant documentation to establish aircraft's taxable base, our office will use the best information available about the average retail value at the time of importation to North Dakota. The average retail value is available for many aircraft in the Aircraft Bluebook. If the aircraft is not in the Aircraft Bluebook, our office will look at the average retail value for a similar aircraft. Purchase price is the total consideration including cash, credit, property and services, for which an aircraft is sold.

I purchased my aircraft for \$1. Does this mean I owe \$0.05?

A bill of sale with a nominal value such as \$1 and 'other valuable consideration' will not be considered adequate documentation of purchase price. Under NDCC 57-40.5-01, 'Purchase price' also means the *fair market value* when no current purchase is involved. Our office will generally request the purchase contact, insurance documents, photographs, or any additional relevant documentation to establish the taxable base. If the purchaser is unable or unwilling to provide any relevant documentation to establish aircraft's taxable base, our office will use the best information available about the average retail value at the time of importation to North Dakota. The average retail value is available for many aircraft in the Aircraft Bluebook. If the aircraft is not in the Aircraft Bluebook, our office will look at the average retail value for a similar aircraft. Purchase price is the total consideration including cash, credit, property and services, for which an aircraft is sold.

I purchased an aircraft that is not airworthy. Do I owe an excise (sales) tax?

Yes. A taxable purchase has occurred, even though the aircraft is not currently airworthy. The tax is based on the price of the aircraft when it is purchased, regardless of whether it is later damaged and loses value. However, no registration fee is due on an aircraft that is unairworthy. You will need to contact us and pay a registration fee when the aircraft becomes airworthy and before it returns to flight.

I received a notice for tax on the purchase of an airplane I bought 5 years ago. Do I still have to pay the tax?

Yes. The tax was due and payable 30 days from the date the aircraft was acquired or purchased to register and/or pay tax in North Dakota. If for some reason tax payment was not initiated by the purchaser, as was required, and our office discovers the taxable purchase later, you will owe the tax unless you can provide documentation that the purchase is exempt, or the tax has been paid in another state under your ownership.

Why am I being notified years after I purchased an aircraft for a tax due?

If an aircraft owner did not pay the tax within the required 30 days from the date the aircraft was acquired or purchased, or from the date of the aircraft being brought into North Dakota, it is possible that our office may come across the purchase by cross-referencing databases. It may take some time, but we may discover an aircraft that has not paid tax or is not paying the required annual registration fees. Additional penalties and fees may apply to aircraft owners that avoid paying the appropriate excise tax and registration fees on time.

If I build a homebuilt aircraft from a kit, is the kit taxable?

Yes. Tax would be due on the purchase of the kit and all accessories. If the aircraft owner did not track all purchased parts for the construction of the aircraft, then the fair market value of the completed aircraft will be taxed. (Cost should include cost of kit, prop, and engine.) It is the responsibility of the aircraft owner to let our office know when the kit is complete.

Another individual is going to purchase partial ownership of my aircraft, but I already paid the excise tax in full. Do they have to pay tax again?

Yes. If a person buys partial ownership of an aircraft, excise tax is due on that share. Each transaction that occurs creates an excise (sales) tax.

I am trading my aircraft on another. Will I get credit for tax already paid?

Yes. But, to substantiate a claim to receive credit for trade-in value, the sales agreement and/or invoice must identify **both** the aircraft being purchased (and its purchase price), **and** the trade-in aircraft (and its value), in a *single* transaction. Buying and selling in two or more different transactions is not considered a 'trade.' We recommend you contact an eligible aircraft dealer within North Dakota to broker a trade and receive trade-in credit on the excise tax. Contact our office for a list of licensed aircraft dealers in North Dakota. When an aircraft is traded in for another aircraft, whether new or used, tax is due only on the difference between the purchase price and the trade-in allowance. It does not matter whether the transaction is between individuals or a dealer, but a sales agreement must be supplied documenting details of the trade between the two parties. Third-party transactions are not eligible for tax exemption. An agreement to sell an aircraft on **consignment** *does not qualify* as a trade, even if the subsequent proceeds are applied to the purchase price.

Can multiple states collect tax on my aircraft?

Sometimes. North Dakota has a tax rate of 5% (3% aerial applicator aircraft). This means if you move to another state where the tax is higher, you may need to pay the *difference* between the one-time fee already collected by North Dakota, and what the other state requires. North Dakota has reciprocity with other states. Keep your tax payment record as it could save you from paying excise tax to another state if the aircraft is ever relocated. Also, if you utilize an aircraft dealer and perform a trade-in on a new aircraft, then you would also be eligible to receive credit on the tax that has already been paid. Credit is only granted on trade-ins and is not eligible if two separate private aircraft transactions occur.

How did you know my aircraft is in North Dakota?

Typically, a tax notice is triggered when the aircraft is recorded with the Federal Aviation Administration aircraft title system. Our office cross references databases to determine which aircraft frequent our state and utilize North Dakota's infrastructure. You can show that a tax or registration is not required by providing flight logs, or other documentation to prove that the aircraft has not been in North Dakota for more than 30 unique days within a calendar year. The tax burden of proof falls onto the taxpayer.

What if I already sold the aircraft in question?

In this case, the tax was due at the time you brought the aircraft into North Dakota, and it was required to be registered under the laws of our state. Because the aircraft was subsequently sold does not make the prior use of the aircraft nontaxable. The tax is due on the transaction that occurred when you purchased the aircraft, regardless of whether you still own it.

Is it possible to avoid paying this tax?

It's no surprise that there are a few aircraft owners in *every* state that would want to attempt to avoid paying sales tax since aircraft are typically high-ticket items. Purchasers often buy their aircraft from an out of state seller, in which sales tax is not collected, and some do not realize that the corresponding excise tax is triggered when the aircraft is subsequently brought into North Dakota. Those using Montana addresses aren't automatically free from paying the tax if their aircraft are parked/hangared/landed in North Dakota for more than 30 unique days in a calendar year. However, exemptions *do exist!* Credit for excise tax paid in other states will be honored. We just need proof. If the state you paid tax collected *less* than 5%, you may need to pay that difference, but we are not looking to collect *more* than 5%. Each state's regulations and registration requirements differ. Make sure you research the regulations of the state you want to frequent your aircraft as you may need to be registered in multiple states. Other excise tax exemptions, like aircraft for use as an air ambulance, can be found by reading section 57-40.5-03 of the NDCC (www.legis.nd.gov/cencode/T02C05.pdf).

What happens to the registration fees and excise taxes collected?

We understand that no one enjoys paying taxes, however it's important to understand where your money is going. The taxes and annual registration fees collected by our agency go directly into a Special Fund, which enables the state to provide airport infrastructure grant funding to ensure the safe operation of North Dakota's public-use airports. The fees support the maintenance and preservation of the very airports that you are able to enjoy and utilize once you purchase your aircraft.