

# California Aircraft Tax Planning Discussion Guide

Separate the tax systems. Keep the evidence.



# Inside this guide

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## A practical guide to the decision

This workbook organizes a conversation with an aviation tax adviser. Record each proposed treatment, the facts supporting it and the downside cash requirement if it is unavailable.

# Use this guide with your transaction team

Mark each assumption as confirmed, provisional or unresolved. Assign a responsible person and a date to every material open item. Revisit the record when the aircraft, ownership entity, operating plan or financing structure changes.

Use this resource with qualified advisers for your transaction. Educational guidance does not replace tax, legal, technical or operational advice specific to the aircraft and facts.

## Identify the tax system first

A California dealer sale and an out-of-state or private-party acquisition can follow different collection paths. CDTFA describes use tax as the counterpart when aircraft are acquired for California use without California sales tax being paid to a dealer. An aircraft broker arranging a transaction is not automatically the retailer. The purchase agreement and closing statement should identify who is collecting which tax, rather than leaving that question to the aircraft delivery team.

## Separate three ownership costs

Sales or use tax is an acquisition issue. County aircraft property tax is an annual assessment issue. Federal and California income-tax deductions are separate again. A buyer can have obligations in more than one system, and obtaining a deduction does not establish a use-tax exclusion. Put separate rows for each category in the purchase budget, identifying the adviser responsible for the number and whether the amount is confirmed or provisional.

## Create an evidence file before the first flight

Keep the signed purchase agreement, closing statement, delivery acceptance, seller delivery statement, flight records and evidence of the intended base. A defensible file connects the legal transaction with what actually happened afterward. If someone proposes an exclusion, ask for its legal basis, relevant period, required records and consequences of a mission change. A verbal promise that a flight itinerary will eliminate tax is inadequate.

# Translate uncertainty into a financing decision

A financing structure should remain workable if a proposed tax treatment is not accepted. Ask whether the lender finances any acquisition costs, whether tax must be paid separately and whether additional liquidity is required. Model a conservative taxable scenario alongside the adviser-supported alternative. Differences in cash needed at closing matter even when the aircraft price and loan payment remain identical.

## A practical planning exercise

Illustrative planning exercise: compare the same aircraft with acquisition tax paid in cash and with no exclusion assumed. Keep the rate and taxable amount explicit; the calculator must not declare the transaction exempt.

## Delivery and first functional use

A delivery plan should align the contract, title transfer, acceptance and physical location of the aircraft. Record the date, airport, aircraft serial number and people signing the acceptance. Keep the seller statement alongside the closing documents and flight records. A fuel receipt is useful corroboration but does not by itself explain when ownership passed or why the aircraft was delivered at that airport.

CDTFA distinguishes delivery from first functional use. The regulation describes functional use as use for the purpose for which the property was designed. A positioning or acceptance event should not automatically be characterized by a website as qualifying first use. Describe the proposed sequence to an aviation tax professional before travel begins, including passengers, business purpose and planned first California entry.

## The twelve-month California connection

Regulation 1620 contains historical rules as well as current provisions. Its twelve-month subsection applies to the current acquisition period and addresses aircraft purchased outside California, first functionally used outside California and brought into the state within twelve months of purchase. An old article mentioning ninety days should not become the basis for a present closing plan without checking operative law and purchase date.

The regulation lists connections that can trigger a rebuttable presumption, including California residence, aircraft property-tax exposure in the initial ownership period and sufficient California use or storage by a nonresident. It also addresses closely held corporations and LLCs with California-resident ownership. Forming an entity in another state does not by itself answer whether the relevant residence condition applies to the aircraft acquisition.

## An exclusion requires its own evidence

CDTFA describes potential treatment involving delivery and first functional use outside California, followed by a specified interstate or foreign commercial flight-time test during the six months immediately after initial California entry. The aircraft calculation concerns flight time, not vehicle miles or vessel nautical miles. Keep the first-year presumption and six-month commercial-use analysis clearly labeled so their periods and units are not mixed.

The regulation uses commercial to refer to business use and excludes personal use in this context; it is not simply another word for a Part135 charter flight. Record the business purpose of each claimed flight and retain meeting records or correspondence. A personal weekend trip to Nevada should not be counted as commercial time merely because it crosses a state boundary.

## Aircraft property tax is a separate system

County aircraft property tax is different from sales/use tax paid on acquisition and from income taxes affected by depreciation. Do not remove the annual budget line merely because an acquisition exclusion is being discussed. Obtain county guidance for the aircraft and intended base, identify the assessment account and establish who receives notices. A financed aircraft does not cease to be assessable simply because a lender holds a security interest.

County guidance describes aircraft assessment by ownership, location and value as of January 1. That date does not mean the aircraft is valued only when it is purchased or that the lender appraisal automatically becomes the assessment. The owner should preserve a snapshot of configuration, condition, hours and maintenance status around the relevant date. Changes afterward should be clearly dated so evidence is not mistakenly applied to the wrong valuation period.

# Federal and California deductions differ

FTB says California conforms to federal law with modifications and identifies specific areas of nonconformity. Its current guidance reflects an updated reference date under the 2025 Conformity Act, but that does not mean every later federal provision is adopted. IRS Publication 946 also discusses recent federal changes. Have the preparer identify acquisition date, placed-in-service date, tax year and applicable law before using a depreciation percentage.

FTB depreciation instructions identify differences involving additional depreciation and asset-expensing elections, among others. Those differences can affect deductions and later basis. Ask for separate federal and California schedules rather than one spreadsheet number labeled tax savings. The schedule should reconcile original cost, capitalized improvements, dispositions and allowable deductions. A difference that matters little in the first year may materially affect the calculation when the aircraft is sold.

# Preserve the records behind the position

Capture aircraft identity, dates, origin, destination, flight time, passengers, business relationships and purpose. Retain source records and supporting documents so a reviewer can reconcile a summary to the actual operation. Do not force an entry into a favorable category simply to satisfy a spreadsheet target. If information is missing, identify the gap while the crew or business traveler can still provide reliable context.

Federal business-use depreciation, California interstate-commerce use tax and county property-tax situs do not use one universal percentage. The first may require passenger and purpose classification; another has its own flight-time period; situs concerns a legally relevant location connection. Use separate outputs from a common factual record. Label the legal question, measurement dates and reviewer so one calculation is not accidentally used to answer a different tax issue.

# Your decision worksheet

This workbook organizes a conversation with an aviation tax adviser. Record each proposed treatment, the facts supporting it and the downside cash requirement if it is unavailable.

For each line, record the known facts, the evidence or quote supporting them, who is responsible for confirmation and the next action. Date each entry so that a later reader can distinguish a current quote from an old assumption.

| Planning item                                 | Evidence to gather                                   | Decision to record                        |
|-----------------------------------------------|------------------------------------------------------|-------------------------------------------|
| Seller, buyer and ownership entity            | A dated source, quote, agreement or adviser response | Confirmed / provisional / action required |
| Delivery date, place and acceptance evidence  | A dated source, quote, agreement or adviser response | Confirmed / provisional / action required |
| First functional use evidence                 | A dated source, quote, agreement or adviser response | Confirmed / provisional / action required |
| Expected California entry and basing          | A dated source, quote, agreement or adviser response | Confirmed / provisional / action required |
| Sales/use-tax treatment and legal basis       | A dated source, quote, agreement or adviser response | Confirmed / provisional / action required |
| County aircraft assessment questions          | A dated source, quote, agreement or adviser response | Confirmed / provisional / action required |
| Federal and California income-tax assumptions | A dated source, quote, agreement or adviser response | Confirmed / provisional / action required |
| Records, deadlines and responsible advisers   | A dated source, quote, agreement or adviser response | Confirmed / provisional / action required |

## Before you commit

Resolve material unknowns with the professional responsible for that subject before taking the next irreversible step. Keep aircraft technical acceptance, lender requirements, insurance and tax advice distinct in the transaction file.

Use the related calculators to compare a base case with a less favorable case. Bring the complete inputs and assumptions into the next conversation, rather than relying only on the headline result.

## Your next-step checklist

- ☐ Seller, buyer and ownership entity
- ☐ Delivery date, place and acceptance evidence
- ☐ First functional use evidence
- ☐ Expected California entry and basing
- ☐ Sales/use-tax treatment and legal basis
- ☐ County aircraft assessment questions
- ☐ Federal and California income-tax assumptions
- ☐ Records, deadlines and responsible advisers

# Working notes & adviser questions

This workbook organizes a conversation with an aviation tax adviser. Record each proposed treatment, the facts supporting it and the downside cash requirement if it is unavailable.

Record a decision, the supporting evidence, the responsible adviser and the next action. Keep a copy with the dated transaction file.

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## Before the next commitment

What would change the decision? Which condition could delay closing? What additional cash would be needed in a less favorable case?

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# Sources & next steps

[Aircraft purchase tax guide](#)

[Regulation 1620: Interstate and Foreign Commerce](#)

[Aircraft Owner Information](#)

[Boats and Aircraft](#)

[Watercraft and General Aircraft](#)

[California Conformity to Federal Law](#)

[2025 Form 3885A instructions](#)

[Publication 946: How To Depreciate Property](#)

[Property Tax Annotation 740.0002](#)

The complete HTML edition uses the same structured content and is available at </california-taxes/california-aircraft-tax-planning/>. Primary sources support the relevant facts; original planning frameworks and examples remain illustrative.

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# Submit a deal or arrange a financing call

Email an initial deal summary to [jason@jakenaviation.com](mailto:jason@jakenaviation.com) or call 833-264-7776. Include the aircraft, purchase price or value, financing request, available equity, intended use, California connection and timing.

Use the appropriate secure channel for sensitive supporting documents. Any lender decision requires separate review, documentation and current terms.

[Request a financing call](#)

[Explore documented program information](#)