

Aviation Terminology: The "Word" Is . . . "Personal Property Tax"

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General: "Personal property tax" is a state/local tax based upon the value of personal property. "Personal property" generally means aircraft, motor vehicles, watercraft, farm machinery and equipment, and any other personal property not specifically exempt from tax by law. Not every state or locality imposes personal property tax, and it is sometimes confused with "sales" tax, but these are very different. Sales tax is a tax on the "transfer" of property, while personal property tax is a tax on the "ownership" of property. A sales tax occurs only once-at the time the property is purchased. A personal property tax, however, is generally imposed every year that the property is owned. Personal property tax applies to the property of both residents and nonresidents whose property is held in the state, but does not normally include the property of nonresidents whose property is regularly kept in another state.

What Happened to Senator McCaskill and Why? It has been reported that Senator Claire McCaskill (D-MO) and her husband failed to pay St. Louis County, Missouri, at least \$287,000 in personal property taxes on a private aircraft. The aircraft is owned by Sunset Cove LLC, a subsidiary of Timesaver LLC, which is owned by Sen. McCaskill's husband and other investors. The entity owning the aircraft is a Delaware company, but that is irrelevant for personal property tax purposes. The aircraft had been hangared at the Spirit of St. Louis Airport in St. Louis County, Missouri since 2007, and before that, the aircraft was based in Illinois.

Sen. McCaskill said that no personal property taxes were paid to St. Louis County because of an oversight as to the state and local laws regarding such taxes; no personal property taxes were owed in Illinois, where the aircraft was hangared before it was moved to Missouri.

Private aircraft are not licensed or registered in Missouri, so the state had no record of who owned the aircraft, and St. Louis County sent no tax bill to the aircraft owner. As a result, Sen. McCaskill claims that her husband and the company owning the aircraft had no knowledge that personal property taxes were owed. Aircraft owners must self-report their aircraft ownership for personal property taxes. To that end, St. Louis County sends out personal property declaration forms in January, which are due in March, for residents to declare what they own, which St. Louis County then uses to calculate the amount of personal property taxes due.

Playing It Smart: The primary mistake here was changing the aircraft's hangar to a new location without first considering and researching the tax implications of this action. The second mistake was assuming that there was no personal property tax in Missouri because there was no such tax in Illinois. The third mistake was assuming that "someone" from the municipality was going to come around and ask for the tax. When owning, operating and hangaring an aircraft, (1) at least one person needs to be designated with the responsibility for tax compliance, and (2) every intended activity with respect to an aircraft must be followed by the following question: What are the tax implications of this action? These two simple steps can help avoid the kind of problem now facing the Senior Senator from Missouri.

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