OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

PHONE (405) 521-3133
FACSIMILE (405) 522-0063

March 7, 2006

Re: Our File Number LR-06-033; Purchase of an "exemption license" by a manufacturer of aircraft.

Dear]

This is in response to your inquiry concerning the two questions we have set out below. Each is followed by our response.

Your Question Number 1. *We have two airplanes that were manufactured by and they will never be sold. The two airplanes and identifying numbers are a. N11XA - SN 11 E-00996 We manufactured this airplane as a conforming airplane. All FAA specifications are up to date and will stay up to date. b. N11XE - SN 11 E-00995 We manufactured this airplane as an Experimental airplane. We use this airplane to test design concepts. My question on both of these airplanes is do we not pay excise tax or yearly registration fee because we are the manufacturer and we do have an Aircraft Manufacturer Exemption License. In lieu of the excise tax and the yearly registration fee we must pay a Manufacturer Registration Fee of $250 per airplane. Is this correct*

Our Response: Yes, you must pay the Manufacturers Registration fee of $250.00 per airplane as described in Title 3, Section 256.2A.

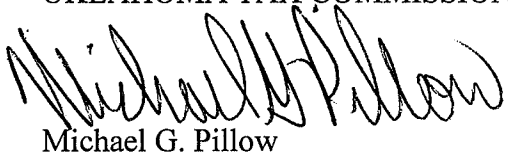
Your Question Number 2. *We carry a Raw Material Inventory which we have been paying Ad Valorem Tax. The aircraft Manufacturer Registration Fee of $250 talks about "aircraft in the process of manufacture" and those fees are paid in lieu of Ad Valorem Tax. At what point is an airplane considered manufactured enough to pay the $250 and what part of our Raw Material Inventory is exempt from Ad Valorem Tax because we will be paying the $250 on it?*

Our Response: When you make an accounting entry to transfer the cost of the material to be used in the manufacture of an aircraft from your raw material inventory to the aircraft which is in the process of being manufactured, you have, in effect, transferred the material from being taxable under the Ad Valorem Tax to being exempt by virtue of the "in lieu of" Manufacturer's Registration Fee being due.

This response applies only to the circumstances set out in your request of April 30, 2004. Pursuant to Commission Rule 710:1-3-73(e), this Letter Ruling may be generally relied upon **only** by the entity to whom it is issued, assuming that all pertinent facts have been accurately and completely stated, and that there has been no change in applicable law.

If I can be of further assistance, please feel free to contact me.

Sincerely,
OKLAHOMA TAX COMMISSION



Michael G. Pillow
Tax Policy Analyst

cc: