

## PRIVATE TAXPAYER RULING LR02-023

December 10, 2002

This private taxpayer ruling is in response to your letter of October 30, 2002, as updated on November 18, 2002. You request the Department to rule on behalf of your client, \*\*\* ("Parent"), that the taxpayer's relocation to Arizona of an aircraft acquired through liquidation and merger of a wholly-owned subsidiary does not give rise to liability for Arizona use tax.

The following is a restatement of the facts as presented in your letter:

### Statement of Facts

Parent is a \*\*\* corporation with its headquarters and domicile in \*\*\*. \*\*\* ("Leasing") is a \*\*\* corporation and a wholly-owned subsidiary of Parent. Among the assets owned by Leasing is a \*\*\* aircraft ("Aircraft") that is based in \*\*\*. \*\*\* ("Predecessor") purchased the Aircraft in 1999 from the Aircraft's manufacturer. Predecessor was a limited partnership that, at the time of the Aircraft's purchase, had two partners—one Parent, the other a limited partnership composed of two wholly owned subsidiaries of Parent. Predecessor paid tax to \*\*\* on the net purchase price of the Aircraft after a trade-in allowance. Leasing (and Predecessor before) leases the Aircraft to Parent.

On or about December 31, 2002, Leasing will be liquidated and merged into Parent as part of a program to eliminate unneeded legal entities. After the liquidation and merger, Parent will own the Aircraft and the Parent-Leasing leasing arrangement will cease. Parent then expects to move the Aircraft to Phoenix sometime in 2003, where it will be permanently based.

### Your Position

Parent is not liable for Arizona use tax on the permanent relocation of the Aircraft to Arizona for one of two reasons. First, Leasing was not a retailer with respect to the liquidation transfer, and use tax only applies to the use of property purchased from a retailer. Alternately, if Leasing was a retailer with respect to the liquidation transfer, the transfer constitutes a casual sale, and use in Arizona of property received in a casual sale is exempt from use tax.

### Conclusion and Ruling

The following ruling is given based on the facts presented in your request.

The Department rules that acquisition of the Aircraft by Parent solely by the liquidation and merger of its wholly-owned subsidiary Leasing does not create Arizona use tax liability.

The conclusion of this private taxpayer ruling does not extend beyond the facts presented in your letters dated October 30, 2002 and November 18, 2002.

This response is a private taxpayer ruling and the determination herein is based solely on the facts provided in your request. The determinations are subject to change should the facts prove to be different on audit. If it is determined that undisclosed facts were substantial or material to the department's making of an accurate determination, this taxpayer ruling shall be null and void. Further, the determination is subject to future change depending on changes in statutes, administrative rules, case law, or notification of a different department position.

The determinations in this private taxpayer ruling are only applicable to the taxpayer requesting the ruling and may not be relied upon, cited, nor introduced into evidence in any proceeding by a taxpayer other than the taxpayer who has received the private taxpayer ruling.