



Reap the tax benefits of your new aircraft purchase – FAQs

Q: Can I really depreciate 100% of the value of my new aircraft in the first year?

A: Yes. The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 extended and expanded Internal Revenue Code § 168(k) and its related regulations - the "bonus" depreciation provisions - to allow the taxpayer to deduct the full cost of an aircraft in the first year of purchase.

Q: How do I qualify?

A: There are four principal (though not exclusive) qualifications for the 100% bonus depreciation benefits:

- (1) You must use your aircraft "predominantly" for business purposes
- (2) The "first use" of the aircraft or capital upgrade must be with the taxpayer (*i.e.* pre-owned aircraft purchases do not qualify in most cases)
- (3) The plane must be placed in service by the taxpayer prior to January 1, 2014;
- (4) There must not have been a written binding contract already in place for the purchase dated after December 31, 2007 (the law, in other words, is designed to "stimulate" new purchases)

Whether you have sufficient "qualified business use" will depend on your business structure and how the aircraft will be used. The law allows for the personal use of business aircraft, but careful tax planning is required to assure that the proper calculations are performed and the proper records are kept to preserve your maximum deductions. An experienced tax attorney can help you and your Certified Public Accountant with these specialized calculations.

Q: Show me an example:

The 100% depreciation allowance makes calculating your immediate tax benefit considerably easier than in years past where your ultimate deduction was a combination of the bonus allowance and "ordinary" MACRS depreciation. In approximate figures:

Aircraft Price (Cost Basis)	Depreciable Amount	Tax Savings at 39.5% Tax Rate
\$1,100,000.00	\$1,100,000.00	\$434,500.00

Q: Are there any special rules that apply to different types of ownership arrangements?

A: Yes. There are rules that qualify the above with respect to aircraft acquired in like-kind exchanges, sale and leaseback transactions, fractional program aircraft, and where the acquisition is part of certain partnership terminations or non-recognition corporate transactions. Commercial operators such as charter companies and those who use their aircraft predominantly outside the U.S. should also consult a qualified aviation tax advisor to evaluate how the 100% bonus provisions apply.

There are many other advantages and details which we can help you and your tax professionals understand and apply to your particular situation. Please contact us for a detailed consultation, or visit www.goodattorneysatlaw.com/aviation.html to learn more.



Ari Good, Esq. received his JD from DePaul University and his LL.M. (Masters of Law in Taxation) from the University of Florida. He represents aircraft buyers, sellers and operators in advanced business and tax planning matters. He has closed hundreds of transactions involving everything from light sport aircraft to Fortune 100 business jets. Mr. Good routinely works closely and respectfully with his clients' other tax and legal advisors, including assisting clients' Certified Public Accountants with niche filing and reporting matters.