



9224 W. Raintree Dr. • Columbus, IN 47201 • (800)342-9589 • Fax (812)341-9001

## **Tax Savings Available with Aircraft Purchase**

*Favorable Depreciation Schedules Offer Considerable Tax Savings on Aircraft Purchases.*

You may enjoy some tremendous tax incentives offered by the Internal Revenue Code if you utilize your aircraft in your trade or business. Depreciation laws allow the write off of an aircraft over five years for Federal Aviation Regulations Part 91 operators. With proper planning and compliance of Federal Aviation Regulations and the tax code, an aircraft owner can realize significant tax relief on both income taxes and sales and use taxes.

### **A Used \$450,000 Aircraft Example**

By fully integrating your aircraft into your trade or business, you can also generate tax savings by substantially deducting all the operating expenses of the aircraft. Sales and use tax savings can amount to an additional four to nine percent of the aircraft purchase price. Sales and use tax savings opportunities vary depending on the state that serves as home base of the aircraft. The accompanying table illustrates the approximate amount of potential tax depreciation generated from the purchase of a used \$450,000 aircraft based on 100% business use:

Purchase Price - \$450,000

<b>Tax Year</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Percentage of Purchase Price Depreciated	64%	79%	87%	92%	97%	100%
Potential Tax Deductions from depreciation	\$290,000	\$64,000	\$38,400	\$23,040	\$23,040	\$11,520
Potential Income Tax Savings from depreciation *	\$116,000	\$25,600	\$15,360	\$9,216	\$9,216	\$4,608
Potential Sales Tax Savings (6%)	\$27,000					

\* Potential tax depreciation includes Section 179 Expensing

\* Potential income tax savings computed based on 40% combined federal and state marginal income tax rates

Improper planning for personal use of a business aircraft can lead to substantial missed opportunities for savings or deductions; therefore it is extremely important to understand the impact of personal use on a business aircraft. Federal Aviation Regulations and Internal Revenue Code compliance cannot be overemphasized. The changing tax laws have created new planning strategies for handling the personal use of a business aircraft due to the fact that reimbursement for personal travel is typically prohibited for Part 91 operators.

Of course, each taxpayer's situation is different. In some cases, you may not be able to take full advantage of the deductions discussed above. Proper planning begins with the help of aviation tax specialists. Failure to document and support the proper business and personal use or failure to file the proper tax election with the taxing authorities can jeopardize these deductions. Finally, it is imperative that you operate your aircraft in full compliance with the Federal Aviation Regulations. To find out more, please visit our website, [www.aviationtaxconsultants.com](http://www.aviationtaxconsultants.com) or call us at **1-800-342-9589**.

*Aviation Tax Consultants (ATC) assists aircraft purchasers in acquiring aircraft in a tax efficient manner. Our services include the elimination or reduction of sales tax at the time of purchase, maximizing income tax savings, controlling the cost of personal use of the aircraft, avoiding passive activity loss rules and complying with Federal Aviation Regulations. Cooperation with client's current tax and legal advisors is welcome and encouraged.*

**Fred McCarter, Managing Member**  
[fmccarter@aviationtaxconsultants.com](mailto:fmccarter@aviationtaxconsultants.com)

**Daniel Cheung, CPA, Member**  
[daniel@aviationtaxconsultants.com](mailto:daniel@aviationtaxconsultants.com)

**Updated: February 2008**

Disclosure Under IRS Circular 230: To ensure compliance with requirements recently imposed by the IRS, we inform you that any tax advice contained in this communication, including any attachments, was not intended or written to be used, and cannot be used, for the purpose of avoiding federal tax related penalties or promoting, marketing or recommending to another party any tax related matters addressed herein.