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BONUS DEPRECIATION RETURNS

- * *Write off 95% of a new aircraft purchase in 2008*
- * *Section 179 Expensing increases to \$250,000*

The House of Representatives and the Senate passed the final version of the economic stimulus package on February 7, 2008. Two key provisions in the package that will benefit the general aviation industry are the return of 50% bonus depreciation and the increase of Section 179 Expensing. President Bush has promised to sign the economic stimulus package into law.

A Cessna 172S 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 Cessna 172S, based on 100% business use:



Purchase Price - \$283,500

Tax Year	2008	2009	2010	2011	2012	2013
Percentage of Purchase Price Depreciated	95%	97%	98%	99%	100%	100%
Potential Tax Deductions from depreciation	\$270,100	\$5,360	\$3,216	\$1,930	\$1,930	\$965
Potential Income Tax Savings from depreciation *	\$108,040	\$2,144	\$1,286	\$772	\$772	\$386
Potential Sales Tax Savings (6%)	\$17,010					

- * *Potential tax depreciation includes 50% Bonus Depreciation and Section 179 Expensing in 2008*
- * *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.

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 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.

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