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## ***2012 Business Aviation Tax Update***

### 50% Bonus Depreciation

Bonus depreciation for new business aircraft is 50% for 2012 and this will be in effect until December 31, 2012. Generally, the aircraft has to be placed in service by December 31, 2012 to qualify for 50% bonus depreciation.

### Section 179 Expensing

A taxpayer can expense up to \$125,000 of a new or used business aircraft, or improvements made to an aircraft. There is an aggregate limit of \$125,000 expensing allowed for each taxpayer and it is restricted to taxpayers who purchase less than \$625,000 in capital assets. A taxable income requirement has to be met in order to utilize this expensing provision.

### Planning Opportunities

By integrating an aircraft into your business, you can generate tremendous tax savings by deducting the operating expenses and a significant portion of the purchase price of the aircraft in 2012. Ownership structure will impact your ability to utilize bonus depreciation.

Other income tax planning opportunities include: personal use of a business aircraft, related party leasing rules for listed property, passive activity loss issue, hobby loss rule, and documentation requirements to support the business use of the aircraft.

State income tax treatment of bonus depreciation varies. Some states have decoupled from federal law and disallowed bonus depreciation for state income tax computation.

Sales and use tax planning can result in additional savings of between six to nine percent of the aircraft purchase price. Sales and use tax planning opportunities vary depending on the state that serves as the home base of the aircraft. Some states offer the complete elimination of sales and use tax liability for qualifying business aircraft. Other states offer exemption that allows the deferral of the sales and use tax liability to be paid based on the actual usage of the aircraft. Understanding your state's available exemption and planning to meet the exemption prior to closing is paramount.

The inter-relation and operation of the Internal Revenue Code, state sales and use tax laws and the Federal Aviation Regulations create unique planning opportunities for business aircraft owners.

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, LLC 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, complying with passive activity loss and related party leasing rules and Federal Aviation Regulations. Cooperation with client's current tax and legal advisors is welcome and encouraged.*

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