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100% BONUS DEPRECIATION Available for 2012 Deliveries

President Obama signed H.R. 4853 into law in December 2010. This legislation increases bonus depreciation for new business aircraft to 100%. The law is retroactive for new aircraft purchased after September 8, 2010 and will be in effect until December 31, 2011.

The general rule to qualify for bonus depreciation includes:

- Purchase and place in service a new business aircraft in 2011
- Aircraft held as demonstrator by factory or dealer will qualify as new aircraft
- Acquiring an existing position in the market place for an aircraft that will deliver in 2011 can qualify for bonus depreciation.

If the following requirements are met, a 2012 new aircraft delivery can also qualify for 100% bonus depreciation:

- Signing a binding contract to buy a new aircraft by December 31, 2011
- Making a non-refundable deposit of the lesser of:
 - 10 percent of the cost, or
 - \$100,000
- The aircraft should have an estimated production period exceeding 4 months
- The cost of the aircraft exceeds \$200,000
- Taking delivery and placing the aircraft in service for Part 91 operation by December 31, 2012
- Depreciation will be taken on 2012 income tax return

(Based on current law, bonus depreciation is 50% for 2012.)

By integrating your business aircraft into a trade or business, you can generate tremendous tax savings by deducting your aircraft operating expenses, in addition to 100% of the purchase price of the aircraft in 2011. Ownership structure will impact your ability to utilize bonus depreciation on your business aircraft. Other income tax planning opportunities include: personal use of a business aircraft, related party leasing rules for listed property, passive activity loss issue, and documentation requirements to support the business use of the aircraft.

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

To find out more, please visit our website, www.aviationtaxconsultants.com or call us at **1-800-342-9589**.

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