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New aircraft purchase can create tax refunds from 2004 *Bonus Depreciation can create net operating loss carryback*

The Worker, Homeownership, and Business Assistance Act of 2009 (H.R. 3548), was signed by President Obama on November 6, 2009. The legislation provides a rare opportunity for qualified taxpayers to receive income tax refunds from tax year 2004 to 2008.

In this economic environment, it is not uncommon for a taxpayer to have a substantial income in one year, but losses in another. When a taxpayer incurs a net operating loss (NOL), Section 172 of the Internal Revenue Code allows a taxpayer to carry back this loss to prior tax years as a deduction. Under the new legislation, all businesses of every size can carry back NOL for up to five tax years.

A loss carry back to 2004 is limited to 50-percent of the available taxable income for that year. Any remaining NOL can be carried forward to 2005 and subsequent tax years until fully utilized.

By purchasing a new aircraft in 2009 and utilizing bonus depreciation, a taxpayer may generate a tax loss for tax year 2009 and result in a tax refund opportunity for a prior tax year.

There are many variables in computing and filing a net operating loss claim. A thorough review of prior year income tax returns and current year projection are necessary to confirm that a tax refund opportunity exists.

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

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