



## **To Maximize Your Tax Depreciation Complete Your Aircraft Purchase By September 30, 2010**

### MACRS Depreciation Method

Federal depreciation is governed by the Modified Accelerated Cost Recovery System (MACRS.) The application of MACRS encourages a taxpayer to purchase an aircraft during the first nine months of a tax year. Two conventions impact the actual depreciation schedule of an aircraft:

- Half year convention – all equipment purchased throughout a tax year is considered to be placed in service on July 1, and will receive one half year of depreciation deduction in the year of acquisition.
- Mid quarter convention – if a taxpayer purchases over forty percent (40%) of his equipment in the fourth quarter of the tax year, depreciation deduction is limited in the first tax year.

The following table is the depreciation schedule for an aircraft that is operated under Part 91 of the Federal Aviation Regulations, purchased before and after September 30, for a calendar year taxpayer:

	Half Year Convention (before September 30)	Mid Quarter Convention (after September 30)
Year 1	20%	5%
Year 2	32%	38%
Year 3	19.2%	22.8%
Year 4	11.52%	13.7%
Year 5	11.52%	10.9%
Year 6	5.76%	9.6%

*Therefore, in order to maximize your aircraft depreciation deduction, you should place the aircraft in service by September 30, 2010.*



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If you are in the market for a new factory manufactured aircraft, you should place the order so that delivery of your new aircraft by September 30 is possible. If you are acquiring a used aircraft, you should accelerate your search process. Financing and pre-purchase inspection can add unexpected delays to the closing of the aircraft.

### Section 179 Expensing

For aircraft purchase that qualifies for Section 179 Expensing, the amount available for expensing is \$250,000. The expensing is not pro-rated for fourth quarter purchase. Section 179 is phased out for aircraft costing more than \$1,050,000.

### Placed In Service

You should be aware that the aircraft has to be “**placed in service**” by September 30 in order to begin depreciation. Signing a contract or making a deposit will not satisfy the placed in service requirement. You should have legal title to the aircraft and the aircraft should be available to you to fly in order to meet the placed in service requirement.

*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 an aircraft, and complying with Federal Aviation Regulations. Cooperation with client’s current tax and legal advisors is welcomed and encouraged.*

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