



9224 W. Raintree Dr. • Columbus, IN 47201 • (800)342-9589 • Fax (812)341-9001

Economic Stimulus Package Helps Pre-owned Aircraft Buyers

** 50% Bonus Depreciation and Section 179 Expensing apply to aircraft improvements made in 2008*

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 signed the legislation into law on February 13, 2008.

- * Section 179 Expensing allows a small business to expense capital improvements, instead of depreciating the asset over its useful life, in the year of acquisition. In 2008, a taxpayer can expense \$250,000 of the cost of a used business aircraft. The remaining basis will be depreciated over five tax years for Part 91 operators. The benefit is completely phased out when the cost of the aircraft and other capital improvements exceed \$1,050,000.
- * Bonus depreciation applies to factory new aircraft purchase only. However, for used aircraft buyers that are planning to upgrade avionics, interior or engine to the aircraft, bonus depreciation and Section 179 Expensing will offer incentive to make those improvements in 2008. The improvements should be completed and placed in service before December 31, 2008 to qualify for the deductions. Section 179 Expensing will allow the cost of the upgrades to be expensed in 2008, up to \$250,000. Costs exceeding \$250,000 can qualify for 50% bonus depreciation and the remaining costs will be depreciated over five tax years.
- * In negotiating the purchase of a used aircraft, a buyer may offer to pay for squawks discovered in a pre-purchase inspection and negotiate a reduction in the purchase price with the seller. This will allow the buyer to take advantage of these generous depreciation incentives in 2008.

Updated: February 13, 2008

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.

Fred McCarter

fmccarter@aviationtaxconsultants.com

800.342.9589 (Office Toll Free)

Daniel Cheung CPA

daniel@aviationtaxconsultants.com

317.716.3388 (Cell)

Disclosure Under IRS Circular 230: To ensure compliance with requirements recently imposed by the IRS, we inform you that any tax advice contained in this communication, including any attachments, was not intended or written to be used, and cannot be used, for the purpose of avoiding federal tax related penalties or promoting, marketing or recommending to another party any tax related matters addressed herein.