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Tax Savings Available with Aircraft Purchase

*Although Bonus Depreciation is Over for 2005,
Favorable Depreciation Schedules Still Offer Considerable Tax Savings on Aircraft Purchases.*

You may enjoy some tremendous tax incentives offered by the Internal Revenue Code if you utilize your aircraft in your trade or business, despite the fact that bonus depreciation has ended for 2005 purchases. Depreciation laws allow the write off of an aircraft over five years for Federal Aviation Regulations Part 91 operators. With proper planning and compliance of Federal Aviation Regulations and the tax code, an aircraft owner can realize significant tax relief on both income taxes and sales and use taxes.

An AMD Alarus Example

By fully integrating your aircraft into your trade or business, you can also generate tax savings by substantially deducting all the operating expenses of the aircraft. Sales and use tax savings can amount to an additional four to nine percent of the aircraft purchase price. Sales and use tax savings opportunities vary depending on the state that serves as home base of the aircraft. The accompanying table illustrates the approximate amount of potential tax depreciation generated from the purchase of an AMD Alarus, based on 100% business use:

Purchase Price assumed to be \$129,900

Tax Year	2005	2006	2007	2008	2009	2010
Percentage of Purchase Price Depreciated	85%	91%	94%	97%	99%	100%
Potential Tax Deductions due to depreciation	\$109,980	\$7,968	\$4,781	\$2,868	\$2,868	\$1,434
Potential Income Tax Savings due to depreciation*	\$43,992	\$3,187	\$1,912	\$1,147	\$1,147	\$574
Potential Sales Tax Savings (6%)	\$7,794					

* Potential income tax savings computed based on 40% combined federal and state marginal income tax rates.

Improper planning for personal use of a business aircraft can lead to substantial missed opportunities for savings or deductions; therefore it is extremely important to understand the impact of personal use on a business aircraft. Federal Aviation Regulations and Internal Revenue Code compliance cannot be overemphasized. The changing tax laws have created new planning strategies for handling the personal use of a business aircraft due to the fact that reimbursement for personal travel is typically prohibited for Part 91 operators.

Of course, each taxpayer's situation is different. In some cases, you may not be able to take full advantage of the deductions discussed above. Proper planning begins with the help of aviation tax specialists. Failure to document and support the proper business and personal use or failure to file the proper tax election with the taxing authorities can jeopardize these deductions. Finally, it is imperative that you operate your aircraft in full compliance with the Federal Aviation Regulations. To find out more, please visit our website, www.aviationtaxconsultants.com or call us at **1-800-342-9589**. Call or email for a detailed 5 year analysis customized to your exact situation.

Aviation Tax Consultants (ATC) 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, avoiding passive activity loss rules and complying with Federal Aviation Regulations. Cooperation with client's current tax and legal advisors is welcome and encouraged.

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