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MID QUARTER CONVENTION – close before September 30, 2004

The Internal Revenue Code requires that an aircraft is depreciated using MACRS (Modified Accelerated Cost Recovery System.) MACRS regulation includes a provision that will delay initial year depreciation if the aircraft is placed in service in the fourth quarter of the tax year. Therefore, for most taxpayers, closing and taking delivery of the aircraft before September 30, 2004 will maximize the amount of depreciation deductions available in 2004. The following is an illustration of the effects of this regulation:

	Closed 9/30/2004	Closed 10/1/2004
COST – New Aircraft	500,000	500,000
BONUS Depreciation	250,000	250,000
MACRS Depreciation	50,000	12,500
Total 2004 Depreciation	300,000	262,500
% of Purchase Price	60%	52.5%

	Closed 9/30/2004	Closed 10/1/2004
COST – Used Aircraft	500,000	500,000
BONUS Depreciation	N/A	N/A
MACRS Depreciation	100,000	25,000
Total 2004 Depreciation	100,000	25,000
% of Purchase Price	20%	5%

The availability of bonus depreciation for new aircraft purchaser lessens the impact of the mid quarter convention. Used aircraft purchasers will be more severely affected by this provision.

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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