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## **Year End Aircraft Closing Checklist**

Purchasing an aircraft before the end of the tax year is beneficial for income tax purposes for virtually all taxpayers. If you have aircraft closings planned before the end of the year (congratulations!) please review the following to ensure that tax deductions are not lost inadvertently.

- Aircraft has to be placed in service. Legal title should change to the ownership entity. Bill of sale should be signed, dated and filed with Federal Aviation Administration.
- While an actual flight is not absolutely necessary before year end, the plane has to be, at a minimum, available to the taxpayer for its intended use – flying. If weather condition does not allow a flight to be taken, it does not change the fact that the plane is available to be flown. However, if the plane is in factory for assembly and does not have an airworthiness certificate, it will not be considered placed in service for this tax year even if you have the legal title of the aircraft.
- Personal use. Due to the number of days remaining until the end of the year, personal use of a newly acquired business aircraft during this period has to be closely monitored. For instance, personal flights may be taken over the holiday to visit family and a business flight is planned for the last week of the year to offset the personal use. However, if bad weather or maintenance issues prohibit the business flight to be taken, the IRS can take the position that for tax year 2004, the aircraft is a personal asset and no deductions are allowed until 2005 when business use is properly documented.
- Sales and use tax. Delivery location of an aircraft and the intended home base of the aircraft can allow these states to assess sales or use tax (or BOTH) on the acquisition of an aircraft. Careful review of local statutes and planning are of utmost importance to legally minimize this tax liability. Please be aware that using a Delaware entity and taking delivery outside your home state will NOT allow you to escape the tax.
- Extension of bonus depreciation. If you are planning to make a new aircraft purchase in 2005, complying with the stringent requirements of the Jobs Creation Act of 2004 will allow you to take advantage of bonus depreciation in 2005. It is vital that the ownership structure be in place when you execute the purchase agreement.

**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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