



4020 W. Goeller Blvd., Suite B • Columbus, IN 47201 • (800)342-9589 • Fax (812)341-9001

---

(Article published in 2016 Spring / Summer edition of Skytech Advantage magazine)

## 2016 offers a predictable tax environment for acquiring a general aviation aircraft

In December 2015, Congress passed legislation to permanently extend Section 179 Expensing for small business and 50% bonus depreciation for new aircraft for 2016 and 2017. This legislation provides much needed stability and certainty for taxpayers planning business aircraft acquisition or the replacement of current aircraft.

Section 179 Expensing provides qualifying taxpayer a \$500,000 immediate deduction for new or used aircraft. This incentive begins to phase out when the aircraft exceeds \$2 million and it is not available when the aircraft exceeds \$2.5 million. Section 179 Expensing requires the taxpayer to have sufficient earned income in order to benefit from this Expensing provision.

Bonus depreciation allows qualifying taxpayer 50% deduction on the cost of a new business aircraft and this deduction is not capped nor does it require current year taxable income. Under some circumstances, this deduction may create a net operating loss for a taxpayer that can result in tax refunds from taxes paid in prior years.

If you are a current aircraft owner, upgrading to a new business aircraft in 2016 can provide added tax benefits. For example, if you own an aircraft and have tax basis remaining, trading up to a new aircraft will free up the remaining tax basis immediately.

Below is an illustration of the income tax savings of purchasing a new Piper M350 before September 30, 2016, and trading in a plane valued at \$750,000:

### Illustration of trading up to a new Piper M350

Purchase Price of M350	\$ 1,300,000
Trade in value of current aircraft	<u>\$ (750,000)</u>
Net purchase price of M350	\$ 550,000
Un-depreciated tax basis of current aircraft	\$ 400,000
Total depreciable tax basis of M350	<u>\$ 950,000</u>

#### 2016 tax depreciation:

Section 179 Expensing	\$ 500,000
50% bonus depreciation	\$ 225,000
20% MACRS depreciation	<u>\$ 45,000</u>
Total 2016 tax depreciation	\$ 770,000



4020 W. Goeller Blvd., Suite B • Columbus, IN 47201 • (800)342-9589 • Fax (812)341-9001

---

Income tax benefits at 45% marginal tax  
bracket

\$ 346,500

An investment of \$550,000 for a new M350 in 2016 can produce an immediate reduction of \$346,500 in income tax liabilities. This illustration assumes 100% business use for 2016 and meeting of various income tax requirements like related party leasing and passive activity loss. Please consult with your tax advisor if a new business aircraft in 2016 can provide you immediate income tax savings.

To find out more, please visit our website, [www.aviationtaxconsultants.com](http://www.aviationtaxconsultants.com) or call us at **1-800-342-9589**.

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, complying with passive activity loss, hobby loss and related party leasing rules and Federal Aviation Regulations. Cooperation with client's current tax and legal advisors is welcome and encouraged.

Fred McCarter, Managing Member

[fmccarter@aviationtaxconsultants.com](mailto:fmccarter@aviationtaxconsultants.com)

Daniel Cheung, CPA, Member

[daniel@aviationtaxconsultants.com](mailto:daniel@aviationtaxconsultants.com)

Updated: June 2016

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.