



COVID-19 and 2020 Aircraft usage

May 2020

We hope that you are staying safe and healthy. Because the current situation is not conducive for the typical flying that you experienced before the pandemic, we want to remind you that the requirements set forth by the IRS are still applicable and extremely important.

We do not expect any relaxation of the 50% minimum business use requirement to prevent recapture of accelerated depreciation or bonus depreciation taken previously. It is critical to maintain this minimum use percentage for the year 2020 and furthermore for the depreciable life of your aircraft. The more business use that can be flown safely, the better. Keep in mind that utilizing personal non-entertainment (PNE) hours to achieve the 50% use is allowed, in moderation. We understand that many of you may be assisting with charity efforts during this time.

The ordinary and necessary test still applies Historically, if you have an aircraft that only flies 25 hours in a 12-month period, you may risk failing this test. A business aircraft should be utilized for business use on a regular basis, and low utilization may suggest the plane is not really necessary for a business. For 2020, we would expect a more lenient application of this rule in case of an audit, as long as utilization returns to a normal level in the following years

Documentation of each business trip is even more important in the current environment. You should be maintaining a thorough flight log with specific details that validate all business trips. We also encourage keeping a separate file that includes all copies of emails, agendas, meeting minutes, and other details so that they can be provided in the event of an audit.

Please contact us if you have any questions or need any assistance.

www.AviationTaxConsultants.com
812-342-9589
info@AviationTaxConsultants.com