



Using Tax Savings to Buy Your New Aircraft

Due to Favorable Depreciation and Interest Rates, Tax Savings Can Exceed Payment Cost for the First Five Years.

New aircraft purchased in 2008 generally qualify for 50% bonus depreciation. The balance of the cost is generally recovered over a five year period or an accelerated basis. In addition, for acquisitions during 2008, a small business, (defined as a taxpayer that invests less than \$1,050,000 in capital improvements in a tax year), can write off up to \$250,000, before calculating depreciation on the balance. Although the Internal Revenue Code provides for an accelerated cost recovery method for aircraft, commercial financing is generally available with minimal down payments and 20 year amortization with low interest rates. Through this combination of favorable financing and very rapid tax depreciation recovery, it is often possible for an aircraft owner to have little, if any invested beyond tax savings for the first five years of ownership. An example is illustrated in the chart below.

DEMO SPECIAL - Diamond DA40 XL - cost \$299,950, acquire 07/01/08, 5.5% interest, 10% down, 20 year amortization.

BONUS ELIGIBLE DEMONSTRATION AIRCRAFT	2008	2009	2010	2011	2012
New Aircraft Costs	299,950				
Down payment	29,995				
Annual principal payments	3,761	7,839	8,281	8,748	9,242
Annual interest payments	7,381	14,445	14,003	13,536	13,042
Total cash payments	41,137	22,284	22,284	22,284	22,284
Income tax deductions					
Depreciation	279,970	7,992	4,795	2,877	2,877
Depreciation %	93.34%	2.66%	1.60%	0.96%	0.96%
Interest payments above	7,381	14,445	14,003	13,536	13,042
Total income tax deductions	287,351	22,437	18,798	16,413	15,919
Income tax savings (Federal, State = 40%)	114,940	8,975	7,519	6,565	6,368
Net after tax cash flow (increase)	(73,803)	13,309	14,765	15,719	15,916
Net after tax cash flow cumulative	(73,803)	(60,494)	(45,730)	(30,011)	(14,095)
Average monthly after tax cash flow benefit - 60 months (increase) ----->					(247)

The preceding chart outlines the tax results that an aircraft used 100% for business purposes. The decision on how to acquire an aircraft should be made with care including consideration of not just federal income tax consequences, but also FAA issues, liability issues, state and local tax issues, federal excise tax issues, and operation and financial considerations.

[Advocate Aircraft Taxation Company](#) is in the business of assisting aircraft owners and operators in acquiring, maintaining, and disposing of aircraft in a tax efficient manner. Services include the reduction of sales tax on acquisitions, the maximization of income tax savings, the minimization of exposure for federal excise taxes, and the minimization of imputed income for personal use of aircraft. The firm is comprised of Attorneys and Certified Public Accountants whose practice is limited to the taxation of aircraft.

Louis M. Meiners, Jr., CPA
 March 4, 2008
 (888) 325-1942
loum@advocatetax.com

IRS Circular 230 Disclosure. New IRS rules impose requirements concerning any written federal tax advice from attorneys. To ensure compliance with those rules, we inform you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under federal tax laws, specifically including the Internal Revenue Code, or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.