



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.

The Internal Revenue Code prescribes that depreciation for noncommercial aircraft is to be computed over a five year period on an accelerated basis. 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.

Dynasty Certified – cost \$1,950,000, acquire 7/01/07, 6.65% interest, 10% down, 20 year amortization.

	2007	2008	2009	2010	2011	2012
New Aircraft Costs	1,950,000					
Down payment	195,000					
Annual principal payments	17,769	44,703	47,768	51,044	54,543	58,283
Annual interest payments	48,432	114,180	111,115	107,839	104,340	100,600
Total cash payments	261,201	158,883	158,883	158,883	158,883	158,883
Income tax deductions						
Depreciation	390,000	624,000	374,400	224,640	224,640	112,320
Interest payments above	48,432	114,180	111,115	107,839	104,340	100,600
Total income tax deductions	438,432	738,180	485,515	332,479	328,980	212,920
Income tax savings (Federal, State & Local)	181,949	306,345	201,489	137,979	136,527	88,362
Net after tax cash flow (increase)	79,252	(147,462)	(42,606)	20,904	22,357	70,521
Net after tax cash flow cumulative	79,252	(68,210)	(110,815)	(89,911)	(67,555)	2,967
Average monthly after tax cash flow - 60 months (INCREASE)					(1,185)	50

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.

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