



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.

Elite Experimental – cost \$1,595,000, acquire 7/01/07, 7.15% interest, 20% down, 20 year amortization.

	2007	2008	2009	2010	2011	2012
New Aircraft Costs	1,595,000					
Down payment	319,000					
Annual principal payments	12,170	30,726	32,997	35,435	38,053	40,865
Annual interest payments	37,870	89,370	87,099	84,661	82,043	79,231
Total cash payments	369,040	120,096	120,096	120,096	120,096	120,096
Income tax deductions						
Depreciation	319,000	510,400	306,240	183,744	183,744	91,872
Interest payments above	37,870	89,370	87,099	84,661	82,043	79,231
Total income tax deductions	356,870	599,770	393,339	268,405	265,787	171,103
Income tax savings (Federal, State & Local)	148,101	248,904	163,236	111,388	110,302	71,008
Net after tax cash flow (increase)	220,939	(128,808)	(43,140)	8,708	9,795	49,088
Net after tax cash flow cumulative	220,939	92,131	48,991	57,700	67,494	116,583
Average monthly after tax cash flow - 60 months (INCREASE)					1,184	1,976

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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