



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.

TBM 850 cost \$2,850,000, acquire 07/01/07, 6.75% interest, 10% down, 20 year amortization.

	2007	2008	2009	2010	2011	2012
New Aircraft Costs	2,850,000					
Down payment	285,000					
Annual principal payments	26,436	66,437	70,886	75,634	80,699	86,104
Annual interest payments	69,184	163,051	158,601	153,854	148,788	143,384
Total cash payments	380,620	229,487	229,487	229,487	229,487	229,487
Income tax deductions						
Depreciation	570,000	912,000	547,200	328,320	328,320	164,160
Interest payments above	69,184	163,051	158,601	153,854	148,788	143,384
Total income tax deductions	639,184	1,075,051	705,801	482,174	477,108	307,544
Income tax savings (Federal, State & Local)	265,261	446,146	292,907	200,102	198,000	127,631
Net after tax cash flow (increase)	115,358	(216,659)	(63,420)	29,385	31,487	101,857
Net after tax cash flow cumulative	115,358	(101,300)	(164,720)	(135,335)	(103,848)	(1,991)
Average monthly after tax cash flow - 60 months (INCREASE)					(1,822)	(34)

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
 January 18, 2007
 (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.

