

THOUGHT LEADERSHIP

LEGAL UPDATES

PUBLISHED: JANUARY 10, 2013

Taxpayer Relief Legislation Could Stimulate Business Aircraft Activity

Two provisions of the American Taxpayer Relief Act of 2012 may provide an incentive for business aircraft owners. Under the act, Congress modified the "bonus depreciation" and "expensing" provisions of the Internal Revenue Code.

The act extended the bonus depreciation rules of Section 168(k) to allow 50 percent depreciation in the first year that an owner places an aircraft (or other qualifying asset) in service. This "bonus" allowance is in addition to the regular depreciation allowance provided for in the code.

To qualify, the aircraft must be new, acquired under a written contract entered into before January 1, 2014, and placed in service prior to January 1, 2014 (or January 1, 2015 for certain aircraft). The law defines "certain aircraft" as:

An aircraft that is not used in the trade or business of transporting people or property (other than for agricultural or firefighting purposes);

At the time the contract to acquire the aircraft is entered into, the purchaser makes a deposit that is the lesser of 10 percent of the purchase price or \$100,000; and

The aircraft has an estimated production period of more than four months and a total cost of more than \$200,000.

The Taxpayer Relief Act also extended the expensing provisions of Section 179. These extended provisions give aircraft owners the option to expense (and not depreciate over time) up to \$500,000 of their capital expenditures in 2012 and 2013 (subject to an income phase-out).

What This Means to You

By providing aircraft owners with the option to recover their capital expenditures over a shorter period, the after-tax economics of purchasing a new aircraft (or making major upgrades and overhauls to existing aircraft) are significant. If you are considering an upgrade to your aviation assets, the availability of these depreciation provisions should be factored into your decision.

Contact Info

If you have any questions concerning these changes to the Internal Revenue Code or other aviation related matters, please contact your Husch Blackwell attorney or one of the aviation attorneys listed below.

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