LEGAL UPDATES

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# Increased IRS Scrutiny on Use of Personal and Business Aircraft

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On February 21, 2024, the Internal Revenue Service (IRS) announced plans to conduct dozens of audits on the use of business aircraft by large corporations, partnerships, and high-income individuals as part of its "campaign" to address what it perceives as a likely area of noncompliance. This plan comes on the heels of increased IRS enforcement using new funding provided by the Inflation Reduction Act. Increased scrutiny on the use of business aircraft has significant implications for both the companies as well as the executives, employees, and shareholders using the aircraft, and will potentially subject many to liability.

The IRS audits will focus on ensuring that companies have properly accounted for business and personal usage of aircraft. Practically, this means that companies must be prepared to face increased scrutiny when allocating expenses related to operating and maintaining their aircraft and provide appropriate documentation to justify business deductions. Failure to properly apportion and account for business and personal travel could lead to increased tax liability and penalties for both companies and their employees.

### What this means to you

The IRS noted several times in its announcement that aircraft usage accounting is a complex area of tax law. By taking the appropriate precautions and ensuring proper records are kept, both companies and their executives can limit their exposure to tax liability in the face of increased IRS scrutiny.

### Contact us

If you or your company own an aircraft, we encourage you to reach out to David Agee, Michael Cosby, Lana Yaghi, Ethan Schroeder, or a member of Husch Blackwell's business aviation team to ensure that your previous aircraft

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usage complies with applicable tax regulations and that any future accounting of usage remains compliant.

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