



LEGAL AND TAX CONSULTANTS TO THE AVIATION INDUSTRY

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STILL TIME FOR BONUS DEPRECIATION ON AIRCRAFT PURCHASES

The new bonus depreciation and increased expensing election will expire on December 31, 2008. In order to qualify for maximum benefits, it is necessary to place the aircraft in service before year end. Although mid-quarter depreciation rules apply to year end purchases, there is no year end proration for bonus depreciation or increased expensing.

Consider the following alternative purchase of a DA40.

	Dec. 31, 2008	Jan. 1, 2009
Original Cost	\$ 259,950	\$ 259,950
Expensing Election	\$ 250,000	\$ 125,000
Balance	\$ 9,950	\$ 134,950
Bonus Depreciation	\$ 4,975	\$ -0-
Balance	\$ 4,975	\$ 134,950
Regular Depreciation '08	\$ 249	\$ -0-
Regular Depreciation '09	\$ 1,891	\$ 26,990
Total depreciation '08	\$ 255,224	\$ -0-
Total depreciation '09	\$ 1,891	\$ 151,990
Total depreciation through '09	\$ 257,114	\$ 151,990
% deducted through 2009	99%	58%

Bonus depreciation is available only for new aircraft used primarily for business. Although bonus depreciation may be available for certain aircraft purchased in 2008 and delivered in 2009, expanded expensing deductions will not apply. The expensing election applies to both new and used aircraft, but is limited to the taxable income of taxpayers and phased out when purchases exceed \$800,000 in 2008 and \$500,000 in 2009. Aircraft ownership structuring is also impacted by unique FAA rules, sales tax issues, and liability concerns which must be blended with these new tax issues. For further details see "Qualifying for Bonus Depreciation on Aircraft", "Qualifying for the Expanded \$250,000 Expensing Election" and the "Aircraft Depreciation Calculator" at www.advocatetax.com.

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