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BONUS DEPRECIATION, IS THERE STILL TIME?

By Robert A. McKenzie, Esq.

Time is running very short for aircraft purchasers to take advantage of the deductions created by The Economic Stimulus Act of 2008. The provisions of the Act allow certain purchasers of aircraft to recognize a substantial tax savings. But, there are some high hurdles to clear before you can claim these new benefits, and most taxpayers will have to do so on or before December 31, 2008.

The first incentive for purchasers of **new and used** aircraft is the increase in the allowable deduction for the purchase price of the aircraft. As amended, Section 179 allows for a deduction of up to \$250,000.00. There are, however, two important limits that prospective buyers need to keep in mind: 1) the maximum amount of the deduction is reduced for assets costing more than \$800,000.00; and 2) to claim the deduction, the owner of the aircraft must have taxable income. Because of the limitations associated with Section 179, it is most beneficial to existing aviation businesses looking to expand their fleets.

The second incentive is the allowance of a bonus depreciation deduction of 50% of the aircraft's cost. This bonus depreciation applies only to **new** aircraft and it does not phase out or require taxable income. This incentive creates a potential tax savings for companies in all areas of aviation including lease back and charter situations.

You should consult a qualified attorney to ensure that you can take advantage of the incentives available this year. Without proper planning and a business purpose for the aircraft, your ability to claim the foregoing deductions may be limited or extinguished.

If you would like more information about purchasing aircraft or The Economic Stimulus Act of 2008, feel free to call Robert McKenzie at (847) 705-7555 for a free analyst of your situation.

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