

BONUS DEPRECIATION AND ENHANCED EXPENSING

AVAILABLE FOR AIRCRAFT PURCHASES IN 2009

Under the American Recovery and Reinvestment Act of 2009 new aircraft purchases will again qualify for bonus depreciation. The new law readopts bonus depreciation provisions retroactive to purchases made after January 1, 2009. Under this new proposal, owners who use their aircraft in business would be entitled to accelerated 50% bonus depreciation on all new aircraft purchases. Bonus depreciation would also include new improvements to a used aircraft.

ENHANCED EXPENSING ELECTION AVAILABLE FOR NEW AND USED AIRCRAFT PURCHASES

In addition to new bonus depreciation, the law also expands the applicability of the enhanced expensing deduction under Section 179. Section 179 applies to both new and used aircraft (including improvements) for qualifying small business taxpayers meaning, in most years, (taxpayers who invest less than \$663,000 in capital improvements during the taxable year). The new law allows taxpayers to expense up to \$250,000 per year, (rather than the current \$133,000 maximum), and redefines a qualifying small business taxpayer as one who makes less than \$1,050,000 in capital investments during the year.

BUY AN AIRPLANE IN 2009, GET A REFUND OF 2004 INCOME TAX

The package also includes a new provision that allows losses of qualified taxpayers incurred in 2008 or 2009 to be carried back 5 years and allow taxpayers an immediate refund. A qualified taxpayer is a small business with gross receipts of \$15,000,000 or less. Present law provides that net operating losses are carried back 2 years and forward 20. The purchase of an aircraft for business use could generate bonus depreciation resulting in a loss available for carry back for qualified taxpayers.