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To Maximize Your Tax Depreciation for 2017 Complete Your Aircraft Purchase By September 30

The following table is the depreciation schedule for an aircraft that is operated under Part 91 of the Federal Aviation Regulations, purchased before and after September 30, with 50% bonus depreciation, for a calendar year taxpayer:

	Half Year Convention (before September 30)	Mid Quarter Convention (after September 30)
Year 1	60%	52.5%
Year 2	16%	19%
Year 3	9.6%	11.4%
Year 4	5.76%	6.85%
Year 5	5.76%	5.45%
Year 6	2.88%	4.8%

MACRS Depreciation Method

Federal depreciation is governed by the Modified Accelerated Cost Recovery System (MACRS.) The application of MACRS encourages a taxpayer to purchase an aircraft during the first nine months of a tax year. Two conventions impact the actual depreciation schedule of an aircraft:

- Half year convention – all equipment purchased throughout a tax year is considered to be placed in service on July 1, and will receive one half year of depreciation deduction in the year of acquisition.
- Mid quarter convention – if a taxpayer purchases over forty percent (40%) of his equipment in the fourth quarter of the tax year, depreciation deduction is limited in the first tax year.

Therefore, in order to maximize your aircraft depreciation deduction, you should complete your aircraft acquisition and place the aircraft in service by September 30. If you are in the market for a new factory manufactured aircraft, this may be the time to place the order so that delivery of your new aircraft by September 30 is possible. If you are acquiring a used aircraft, this may be the time to accelerate your search process. Financing and pre-purchase inspection can add unexpected delays to the closing of the aircraft.

Placed In Service

An aircraft has to be “**placed in service**” by September 30 in order to begin depreciation. Signing a contract or making a deposit will not satisfy the placed in service requirement. You should have legal title to the aircraft and the aircraft should be available to you to fly in order to meet the placed in service requirement.

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Aviation Tax Consultants, LLC (www.aviationtaxconsultants.com) assists aircraft purchasers in acquiring aircraft in a tax efficient manner. Our services include the elimination or reduction of sales tax at the time of purchase, maximizing income tax savings, controlling the cost of personal use of the aircraft, complying with passive activity loss and related party leasing rules and Federal Aviation Regulations. Cooperation with client’s current tax and legal advisors is welcome and encouraged.

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