

Owner & Pilot

ADVANTAGE

A Magazine for Owners and Pilots from *Skytech^{inc.}* Publications



CELEBRATING

*45 Years of the Skytech
Advantage*

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THE NEXT CHAPTER



It has certainly been a remarkable year so far. Despite the constant vigilance required to address Covid, the industry is

experiencing one of the busiest sales cycles in decades, with new aircraft backlogs and pre-owned inventory at historically low levels. The combination of pent-up demand, favorable tax policies, and record low-interest rates have made for a very busy year. Unfortunately, aviation is not immune to supply chain shortages and challenges with manpower. We look forward to these issues easing up soon.

With everything going on this year, we cannot lose track of Skytech's 45th Anniversary. Since 1976, Skytech has had a clear focus and commitment to take care of our employees and customers through all the trials and tribulations. These principles and strategically taking advantage of growth opportunities have transformed Frank Stephenson's vision into reality. Consistent leadership has been integral to fueling our growth while maintaining our founding principles. Frank skillfully guided us for 23 years, and John Foster followed for 22 and accelerated our growth exponentially. In his new CEO position, he will continue to help us achieve new heights. We welcome Justin Lazzeri as our new president and look forward to the next Skytech chapter.

We want to thank our current and previous employees for all their efforts over the last 45 years; each and every one of you had a role in our success. Additionally, we want to extend a special thank you to all of our customers for supporting us throughout the last 45 years, and we look forward to supporting you well into the future.

Skytech, Inc., publisher of this magazine is an aircraft sales and service company with FBOs in Westminster, MD (DMW), Rock Hill, SC (UZA - Charlotte Metro Area) and Administrative Headquarters in Baltimore, MD (MTN).

Your thoughts, suggestions, comments and criticism are important to us and we will always welcome reader feedback.

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Market SNAPSHOT

MARKET SUMMARY *Information provided by JetNet (Current as of October 5, 2021)*

	FOR SALE (Current)	ASKING PRICE (12 MONTH AVERAGE)	% FOR SALE (12 MONTH AVERAGE)	DAYS ON MARKET (12 MONTH AVERAGE)
PIPER M350	1	N/A	0.8%	119
PILATUS PC-24	3	\$10,300,000	2.5%	341
CITATION M2	10	\$3,890,000	3.5%	36
KING AIR 250	5	\$4,228,000	1.8%	42
CARAVAN 208B	49	\$1,275,000	3.2%	599
SOCATA TBM-900	4	\$2,898,000	3.6%	174
PIPER M500	2	\$1,650,000	2.0%	405
PILATUS PC-12 NG	15	\$3,549,000	1.6%	328

MESSAGE FROM

The President

2021 is a big year at Skytech. July marked our 45th year in operation, and we have learned a thing or two about aviation and business along the way. These pillars of operation are oftentimes the difference between a successful outcome, or not – of company growth or decline. In aviation, there are standouts such as “you can run out of airspeed OR altitude, but not both” and “In aviation, if it happens fast, it is generally bad...”. In business there are equally as important mantras such as “always have a contingency plan” and “never take anything for granted”.

One lesson we have thoroughly learned over these past 45 years is how important a company’s culture can be, and how crucial it is to consistently foster that culture to follow your growth. Skytech is built on an amazing foundation rooted in customer service and a feeling of family. In 1976, Frank Stephenson, Skytech’s Founder

“One lesson we have thoroughly learned over these past 45 years is how important a company’s culture can be, and how crucial it is to consistently foster that culture to follow your growth”

and first President, started the ride at Martin State Airport in Baltimore, Maryland. With these principles in hand, Frank guided the company’s corporate growth from a parts company to maintenance, and ultimately – aircraft sales. John Foster took the reins as President in 1999, and over the next 22 years successfully increased our sales footprint and offerings, added two FBOs (Charlotte and Baltimore Metro areas), and entered the world of Aircraft Management and Charter operations. Through

all this time, Skytech has stayed true to its core and has become a standout in the industry. Frank, John, and a fantastic loyal, and hardworking contingency of Skytech employees, deserve to take a moment and think of how



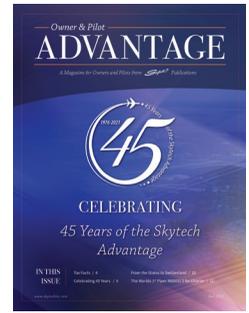
John Foster (left) & Frank Stephenson (right)

far this company has come, and how well-positioned we are to continue.

As I mentioned earlier, 2021 is a big year at Skytech. After 45 years, and for only the third time in our history, we have a new change at the top of the Org Chart. I am beyond humbled to take the controls as the President of Skytech and am committed to continuing our growth in the manner laid out by my predecessors. John’s new position (Chairman and CEO) will help to guide our company for years to come, and our entire Executive Staff is arguably as strong as they come with industry experience across the board. Each member of the Staff is also entirely home-grown. That cannot be overstated as the fibers that make Skytech...Skytech, are deeply embedded.

As I transition into this new role, I can assure you of two things: the culture of Skytech that has been built over these past 45 years will continue, and I will work hard to carry the torch that has shined so brightly under Frank and John’s care.

Justin Lazzeri
President of Skytech, inc.



Fall 2021

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THE ADVANTAGE
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REQUESTS YOUR
FEEDBACK!

greatly appreciate hearing from you! Please tell us what you think of *Advantage* magazine and offer any thoughts you have for improving this publication. Our goal is to provide helpful, interesting information that you enjoy reading.

Your opinions, suggestions and ideas for new articles and content are important for continuing improvement and growth that will serve all our readers.

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Thank you!

The Pilot-In-Command is solely responsible for the safe and proper operation of his/her aircraft and it is the responsibility of the pilot-in-command to operate that aircraft in compliance with that aircraft’s Pilot’s Operating Handbook and other official manuals and directives.

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Tax + FACTS

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Bonus Depreciation: *Misconceptions, Insights, and Limitations*

It is rare to have a discussion with a tax-motivated aircraft buyer without delving into the topic of bonus depreciation. For business owners looking to acquire an aircraft for business use, bonus depreciation is an important decision driver. In this article, we will address some common misconceptions, share some insights, and explore a few limitations about bonus depreciation.

MISCONCEPTIONS

If we decide to take 100% bonus depreciation, does that mean we cannot have personal use this year?

Taking bonus depreciation does not require 100% business use in the first year of the aircraft purchase. Personal flights can be taken as long as over 50% business use is maintained in the first year and in all subsequent years during the aircraft's depreciable life. However, limiting personal flights in the first year is a good idea, as it will minimize the amount of disallowed depreciation and operating expense.

If we bonus depreciate a \$1M aircraft and fly 25% for personal entertainment use, will we lose \$250,000 of the depreciation?

You shouldn't. Internal Revenue Code § 1.274-10(d)(3) provides

an election that allows the taxpayer to disallow against hypothetical straight-line depreciation rather than the purchase price. This election is quite favorable; we will further examine its benefits in the section below.

INSIGHTS

How much money will I actually save by bonus depreciating my aircraft?

The answer to this question depends on the combined marginal tax rate of the income that is being reduced. An often-used rule of thumb is 40%; thus, a \$1M aircraft purchase may yield a \$400,000 tax liability reduction to the taxpayer (assuming 100% business use).

What's the difference between taking 100% bonus depreciation this year and writing off straight line? Don't I get the same amount of write off either way?

If the plane is used 100% for business, the amount of allowed expense will be the same. But when personal entertainment use is introduced, bonus depreciation becomes preferable. See the hypothetical below:

- \$1M aircraft purchase
- October 1 delivery
- 80% business use each year



If the taxpayer elects to utilize straight line, the total write off would be \$800,000 over six years.

If the taxpayer elects to utilize bonus depreciation and the available election under §1.274-10(d)(3), the total write off would be \$990,000, all taken this year.

In addition to minimizing the effects of personal use, bonus depreciation also makes it easier to manage personal use in year one

when the aircraft is acquired near the end of the calendar year. For example, if an aircraft is purchased on December 1, then the taxpayer only needs to limit personal use for one month. Over 50% business use will need to be maintained for the depreciable life of the aircraft, but personal use in subsequent years will not have a substantial impact on deductions, as disallowance will only be applied to annual operating expenses.

Will there be 100% bonus depreciation in 2022?

100% bonus depreciation should be available in 2022 based on current law. Bonus depreciation is scheduled to phase out in increments from 2023 to 2026. Currently, there is no discussion by Congress to eliminate bonus depreciation for 2022.

LIMITATIONS

When should a taxpayer not take advantage of 100% bonus depreciation?

For some situations, 100% bonus depreciation may not be optimal. For example, a company with \$1M of taxable income may not want to bonus depreciate a \$5M aircraft and create a \$4M tax loss in 2021. Although this is allowable by the tax code, creating a significant tax loss may increase IRS audit risk.

If your taxable income consists of long-term capital gains (LTCG), the fact that LTCG are taxed at lower rates than ordinary income can impact the decision of taking bonus depreciation. When the aircraft is sold, depreciation recapture will be taxed as ordinary income. The result is an unfavorable mismatch; lower tax rate income will be reduced in the current year, but higher tax rate income will be created by depreciation recapture upon sale of the aircraft.

CONCLUSION

There is not a “one size fits all” tax planning strategy relating to the acquisition of an aircraft. Your tax advisors should consider your immediate to long-term tax strategies and the changing tax legislation landscape when determining how bonus depreciating a business aircraft could fit into your overall tax plan.



KJ McCarter is an advisor at Aviation Tax Consultants and a licensed CPA in the state of Illinois. He is based at ATC's headquarters in Columbus, Indiana.

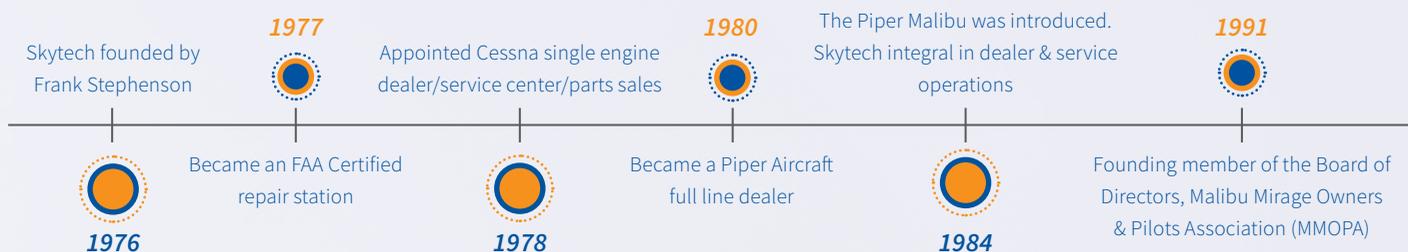


CELEBRATING

45 Years of the Skytech Advantage

BY JENNIFER LONGO

Frank Stephenson founded Skytech, inc. in 1976 as a small aircraft parts shop. His tireless work paved the way into something much larger, outlasting adversity in a consistently changing industry.



The Martin State Airport in Baltimore, Maryland, exudes aviation history, having been the production site of many crucial military aircraft by Glenn L. Martin, including the B-10 and B-26. It was an epicenter for some of the most advanced aviation technology. Adept with airplanes and familiar with the Martin State Airport, and having worked there for nearly 20 years, that's where Frank Stephenson officially planted our roots in 1976, beginning as a small aircraft parts shop.

It didn't take long before he added maintenance as our next offered service, gaining recognition as an FAA-certified repair center in 1977. With the help of a welcome new addition, John Foster, the business developed further. Already a Cessna Caravan dealer in 1978, we began representing the full Piper line in 1980. The PA-46 Malibu was introduced a few years later and proved popular, as we managed to sell over 300 models.

Continuing our growth, in 1993, Skytech became one of the first Pilatus Aircraft Limited Distributors of the PC-12, an aircraft that

"It took time, but Skytech not only recovered from the effects but eventually thrived."

has been wildly successful in the industry ever since.

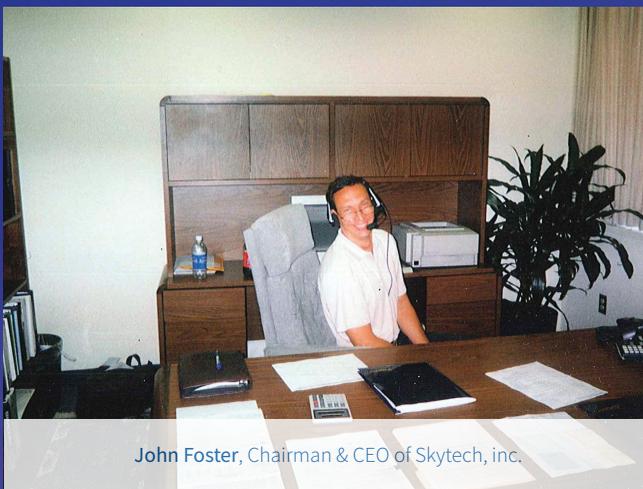
Skytech's first FBO facility opened in August 2001 in Rock Hill, South Carolina, at the Rock Hill/York County Airport (UZA). A ceremonious commencement turned into crippling anxiety as the September 11th tragedy unfolded weeks after the FBO's inauguration. Aviation came to a

halt; airports became ghost towns as planes were immediately grounded. The business at Martin State Airport, being so close to DC in the "no-fly" zone, received the brunt of the impact. It took time, but Skytech not only recovered from the effects but eventually thrived.

The business outgrew the Martin State Airport, leading Skytech to open its next FBO, sales, and maintenance facility. The Carroll County Regional Airport (DMW) became its next home, and most of the employees working in Martin State transferred to Westminster, while its Baltimore presence remained an administrative location. DMW offered much-needed space to



Frank Stephenson, Founder & Chairman Emeritus of Skytech, inc.



John Foster, Chairman & CEO of Skytech, inc.

Cessna Caravan Authorized Sales Representative

1993

Founding member of industry group to modify charter operations to include single-engine IFR

1997

Founder and original chair, Piper Dealer Advisory Council

2001

First GA service provider with wireless connectivity for maintenance technicians



1992

Pilatus Business Aircraft dealer



1994

World leader in Pilatus PC-12 sales



2000

Opened facility in Rock Hill/Charlotte (2nd FAA Certified Repair Station)



2002

accommodate the company's continuous growth.

Since expanding outside of Baltimore, we have become the authorized sales and service center for the Pilatus PC-24 in our nine-state territory, from Pennsylvania to South Carolina, including Ohio, Kentucky, and Tennessee. The Super Versatile Jet is an exciting addition to the Pilatus line, as it is the first business jet capable of landing on short, paved, and unpaved runways. Like its PC-12 sibling, it embodies the same oversized cargo door, a forward lav, and a reconfigurable interior for a more custom mission.

Skytech Travel LLC, our charter department, started in 2016 with a single Pilatus PC-12. Not only have we added more PC-12s in both our Westminster and Rock Hill locations, but we've also had the privilege of adding a PC-24 to our fleet. Most recently, Skytech became the first organization in the world to begin chartering a Piper M600/SLS. The Halo Safety System with Garmin Autoland makes the M600/SLS a unique addition to the line-up. It's also an economical aircraft for clients that have fewer passengers and less luggage.

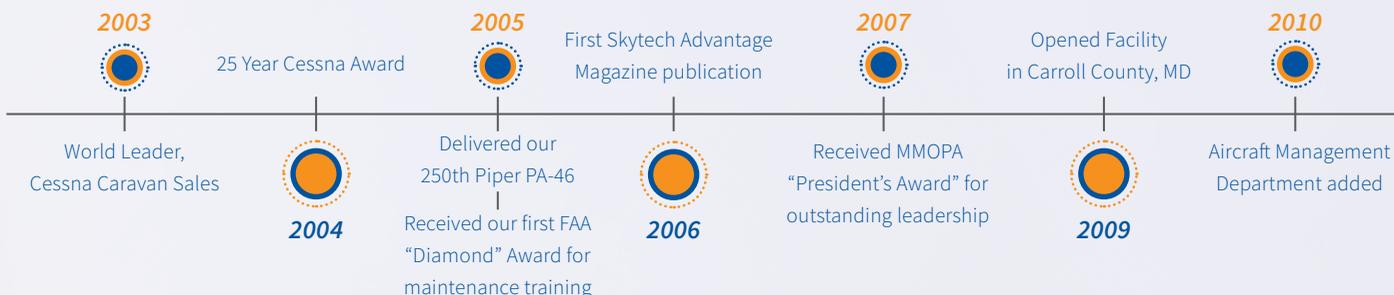
Our 45th year kicked off with several significant changes to the executive team. Among these changes, John Foster has taken the role of CEO and Chairman, taking a step back from the daily operations but maintaining an active presence, focusing on the company's future. A nearly 20-year Skytech veteran, Justin Lazzeri, has taken over as President and will continue to move the company forward.

While we were already responsible for the Mid-Atlantic states, our Piper sales territory has recently expanded from Maine to South Carolina. Our sales team has been diligently working to ensure those in the Northeast are appropriately introduced to the Piper M-Class. We have collaborated with service operations in Maine, Massachusetts, and Connecticut to support Piper aircraft in the newly acquired territory while opening an administrative office in Rhode Island. We've also partnered with a sales center based in New Jersey to expand our sales presence further.

As the last 45 years have taught us, unexpected challenges will inevitably arise, and we will effectively work to overcome them. We intend to continue adding major milestones to our timeline as the aviation landscape evolves. We are grateful to have a team of incredibly talented employees and loyal customers supporting Skytech's vision.



Justin Lazzeri, President of Skytech, inc.



45 years & counting....

"We are *grateful* to have a team of incredibly talented employees and loyal customers *supporting* Skytech's vision."



Introduction of the PC-24



2013

2016



Charter Operation
Skytech Travel, LLC began

Pilatus PC-24 deliveries commenced



2017

2019



Skytech Travel, LLC receives TSA approval for operating aircraft over 12,500 pounds

Skytech's territory for Piper aircraft expanded to include the Northeast



2020

2021



Skytech adds world's first Piper M600/SLS to charter certificate

FROM THE STATES... *to Switzerland*

As Pilatus Dealers since the inception of the PC-12, we can attest that Swiss craftsmanship permeates the company at every level – proven by the quality of their aircraft and people. Skytech's Executive Team was fortunate to visit the factory earlier this year for a meeting and tour that only reinforced this fact. The Pilatus facility in Switzerland houses modern, cutting-edge technology, eco-friendly construction, and is surrounded by picturesque scenery – making it just as remarkable as you would expect and clearly explaining why all Pilatus aircraft are born to be such capable performers! When your departure is from a valley surrounded by the Alps, you have no choice!



SKYTECH IS THE *WORLD'S FIRST* TO ADD A PIPER M600/SLS *to its Charter Fleet*



BY JENNIFER LONGO

Skytech has been working for the last 45 years to serve general aviation clients and expand its transportation solutions. After opening our charter department, we found an inherent demand for a fast, economical aircraft capable of accommodating fewer passengers and less baggage. Now, we're happy to introduce the Piper M600/SLS as the latest addition to our growing fleet.

The Piper M600/SLS is Piper's flagship aircraft featuring a clean sheet wing design, intelligent avionics, turbine performance, and innovative safety features. It was the first aircraft equipped with Garmin Autoland to receive type certification. Once activated, either automatically if detected to be necessary or via the push of a button, the Autoland system will contact Air Traffic Control while simultaneously communicating with the passengers for the flight duration. The system will autonomously land and shut down the aircraft at the safest nearby airport.

The M600/SLS also boasts a max cruise speed of 274 KTAS and a max range of 1,658 NM. The air-conditioned, pressurized

cabin and luxurious interior make it an excellent option for business and leisure flights. It also has an executive writing table and USB charging ports.

Justin Lazzeri, President of Skytech, said, "The Piper M600/SLS is a fantastic addition to our charter fleet and will give travelers choices to best match the aircraft to their specific mission, both for size requirements and price points. Impressive speed and range are matched with Collier Trophy-winning safety technology in Garmin's HALO Autoland, giving peace of mind to passengers that truly sets it apart. We're looking forward to introducing customers to this impressive aircraft and expect it to gain a fast following."

The pandemic has shown that private air travel is more important than ever. With a rapidly changing environment, we continue to prioritize the safety of our passengers. As technology and needs evolve, we will continue to work toward serving our current and new clientele. •



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S a Word to the Wise

BY SEAN WALLACE - *Safety Manager & Future Flight Research & Development*

An Uptick in Unruliness

As the world and the aviation industry begin to regain a sense of normalcy, the FAA Reauthorization Bill has made a noteworthy change. As travel numbers start to climb, the number of unruly passengers also has. The FAA deems unruly passengers as those that cause a disturbance on flights or fail to follow crew instructions. Historically, the FAA investigated roughly 150 incidents a year to pursue criminal charges, with fines previously up to \$25,000. However, with the recent year yielding 4,626 reports and 849 investigations already occurring, an increase of 364% from last year as of Oct. 3, the FAA has pursued a zero-tolerance initiative and increased the maximum fine to \$37,000 using the Reauthorization Bill.

The majority of unruly passenger cases have occurred under Part 121 operations, otherwise known as Airline operations. Airlines have experienced an increase in delays and diversions, negatively affecting hundreds of other ruly passengers. The frustrations of delays and airline chaos have increased Part 135 flights (private charters) and Part 91 general aviation flights.

Private flying offers first-class services while allowing passengers to leave from smaller airports, providing better social distancing while avoiding mass crowds and the chaotic nature of airports servicing major airlines.

Part 135 and 91 regulated flights provide access to air travel outside of the Part 121 Airline operations. However, constant regulatory pressure threatens the accessibility and practicality of general and business aviation. Organizations such as the National Air Transportation Association (NATA), Aircraft Owners and Pilots Association (AOPA), and the National Business Aviation Association (NBAA) do an admirable job of representing the flying public to ensure we can continue to fly freely. They also provide guidance for safe flight operations.

As we all continue to fly, be sure to do it safely, whether under Part 91, 121, or 135. The FAA is imposing heavy fines for unruly passengers, and the organizations, as mentioned above, have some excellent guidance and tips for private flying as flight operations continue to change and adapt to the new normal. •