



BUSINESS JET OWNERSHIP – THERE’S NEVER BEEN A BETTER TIME

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Recent tax legislation, tax court and other judicial decisions, Internal Revenue rulings and other advisory memoranda, have caused Federal tax law to become more taxpayer favorable than ever before with respect to business jet ownership. These recent tax law changes, combined with opportune market timing and dissatisfaction with commercial airline travel have created an environment of keen attraction for business jet ownership. Indeed, savvy entrepreneurs have seized the moment and developed attractive and finely packaged private jet transportation products, such as jet cards, turn-key fractional ownership programs, block charter arrangements and other easy-in easy-out private jet products. With the proliferation of aircraft ownership and charter products, never before has it been so easy to gain information and access to business aircraft.

Snapshot today: used aircraft have languished with prospective sellers eager to sell. It’s a buyers market, yet, as stock values boost buyers confidence, there are indicators that prices are increasing on certain makes of aircraft and the best quality aircraft are selling. Viewed from a different perspective, if one selects the right aircraft, one could actually purchase a business jet today, operate it for a couple of years, and sell it at a profit, or at worst with only a slight reduction in the value of the aircraft.

Incredibly, despite the fact that values for most models of business jet aircraft decrease slowly, and may even increase, the Internal Revenue Code provides for a 5-year write-off of 100% of the purchase price. In fact, generally, for aircraft placed in service prior to October 1, over 71% of the price will be written off in the first 3 tax years. If that’s not good enough, many new aircraft placed in service prior to Decem-

ber 31st, 2004, are eligible for a 60% write-off in the first year alone. Okay, here’s the icing, business owners and executives can use the company aircraft for recreation, and the company can write off the full cost of operating the flight while the business owners and executives who use the aircraft for recreation will, in most cases, recognize only a small percentage of the full cost of operating the flight as fringe benefit income.

Setting aside the tax advantages for a moment, business jet usage is not necessarily substantially more expensive than first class air travel. In the event of a family of four, traveling with a nanny (what do you do with the dog?) first class airfare could equal at least 50% of the cost of chartering a jet. Consider other benefits. Commercial travel, with advance check-ins, and plane changes, can easily consume 12 hours or more going and returning from a Caribbean or Colorado ski destination. With a business jet, you can arrive at the airport, immediately board your jet and promptly take off to your destination. Convenience, safety and security, the ability to conduct business or have an intimate social conversation are all available on a business aircraft. A getaway for 3 or 4 days is now compelling.

Today, the aircraft market offers a myriad of aircraft “products”. Fractional jet ownership and jet cards are highly advertised, and perhaps present the easiest in and out, but as expected, a costly aircraft option on an hourly basis. Charter companies are becoming more savvy and packaging charter in blocks to mirror image the fractional programs - prices vary significantly. Whole jet ownership can be less costly on an hourly basis, depending on utilization, tax write-offs, and other factors. Jointly owning an

aircraft with others has increased in popularity and presents perhaps the least costly option.

Acquiring an aircraft or one of the derivative products requires the assistance of a specialized aviation (FAA) tax attorney, to advise on the tax advantages, to negotiate the business deal and other contractual issues, and to create an acquisition, ownership and

operating legal structure. Due to the high volume of aircraft transactions conducted by our law firm, exceeding 200 aircraft closings annually, we are able to provide expert advice, quickly and cost effectively, and put together the right team (brokers, lenders, management companies) for your aircraft acquisition.



Keith G. Swirsky is an aviation and tax attorney concentrating in the area of corporate aircraft transactions. He is a partner with Galland, Kharasch, Greenberg, Fellman & Swirsky, P.C., one of the nation's leading aviation law firms and chairs the firm's Business Aviation Group.

The group's services include purchase and sale negotiations and documentation, development of aircraft ownership and operating structures to meet regulatory, tax and liability protection planning concerns, tax-free exchanges of aircraft, taxation of aircraft use and ownership, including state sales and use taxes, and acquisition financing and leasing.

Mr. Swirsky received his J.D. and LL.M. in Taxation from Georgetown University Law Center and his B.S. in Business and Accounting from Cornell University. For additional information, please contact Keith G. Swirsky in Washington, D.C., at (202) 342-5251, e-mail to kswirsky@gkglaw.com or visit our website at www.gkglaw.com.