

GKG LAW, P.C.
ATTORNEYS AT LAW

* * * **LEGISLATIVE ALERT** * * *

BONUS DEPRECIATION EXTENDED AND MODIFIED

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The Protecting Americans from Tax Hikes Act of 2015 (the “2015 Act”), which was passed by Congress on December 15, 2015, and is expected to be signed by the President, extends the popular Bonus Depreciation provisions contained in Section 168(k) of the Internal Revenue Code (the “IRC”). The extension permits taxpayers who place “Qualified Property” (as defined in IRC Section 168(k)) in service before the end of 2020 (or in the case of Qualified Property that also meets the definition of either “Certain Aircraft” or “Property Having Long Production Periods”, as such terms and defined in IRC Section 168(k), before the end of 2021), to write off a portion of the adjusted basis of the aircraft in the year it is placed in service. The portion of the adjusted basis of the aircraft that may be written off under Section 168(k) in the year the aircraft is placed in service will initially be 50%, as it has been for much of the last 14 years. However, the 2015 Act also includes phase out provisions that will cause the percentage of the adjusted basis of the aircraft that may be written off under IRC Section 168(k) in the year the aircraft is placed in service to be reduced to 40% for Qualified Property placed in service in 2018 (or in the case of “Certain Aircraft” and “Property Having Long Production Periods”, before the end of 2019), and 30% for aircraft placed in service in 2019 (or in the case of “Certain Aircraft” and “Property Having Long Production Periods”, before the end of 2020).

Anyone entering into any such a transaction with the expectation of being entitled to Bonus Depreciation should protect themselves by seeking the assistance of an aviation attorney or tax advisor familiar with the rules governing Bonus Depreciation. Having an experienced aviation attorney or tax advisor guide you can help to ensure that the aircraft you’re buying will actually qualify for Bonus Depreciation.

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Troy A. Rolf is a business aviation and tax attorney concentrating in the areas of business aircraft transactions and operations in the law firm of GKG Law, P.C. The firm’s business aircraft practice group provides full-service tax and regulatory planning and counseling services to corporate aircraft owners, operators and managers. The group’s services include Section 1031 tax-free exchanges, federal tax and regulatory planning, state sales and use tax planning, and negotiation and preparation of all manner of transactional documents commonly used in the business aviation industry, including aircraft purchase agreements, leases, joint-ownership and joint-use agreements, management and charter agreements, and fractional program documents. Troy manages

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