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THE TAX LAWYER

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### Turbulence For Corporate Aircraft Tax Break

Corporate jet travel is increasingly common today. Yet a recent [study](#) suggests that most of the people flying are not high level executives and are far more likely to be technical and service employees who are needed in particular locations in particular times. Anyone who has tried to get somewhere quick in an out-of-the-way spot via commercial aviation knows how difficult it can be.

Still, the image of these planes and those who inhabit them remains decidedly elite. Recent statements by President Obama suggest that tax breaks associated with corporate jets only benefit fat cats and should be [cut back](#).

Yet in 2009, President Obama's own stimulus package added accelerated depreciation for corporate aircraft to stimulate the purchase of American-made jets. Both [Cessna](#) and [Gulfstream](#) have numerous U.S. manufacturing facilities. The incentive—accelerated depreciation—lets companies take a larger deduction in the early years of the life of the asset.

**What Do We Mean By Accelerated?** 100% in the year of purchase, that's what. For new business aircraft purchased in 2011, 100% bonus depreciation means that the entire purchase price can be depreciated in 2011. President Obama signed [H.R. 4853](#), the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010, into law in December 2010.

This legislation allows new business aircraft to be 100% written off immediately. In effect until December 31, 2011, the law is even retroactive for new aircraft purchased after September 8, 2010. Generally, the aircraft has to be placed in service by December 31, 2011 to qualify.

If you buy a \$1 million plane for your business and pay a combined 40% federal and state tax rate, the write-off saves you about \$400,000 in taxes. Another way of looking at it: you're really only paying \$600,000 for the plane. Uncle Sam picks up the rest of the [cost](#).

Tax breaks for corporate aircraft seemed like a good idea in 2010, but not now it seems. The President [harshly rebuked](#) Republicans for opposing the elimination of what he now has called a tax loophole:

“If you are a wealthy CEO or a health—hedge fund manager in America right now, your taxes are lower than they have ever been. They're lower than they've been since the 1950s. And you can afford it. You'll still be able to ride on your corporate jet; you're just going to have to pay a little more.

I've said to some of the Republican leaders, you go talk to your constituents, the Republican constituents, and ask them are they willing to compromise their kids' safety so that some corporate jet owner continues to get a tax break. And I'm pretty sure what the answer would be.”

For more, see:

[Obamanomics. Leaving On A Jet Plane](#)

[President Gets Flak For Jet-Tax Idea](#)

[The Missing Facts In President Obama's News Conference](#)

[Obama challenges GOP on tax breaks at press conference](#)

[Hiking Taxes On Corporate Jets: Obama's Version Of 'Waste, Fraud And Abuse'](#)

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