



Using Tax Savings to Buy Your New Cessna Skyhawk 172S
Due to Favorable Depreciation and Interest Rates,
Tax Savings Can Exceed Payment Cost for the First Five Years.

The Internal Revenue Code prescribes that depreciation for noncommercial aircraft is to be recomputed over a five year period on an accelerated basis. In addition, the 2008 Economic Stimulus Bill provides that for acquisitions before September 30th, 2008 by a small business, (defined as a taxpayer that invests less than \$1,050,000 in capital improvements in a tax year), you can write off up to \$250,000 under Section 179, before calculating depreciation on the balance. Moreover, the Bill provides an additional 50% Bonus Depreciation. Although the Internal Revenue Code provides for an accelerated cost recovery method for aircraft, commercial financing is available through Cessna Finance Company with minimal down payments and 20 year amortization with low interest rates. Through this combination of favorable financing and very rapid tax depreciation recovery, it is often possible for an aircraft owner to have little, if any invested beyond tax savings for the first five years of ownership. An example is illustrated in the chart below

Cessna Skyhawk 172S – cost \$283,500, acquire 7/1/08 5.99% interest, 10% down, 20 year amortization.

CALCULATIONS	2008	2009	2010	2011	2012
Cash Investment					
Down Payment	28,350.00	n/a	n/a	n/a	n/a
Loan Payments	10,959.01	21,918.03	21,918.03	21,918.03	21,918.03
Total	39,309.01	21,918.03	21,918.03	21,918.03	21,918.03
Tax Deductions					
Depreciation	270,100.00	5,360.00	3,216.00	1,929.60	1,929.60
Interest	7,641.74	15,021.93	14,610.57	14,174.68	13,712.79
Total	277,741.74	20,381.93	17,826.57	16,104.28	15,642.39
Annual Depreciation %	95%	2%	1%	1%	1%
Tax Savings	111,096.70	8,152.77	7,130.63	6,441.71	6,256.95
(35% fed 5%CO)					
After Tax Cash Flow	71,787.68	13,765.26	14,787.40	15,476.31	15,661.07
Cumulative Cash Flow	71,787.68	58,022.43	43,235.03	27,758.72	12,097.65

The preceding chart outlines the tax results for an aircraft used 100% for business purposes. The decision on how to acquire an aircraft should be made with care including consideration of not just federal income tax consequences, but also FAA issues, liability issues, state and local tax issues, federal excise tax issues, and operation and financial considerations.

This memorandum was designed to provide information of general interest to the public and is not intended to offer specific legal advice. The offering of this information does not create an attorney-client relationship. You should consult Advocate Aircraft Taxation Company, or your tax advisor, if you have a matter requiring attention. For further important tax information regarding aircraft ownership and operation, please visit the website, www.advocatetax.com.

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