



LEGAL AND TAX CONSULTANTS TO THE AVIATION INDUSTRY

Jonathan Levy, Esq., Member
Suzanne Meiners-Levy, Esq., Member

3073 Horseshoe Drive South
Suite 210
Naples, FL 34104
Phone (888) 325-1942
Fax (239) 213-0698
www.advocatetax.com

Louis M. Meiners, Jr. CPA
Aviation Tax Consultant
Licensed to Practice Law in Indiana.
Not a Florida Lawyer

BONUS DEPRECIATION RETURNS IN STIMULUS PACKAGE

RETURN OF BONUS DEPRECIATION, INCREASED EXPENSING AND MORE

It's not the law yet, but the 2009 economic stimulus provisions are promised to be retroactive to January 1, 2009. House Democrats released the details of an \$825 billion package to stimulate the economy. The package includes an extension of the bonus depreciation and the enhanced expensing election originally included in the 2008 economic stimulus package through December 31, 2010. Under the new proposal owners who use their aircraft in business would be entitled to an accelerated 50% bonus depreciation on new aircraft purchases. Bonus depreciation would also include new improvements to a used aircraft. Current law allows taxpayers to expense up to \$133,000 of investments in new and used capital improvements provided the taxpayer does not invest more than \$663,000 during the taxable year. In the new bill the expensing election will increase to \$250,000 and the investment limitation will be phased out at \$1,050,000.

BUY AN AIRPLANE IN 2009, GET A REFUND OF 2004 INCOME TAX

The package also includes a new provision that allows losses incurred in 2008 or 2009 to be carried back 5 years to obtain refunds. Present law provides that net operating losses are carried back 2 years and forward 15 years. The expansion of the carry back may generate immediate cash flow for taxpayers with significant income tax liability in 2004 through 2006.

Of course there is no assurance that the package will pass in its present form; but these provisions proposed by the Democrats are designed to draw support from their Republican counterparts. The goal is passage of the package by Presidents Day, February 16, 2009; the provisions would certainly help the aviation industry.

Jonathan Levy, Esq.
Legal Advisor

Louis M. Meiners, Jr., CPA
Aviation Tax Consultant

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