

## A CONKLIN & DE DECKER FINANCIAL ANALYSIS

### 100% Bonus Depreciation

*Important Note: The following information is not tax advice. Consult your accountant or certified tax advisor to see if your situation qualifies for the 100% Bonus Depreciation allowance.*

From the *Economic Stimulus Incentives in 2010 & 2011 Tax Relief Act*: Businesses that acquire and place qualified property into service after Sept. 8, 2010 can claim a depreciation allowance of 100 percent of the cost of the property. The property must be placed in service before Jan. 1, 2012 (Jan. 14, 2013 in the case of certain longer-lived and transportation property).

New aircraft purchases and new equipment purchases for used aircraft can be expensed in the year of purchase through December 31, 2011. To qualify, the property must be new, used primarily for business purposes, and meet other tests necessary to qualify for Modified Accelerated

*If you are able to take advantage of the 100% Bonus Depreciation, the savings in after-tax costs amount to **\$112,350**. It pays to act now!*

Cost Recovery System depreciation (MACRS) for the entire time the owner has the aircraft. The 100% Bonus Depreciation is not limited in amount.

The Blackhawk XP upgrade is not "ordinary or necessary" and it materially increases the value of the aircraft. The Aircraft Bluebook Price Digest and Vref Aircraft

Value Reference have verified this. Therefore, the Blackhawk Modifications engine upgrade program could qualify for the MACRS depreciation.

**With a Blackhawk XP135A conversion, the full cost of the engine upgrade can be depreciated in 2011 using the 100% Bonus Depreciation.**

The tables at right compare the cash flow from taking advantage of the 100% Bonus Depreciation versus the normal 50% depreciation.

Assumptions:

- 100% business use
- 35% tax bracket
- Same miles flown, hours adjusted for speed difference

### Comparison

#### Normal Depreciation (50%)

YEAR 1 EXPENSES & TAX IMPACT	
Blackhawk XP Conversion*	\$(642,000)
Variable Cost	\$(241,998)
Fixed Cost	\$(250,000)
Total Expense	\$(1,133,998)
YEAR 1 AFTER TAX CASH FLOW	
Pre-Tax Cash Flow Year 1	\$(1,133,998)
Income Tax Benefit of Conversion	\$112,350
Income Tax Benefit of Operating Costs	\$172,199
<b>TOTAL CASH FLOW YEAR 1</b>	<b>\$(849,449)</b>

*Assumes 100% business use, 35% tax bracket, and same miles flown, hours adjusted for speed difference.*

*\* Only half available for tax write-off.*

#### Bonus Depreciation (100%)

YEAR 1 EXPENSES & TAX IMPACT	
Blackhawk XP Conversion	\$(642,000)
Variable Cost	\$(241,998)
Fixed Cost	\$(250,000)
Total Expense	\$(1,133,998)
YEAR 1 AFTER TAX CASH FLOW	
Pre-Tax Cash Flow Year 1	\$(1,133,998)
Income Tax Benefit of Conversion	\$224,700
Income Tax Benefit of Operating Costs	\$172,199
<b>TOTAL CASH FLOW YEAR 1</b>	<b>\$(737,099)</b>

*Assumes 100% business use, 35% tax bracket, and same miles flown, hours adjusted for speed difference.*

