# 50% Bonus Depreciation Available for Aircraft Placed in Service in 2014

The American Taxpayer Relief Act of 2012 extended the 50% bonus depreciation through the end of 2013, 2014 for aircraft that are "certain aircraft" or "transportation property". "Transportation property" means tangible personal property used in the trade or business of transporting persons or property.[1] Aircraft used predominantly in FAR Part 135 charter activity would be considered transportation property. "Certain aircraft" means an aircraft that isn't "transportation property.[2]

The requirements to take the 50% bonus depreciation in 2014 for certain aircraft are:

1. The taxpayer must be the original user of the aircraft;[3] the aircraft must be acquired by the taxpayer under a written binding contract entered into before January 1, 2014;[4] and the aircraft must be placed in service by the taxpayer before January 1, 2015.[5]
2. The aircraft must not be "transportation property".[6] Please note that aircraft that are used predominantly under FAR Part 135 would not meet this requirement.
3. The aircraft must be purchased, and the purchaser, at the time of the contract for purchase, must have made a nonrefundable deposit of at least the lesser of 10% of the cost or $100,000.[7]
4. The aircraft must have an estimated production period exceeding 4 months, and a cost exceeding $200,000.[8]

The requirements to take the 50% bonus depreciation in 2014 for transportation property are:

1. The aircraft must be "Qualified Property",[9] which is property which satisfies these four requirements:

    a. The aircraft must be MACRS property with a MACRS recovery period no longer than 20 years.[10] Aircraft that are required to use the ADS (e.g., aircraft used predominantly outside the U.S.) are not eligible for bonus depreciation.
    b. The taxpayer must be the original user of the aircraft.[11]

---

[1] IRC §168(k)(2)(B)(iii).
[2] IRC §168(k)(2)(C)(ii).
[3] IRC §168(k)(2)(A)(ii).
[4] IRC §168(k)(2)(A)(iii).
[5] IRC §168(k)(2)(A)(iv).
[6] IRC §168(k)(2)(C)(ii).
[7] IRC §168(k)(2)(C)(iii).
[8] IRC §168(k)(2)(C)(iv).
[9] IRC §168(k)(2)(B)(i),
[10] IRC §168(k)(2)(A)(i).
[11] IRC §168(k)(2)(A)(ii).

c. The aircraft must be acquired by the taxpayer under a written binding contract entered into before January 1, 2014.[12]
d. The aircraft must be placed in service by the taxpayer before January 1, 2015.[13]

2. The aircraft has a recovery period of at least 10 years or is "transportation property".[14]
3. The aircraft is subject to IRC §263A (i.e., the uniform capitalization rules).[15]
4. The aircraft must meet the requirements of IRC §263A(f)(1)(B)(iii), which requires that the property have an estimated production period exceeding one year and a cost exceeding $1 million.[16]
5. The aircraft is eligible for 50% bonus depreciation only to the extent of the adjusted basis attributable to manufacture, construction, or production before January 1, 2014.[17] For property constructed by a third party, the basis is limited to the lesser of the amount paid or percentage of work performed as of December 31, 2013.[18]

---

[12] IRC §168(k)(2)(A)(iii).
[13] IRC §168(k)(2)(A)(iv).
[14] IRC §168(k)(2)(B)(i)(II).
[15] IRC §168(k)(2)(B)(i)(III).
[16] IRC §168(k)(2)(B)(i)(IV).
[17] IRC §168(k)(2)(B)(ii).
[18] *Id.*