Small Business Aircraft

There is no shame in propellers and small aircraft can be an effective tool most of the year.

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"BUSINESS AVIATION" DOES NOT ALWAYS MEAN BUSINESS JET. In roadless Alaska, business gets done in small airplanes. Even though the same airplanes might be used to get the groceries, there doesn't seem to be any congressional concern about the potential for "abuse." The press is never going to shame a corporation by flashing a picture of the exec emerging from anything with a propeller.

As the airlines continue to eliminate flights, many companies believe that driving is the only alternative. A piston airplane can't compete head-to-head with a nonstop flight in a 737, but it beats a four-hour drive. The same matrix that proves "no plane, no gain" for a jet may apply to a Cirrus: employees out and back in a day, instead of hours on the highway darting amongst the zigs and zags of texting teenagers.

However, the drive to the airport isn't necessarily the most dangerous part of the trip. Owner-flown piston aircraft have a poor safety record. In most instances, accidents in these aircraft resulted from pilots whose capabilities fell far short of the capabilities of their aircraft. The choice of pilot is more important than the choice of aircraft. When a business flight crashes under FAR Part 91, the entire value of the company is up for grabs in the courts. In a small company, the death of a key executive could kill the company before any lawsuit is filed. So what is a pilot worth? Pilot salaries should not be solely a function of the size of the aircraft. Too often, when the size of the aircraft drops to single-engine piston, the salary drops to zero, the boss flies the airplane, and when the weather drops, so does the airplane.

With the right pilot, a small aircraft can be an effective tool most of the year. Satellite weather information has dramatically and inexpensively increased the safety of summer flying. However, Any company that takes on a small airplane as an alternative to driving should simply understand that the airplane can't go in all conditions.

Given these constraints, the small airplane needs to make hay while the sun is shining. Want to justify a small airplane to the IRS, the partners, shareholders or even a spouse? Conduct meetings in two cities on the same day. Frequently. Web sites, e-mail blasts, Twitter and the many and wondrous gifts and annoyances of the modern world will never substitute for a cup of coffee or a quick lunch. Burger or steak, business grows when a potential customer becomes a friend. Attorneys and accountants love to drone on about documenting business use of aircraft, but the burden of proof becomes lighter if you can show that the business grew because it got an airplane. The IRS often believes the opposite, that a business got an airplane because it grew. Show them that the airplane allows the company to get and keep customers in a way that can't be done on the airlines or on the highways and you will keep your deductions.

You can also show the FAA that your small aircraft is a legitimate business tool. Join the NBAA and get a copy of its small aircraft exemption for Part 91.501. Timesharing, interchange, joint ownership with a shared crew and other business flexibilities are available to small aircraft operators who comply with the NBAA's exemption.

Flight departments that grew from owner-flown roots often don't recognize the need for this flexibility or the dangers of non-compliance with the FARs. If three pilots own a Baron together, and each pilot does his or her own flying, there is no issue. If that little group trades up to a King Air and hires a pilot, the chance for an inadvertent violation suddenly increases exponentially. In 1998, the FAA brought an emergency revocation action against a pilot who thought that his flights were protected by the NBAA small aircraft exemption. The NTSB overturned the emergency revocation, but imposed a 90-day suspension because the pilot had not followed the exact requirements of the exemption and had not actually read the exemption. If your company operates an aircraft with an MTOW of 12,500 pounds or less, and another company wants to use that aircraft and crew, joint ownership using the NBAA exemption is the best method for spreading the costs while maintaining the safety of the operations.

The first step is to read the exemption. Don't wait for an emergency revocation action to find out what the exemption requires. You will need to contact the FSDO, make an entry in the aircraft logs and carry one or two documents in the aircraft to avoid problems during a ramp check. Complying with the exemption does not take considerable time or effort, but the compliance needs to take place before the flights for the other company.

The exemption makes sense for any flight department. There is a common misconception that you can provide a flight for another company as long as you don't make a profit. The airlines have proven that they often fly for years without a profit. If you fly under Part 91 and you want to receive any reimbursement whatsoever, you need to operate under a specific exception. Part 61.113 states that private pilots can "share the expenses" of a flight with passengers, but decades of enforcement and case law reveal that the pilot can only share the expenses if the passengers have a "common purpose" in traveling with the pilot. If the pilot is going to wait at the FBO while the passengers go on to the meeting, the FAA and NTSB will easily find the pilot guilty of illegal charter. It is only a matter of time before the company is asked to fly for a friend or customer. Comply with the exemption now and have a timesharing agreement ready to go.

There are great tax advantages for small aircraft bought for business use. It is a buyers' market. Companies that buy and use these airplanes to get back out there and get in front of potential customers will be the first to recover. No plane, no gain, but you can gain even if your plane has a prop. BCA