

# INCREASING AIRCRAFT USE INCREASES TAX ADVANTAGES

*Establishing a corporate shuttle can present numerous economic, legal and logistical challenges, but the long-term benefits, including internal and tax advantages, can make the effort worthwhile. For guidance, consult an experienced corporate aviation attorney to ensure FAA and IRS regulatory compliance.*

## Q. WHAT IS THE DEFINITION OF A CORPORATE SHUTTLE?

**A.** There is no regulatory definition. Whether three executives depart via a small Cirrus aircraft Mondays and return Fridays, or depart via a privately operated Boeing that runs daily on-demand, both are considered corporate shuttles under FARs Part 91, 121, 125 or 135.

**A.** When a corporate aircraft serves as executive on-demand transportation or as a scheduled shuttle for other company personnel, current and potential employee talent are likely

## Q. WHAT ARE CORPORATE AND TAX BENEFITS OF OFFERING A SHUTTLE?



to support the corporate flight department, resulting in greater employee output, long-term retention and higher morale.

The tax advantages are complex and politically motivated. More than a decade ago, Congress amended IRC § 274 limiting a company's deductions for specified individual's "entertainment" use of corporate aircraft. Previously, a company did not lose deductions for occasional non-business use of corporate aircraft, if personal use was properly treated as a fringe benefit. Today, entertainment use of corporate aircraft by "specified individuals" will result in a loss of tax deductions.

## Q. WHAT IS IRS POINT-OF-VIEW?

**A.** When the IRS initiated a closer examination into entertainment use of corporate aircraft, they observed that while too many flight departments were restricting the roster of employees approved for business use of the corporate aircraft, they were not limiting the number of guests of executives on entertainment flights. This interpretation of seat-use versus comparing flight hours is detrimental to companies allowing shuttle access only to the CEO and approved guests. The IRS seat approach is virtually risk-free to companies having incorporated corporate shuttles using the same executive-use aircraft, because the number of bodies in seats dominates the calculation. Doing so leaves the IRS little room to disallow deductions for entertainment use of the aircraft by the owners, officers and directors.

*Although the calculations are complex, the lesson is simple: fly more employees!*

*Consult an attorney experienced in corporate aviation structuring to help ensure FAA and IRS regulatory compliance and add value by creating a tailored corporate aircraft structure for your aircraft.*