

Only One Timeshare at a Time

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Today's budget-conscious company can inadvertently create an aircraft operating structure that is not in compliance with the Federal Aviation Regulations (FARs). One example of this can involve trying to "timeshare" the aircraft on a seat-by-seat basis.

A time sharing agreement is defined in FAR 91.501 as an arrangement where a person leases his airplane with flight crew and no charge is made for the flights other than those specified in FAR 91.501, paragraph (d). Per Far 91.501 (d) a charge of two times the cost of fuel for the flight, plus a few listed miscellaneous expenses can be charged. The federal excise tax should also be collected and remitted on timeshare flights.

Assume that your company, Company X, owns an aircraft and has agreements to timeshare the aircraft to Company Y and Company Z. With these facts, how can you handle costs of a flight on which there is an employee of Company X, an employee of Company Y and an employee of Company Z? The FARs do not allow Company X to "timeshare" on a seat-by-seat basis so Company X cannot charge both Company Y and Company Z for their proportionate share of the cost of the flight under their timeshare agreements. Based on the assumed facts, there are generally three options for this flight. Under all three options, Company X would have operational control of the aircraft.

In the first option, Company X is flying the aircraft on Company X business and the Company Y employee and the Company Z employee are each guests of Company X. Under the FARs, Company X cannot charge or accept reimbursement from the individuals, Company Y or Company Z.

In the second option, Company X is flying the aircraft on Company Y business under its timeshare agreement and Company X charges and accepts reimbursement from Company Y per the timeshare agreement plus Company X collects and remits the federal excise tax.

In the third option, Company X is flying the aircraft on Company Z business under its timeshare agreement and Company X charges and accepts reimbursement from Company Z per the timeshare agreement plus Company X collects and remits the federal excise tax.

Remember that there is also a Company X employee on this flight. If this is a timeshare flight for Company Y or Company Z, then the Company X employee on this flight is a guest of Company Y or Company Z (for which neither Company Y or Company Z can charge or accept reimbursement from either the individual or Company X).

Structuring the ownership and operation of corporate aircraft can be complex and varies greatly from one aircraft to the next. To avoid inefficient and illegal operations, accounting and tax advisors will want to enlist the assistance of an attorney experienced in corporate aviation to help reduce costs, ensure FAA, DOT, and IRS compliance, and add value by creating a tailored corporate aircraft operational structure.

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