

## TODAY'S AIRCRAFT OPTIONS

Many aircraft owners want to "take on partners" or "sell hours" to friends. There are options available for aircraft owners to cover some aircraft costs and remain in compliance with the FARs as well as IRS, State Department of Revenue and insurance requirements. Some of the options are:

### Placing Aircraft on a Charter Certificate

An owner may lease the aircraft to the charter company to charter to third parties. The owner can benefit from the marketing connections of the charter company while receipts from charter operations may help to offset costs. There is increased paperwork for maintenance and operations and increased training requirements for the crew. State sales tax issues in connection with the lease of the aircraft to the charter company, passive activity issues, and federal excise tax issues on charter flights to third parties and owner flights should be considered.

### Joint Ownership

Joint ownership requires that each party own an interest in the aircraft. You are not a "joint owner" to the FAA if you own an interest in an LLC that owns the aircraft. Tax issues to consider include transfer taxes and any depreciation recapture if you are selling an interest in the aircraft. An owner should also consider the ability of each joint owner to "work and play well with others".

### Dry Leasing

The aircraft owner may lease the aircraft to a third party to operate. It is crucial that the lessee hire pilots from an independent source. The FAR Truth-In-Leasing requirements will apply. Tax issues such as passive activity losses need to be considered.

### Timesharing

A timeshare is the lease of an airplane with flight crew to another person, but only limited amounts may be charged. Basically, the owner can charge two times the cost of fuel plus miscellaneous trip expenses. The specific costs are listed in the FARs. The FAR Truth-In-Leasing requirements will apply. The federal excise tax applies. State sales/use tax issues should also be considered.

Creating an operational structure for these options can be complex. Each structure has unique issues that must be considered. The use of an attorney experienced in corporate aviation can help reduce costs, ascertain regulatory compliance, and add value by creating a tailored corporate aircraft operational structure.

**Should you have any questions regarding how these changes may affect you or your company, please contact any of our attorneys.**

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