

September 26, 2008

## Register for October 20th Golf Event!

### Fourth GWBAA Golf Tournament Seeks Sponsors and Players

It's time to sign up to play and sponsor the Fourth Annual GWBAA Golf Tournament on Monday October 20, 2008 at the Herndon Centennial Golf Club in Herndon, Virginia. Registration begins at 7am and play begins at 8am. The event includes a round of golf, gift bag, breakfast, lunch, and prizes. Awards will be presented following the tournament.

Arrive early to warm up, meet other players, and network. We are anticipating our largest turnout this year!

Paige Kroner, tournament co-chair, (along with Bob Blouin and Oakley Brooks) notes that there are plenty of opportunities to play and or sponsor this year. She also says: "This golf outing has become an anticipated yearly event for our members and their customers. I think the continued support of the tournament shows how much our members really care about supporting the business aviation interests in the DC area."

Gulfstream, Bombardier, and Welsch Aviation are our main sponsors this year. There are still a few additional sponsorships available. Those interested in becoming a sponsor or player should contact Paige Kroner at [paigekroner@chantillyair.com](mailto:paigekroner@chantillyair.com) or view the tournament flyer at <http://www.gwbaa.com/gwbaagolf2008.pdf> as soon as possible.

### Operators Requested Not to File Dulles STOIC ONE DEPARTURE

NBAA reports that Potomac Terminal Radar Approach Control is requesting that pilots departing Washington Dulles International Airport (IAD) avoid filing the STOIC ONE RNAV DEPARTURE procedure, to be published on September 25, until further advised. Internal procedures for the use of this departure procedure are still pending. Air traffic automation is currently programmed to assign the CAPITAL DEPARTURE. For more information, contact NBAA's Operations Service Group at [info@nbaa.org](mailto:info@nbaa.org).

### New TSA Security Guidance for GA and FBOs

The Transportation Security Administration has released two new documents designed to provide specific security considerations for aircraft operators and fixed base operators. The guidance documents do not constitute regulatory requirements, but TSA advises that they can and should be used as a benchmark against current security practices. NBAA has made copies of the documents available online at <http://web.nbaa.org/public/ops/security>.

## Headed to NBAA2008? Help Build a Playground!



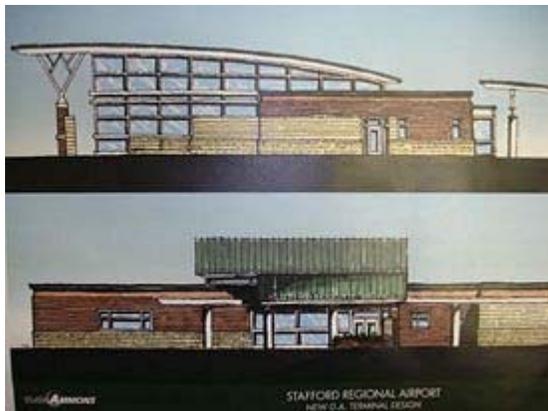
NBAA is partnering with several organizations to build an aviation-themed playground for the children of Orlando, the host city of NBAA2008. KaBOOM!, a national non-profit organization that envisions a great place to play within walking distance of every child in America, will design and orchestrate the build. The project will take place on Saturday, October 4 (remember, this year the convention's main events will be held Monday-Wednesday). For information, visit <http://web.nbaa.org/public/cs/amc/2008/build/>.

## Regional News Round-Up

A disaster drill was conducted at **Charlottesville-Albemarle Airport** on August 16. FAA requires a drill once every three years to ensure responders are prepared for emergencies. Jason Burch, the airport's director of Air Service and Marketing, stated that "now they're gonna take all that information and go back as a group and collectively figure out what could they do better, what did they do really well, and maybe what should they concentrate on in the future."



In other Charlottesville news, the airport is expected to receive a \$4.5 million grant from the Virginia Aviation Board ("VAB") to assist in the planning of a runway extension at the airport. Currently, the runway's length limits some operations during hot/humid conditions. In total, the VAB made tentative grants to 33 Virginia airports, totaling more than \$21 million. Another expected grant recipient is **Richmond International Airport**, which is to receive \$2.8 million to assist in runway rehabilitation, aircraft parking, and other infrastructure projects.



**Stafford Regional Airport** has unveiled plans for a new terminal. The proposed facility would include conference rooms, administrative offices for airport authority staff, a pilots' lounge and passenger concierge area. The \$2 million funding for the project is still in the process of being secured; most of it is expected to come from the state, with a smaller portion being paid by the regional airport authority. The architect, Terry Ammons, told the Stafford County Sun that "this is really a gateway project for the area that will have to meet the public's expectations."

In other Stafford news, Henry Scharpenberg of the Stafford Regional Airport Authority appeared before the county of Board of Supervisors to advocate a reduction in the county's property tax rate on aircraft from \$3 per \$100 of assessed value to \$0.01 per \$100, which would bring it in line with the rate at competing Manassas Regional Airport. According to Scharpenberg, the current comparatively high rate makes it difficult for the airport to attract clients.

Loudon County has requested that its staff consider an increase in the current tax rate of \$0.01 per \$100 of assessed value on aircraft at **Leesburg Executive Airport**. The chair of the finance committee, Supervisor Jim Burton (I-Blue Ridge), said that: "The current penny is something that is difficult to explain and justify to the rest of the public who pay more for their personal property." However, Supervisor Kelly Burk (D-Leesburg) responded that: "I feel very strongly that this is not the time to do this. The county does not contribute to the airport. This is the first time that they are actually making money." Burk added that. "This could make many of those airplanes leave and they could be back in a situation where they are back in the red."



**Carroll County Regional Airport** is considering long-term leases of up to four hangars to companies to boost revenue. The county is soliciting bids of at least \$850,000 for 40-year leases of each of the hangars but isn't committed to selling all four, according to Airport Manager. The hangars are each 10,000 square feet with attached offices and parking. Bids were due on August 6 and are currently being reviewed. One possible bidder is SkyTech, which in June signed a short-term contract to become the fixed-base operator at the airport and also does business at Martin State Airport.



**Hyde Field/Washington Executive Airport** has reported that it experienced several break-ins on the night of September 2. According to the airport, the office, one vehicle, and seven hangars were entered. The focus of the robberies appears to have been tools and easy cash; no aviation specific items appear to have been taken and no data compromised. The airport reports that the thefts have been reported to both the police and TSA.

The **Virginia Department of Aviation** has presented its 2008 Virginia Aviation Awards to three individuals who have made significant contributions to aviation in the Commonwealth of Virginia. William T. "Tim" Gaylord was named Virginia Airport Manager of the Year for his achievements at the Middle Peninsula Regional Airport. David L. Young received the Virginia Aviation Person of the Year Award for his leadership role in training future aviation professionals and promoting aviation education as Dean of the Liberty University School of Aeronautics. George Zahn was honored with the Virginia Lifetime Achievement Award for his lifetime contributions to aviation in Virginia; especially his role in the conversion of the existing West Point Municipal Airport into the Middle Peninsula Airport.

The Virginia Department of Aviation also has become the first state-operated flight operations department to receive International Standard for Business Aircraft Operations (IS-BAO) certification. "For more than 40 years, the Commonwealth of Virginia has provided world-class

air transportation services for its Governors, other elected officials, state agency directors and their staff," Secretary of Transportation Pierce Homer said to Aero-News Network. "The Department of Aviation has an extraordinary safety record. I am pleased that we have received this certification and tremendously proud that we are the first state in the nation to do so."

The Montgomery County Revenue Authority, which owns and operates **Montgomery County Airpark**, has decided against building a control tower to oversee the airport. A proposal to build a tower had been considered due to the inclusion of the airport in the Washington, D.C. Air Defense Identification Zone ("ADIZ"). But Keith Miller, executive director of the revenue authority, has stated that the inclusion of the airport has proven to be less of a burden than anticipated. Miller told the Gazette that "the changes that the FAA ended up making with the ADIZ ended up being very user-friendly. Users of the airport have commented that it has happened very seamlessly."



ProJet Aviation held the grand opening ceremony for its new corporate hangar at the **Winchester Regional Airport**. ProJet President and CEO Shye Gilad said that: "Our new facility will bring continued economic growth and expanded services to the Winchester community that we are proud to call home." Among the announced tenants of the new facility is Middleburg-based entrepreneur Shelia C. Johnson, CEO of Salamander Hospitality and ambassador for the global humanitarian organization CARE. At the opening ceremony ProJet also displayed a Piaggio Avanti II which it makes available for charter services.

## **GUEST VIEWPOINT: Minimizing the Impact of the Personal Use Disallowance Rules**

*GWBAA is pleased to present the following discussion of tax issues by Keith G. Swirsky, a partner and tax specialist concentrating in the areas of corporate aircraft transactions and aviation taxation at the law firm of Galland, Kharasch, Greenberg, Fellman and Swirsky, P.C. ([kswirsky@gkqlaw.com](mailto:kswirsky@gkqlaw.com), (202) 342-5251):*

A company that owns its own aircraft is able to capitalize on the deductions that make ownership advantageous. Many times the company will determine it necessary that key employees travel on the company aircraft because of security concerns. Whatever the reasoning, businesses have been using corporate aircraft for a long time but have recently seen problems limiting the amount they can deduct. This article focuses on the limitations on the deductibility of expenses related to entertainment flights for a company aircraft,

and one way, in particular, to minimize the impact of those new rules.

A landmark decision by the Tax Court in *Sutherland Lumber-Southwest, Inc. v. Commissioner* codified prior law that was ambiguous, and clearly provided that a corporate taxpayer may deduct the full cost of a non-business (entertainment) flight on the company's aircraft, even over the amount the recipient (i.e. the officer / employee using the aircraft) included as income for the use of the aircraft. However,

soon after this landmark decision congress overturned Sutherland.

The American Jobs Creation Act of 2004 (AJCA), amended the Internal Revenue Code (Section 274) limitation on the deductible amount of trade or business expenses for use of business aircraft for entertainment. The IRS subsequently issued Notice 2005-45, providing interim guidance on the AJCA, which sets out how the IRS will apply Code Section 274 to deductions for entertainment use of business aircraft. Proposed Regulations were then issued and somewhat provide relief, however, they do not substantially modify the harsh effect of the AJCA and the Notice provisions.

Under the new rules, to the extent a business aircraft is used for entertainment purposes, the expenses will be disallowed as a deduction, including any allocable depreciation. For example, if the aircraft was flown for 100 hours, 30% of which was for entertainment purposes, the company would be forced to disallow 30% of its deductions, including, most significantly, depreciation deductions. The amount treated as compensation to an individual (i.e. the recipient includes the value in their income), may serve to reduce the disallowed portion (this is a small offset, providing little benefit). For a company with a high tax basis aircraft, the loss of depreciation entitlements related to this disallowance can push the lost tax deduction in excess of \$20,000 or \$30,000 per flight hour (or more in the case of bonus depreciation eligible aircraft, or aircraft purchased late in the tax year).

To exemplify, assume a new \$12,000,000 Learjet acquired by a business on September 1, 2008. If the aircraft is bonus eligible, and 5 year MACRS eligible, then the first year depreciation entitlement is \$7,200,000. Assume further that the aircraft flies 150 hours during the last 4 months of

the year, 50 hours of which are entertainment travel due to the high number of holidays during the end of the year. Assume further an operating budget of \$300,000 for those 4 months. In this example, the lost deduction is \$2,400,000 of depreciation and \$100,000 of operating expenses before netting any de minimis compensation income to the employee. On a per flight hour basis, the company's lost deduction is \$50,000 per flight hour!!!

The disallowance plays a further role with "deadhead" flights. This may happen, for example, if the company needs to use its corporate aircraft for a business trip in the middle of another employee's vacation trip and brings the aircraft back home after dropping off the employee. The new rules provide that deadhead flights also factor into the calculation of the disallowance and even though no passengers are on board, the company will experience further loss of deductions.

So, what is the magic bullet to reduce the harsh effects of these new rules? The way is the use of a flight card. With card programs, you don't own any share of the aircraft. Instead, you are really "chartering" an aircraft from the card provider on a block hour basis, purchasing a block of hours such as 25 or 50 on the card. When the entire amount on the card is used, you may purchase another card, or not.

Several conveniences come from the use of a card. Card providers may have their own fleet of aircraft that they manage, and are also able to draw from a wide array of charter operators. Generally, your account is deducted only for *occupied* flight hours, not for time spent positioning your plane before or after the flight, as most card programs offer "one-way" pricing. Thus, typically deadheads do not count towards your flight time, unlike the conventional method of using the company aircraft. As the market continues to evolve, we also see

“round trip” pricing as an option, which works best when the trip does not involve many overnights.

Additionally, when a flight card is used, there is usually a guarantee of flight availability provided minimal notice given. It may even be possible to obtain a discounted rate or elongated time frame on which to use your card hours. Also, you can choose the best possible aircraft solution based on the purpose of your trip – either light, mid, large cabin, or extended range aircraft (as opposed to the one size cabin option with your company aircraft).

Most importantly, when you use a flight card, the disallowance rules relate only to the amount paid for the card; tax depreciation is not a cost factored into the card. As a result, the after tax cost of using a card will likely be lower than use of a company aircraft (with a high tax basis).

Consider the previous example, whereby the company’s lost deduction was \$50,000

per flight hour. If the company had purchased a 50 hour card for the last 4 months of Calendar year 2008 instead of using its new aircraft, the cost of a card for an equivalent aircraft would have been roughly \$400,000. So, the company would have had to spend \$400,000 of non-deductible dollars. By not using its own aircraft for these flights, the company might have saved \$75,000 of the operating expenses (direct operating costs, not fixed costs), so the cost of the card is \$325,000. But, by using the card instead of its own aircraft, the company saved taxes on \$2,500,000 of additional tax deductions, which assuming a conservative 35% federal and state rate, equals \$875,000 in tax savings.

As icing on the cake, your company aircraft will always be available for business needs, and even when your business aircraft is in use, you will still have access to aircraft with the flight card.

## Upcoming Aviation Events

- **October 4-5:** EAA Chapter 186 Flyin' & Cruisin' Festival at Winchester Regional Airport. For more information, please visit <http://www.eaa186.org/186falin.htm>.
- **October 5:** Stafford Rotary Wings Wheels and Ducks at Stafford Regional Airport. For more information, please visit <http://www.staffordrotary.org/WingsWheelsandDucks.cfm>.
- **October 6-8:** NBAA’s 61st annual meeting and convention in Orlando, Florida. For more information, please visit <http://web.nbaa.org/public/cs/amc/2008>.
- **October 11:** 9th Annual Airfest at Culpeper Regional Airport. For more information, please visit [http://www.culpeperairport.com/airfest\\_frame\\_08.htm](http://www.culpeperairport.com/airfest_frame_08.htm).
- **October 16-18:** National Conference on Aviation and Space Education at the Crystal Gateway Marriott Hotel in Arlington, Virginia. For more information, please visit <http://www.ncase.info>.
- **October 18:** Potomac TRACON Operation Raincheck/ADIZ Seminar in Warrenton, VA. For information, visit [http://www.faasafety.gov/SPANS/event\\_details.aspx?eid=21207](http://www.faasafety.gov/SPANS/event_details.aspx?eid=21207).
- **October 20:** Please hold the date for GWBAA’s fourth annual golf tournament at Herndon (VA) Centennial golf course (“our place”); see the lead story for more details.

- **November 2:** Air Traffic Control Association 53rd annual conference at the Marriott Wardman Park Washington, DC. For more information, please visit [http://www.atca.org/activities/event\\_items.asp?month=11&year=2008&item\\_id=1088](http://www.atca.org/activities/event_items.asp?month=11&year=2008&item_id=1088).
- **November 7:** Committee for Dulles 2008 Annual Anniversary Gala featuring Robert A. Sturgell, Acting Administrator of FAA, at the Landsdowne Resort. For more information, please visit <http://www.committeefordulles.org>.
- **December 1-3:** FAA 5th annual international aviation safety forum at the Omni Shoreham Hotel in Washington, DC. For more information, visit [http://www.faa.gov/news/conferences\\_events/2008safetyforum/](http://www.faa.gov/news/conferences_events/2008safetyforum/).
- **December 4:** Airports Council International-North America International Aviation Issues Seminar at the Westin Embassy Row. For more information, please visit <http://www.aci-na.org/conferences/detail?eventId=118>.
- **February 21-22:** Adventures in Travel Expo at the Washington Convention Center. For more information, please visit <http://www.adventureexpo.com>.
- **February 24-25:** Air Charter Safety Foundation Symposium, at the NTSB Training Center in Ashburn, Virginia. For more information, please visit <http://www.acsf.aero>.

## GWBAA Offers Online Benefits

We continue to add member information for GWBAA's electronic membership directory – <http://www.gwbaa.com/directory.html>. This service is available to GWBAA members at no cost. Please contact Bob Blouin ([bob\\_blouin@hawkerbeechcraft.com](mailto:bob_blouin@hawkerbeechcraft.com)) if you want to post your company's information.

## GWBAA Contacts

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