



Jonathan Levy, Esq., Member  
Suzanne Meiners-Levy, Esq., Member

**Offices**  
3555 Kraft Road  
Suite 240  
Naples, FL 34105

1300 N. Westshore Blvd.  
Suite 220  
Tampa, FL 33607  
Phone (888) 325-1942  
Fax (239) 213-0698  
[www.advocatetax.com](http://www.advocatetax.com)

## **100% BONUS DEPRECIATION EXTENSION IS AN ESSENTIAL PIECE OF THE NEW 2024 TAX DEAL PROPOSED BY SENATE AND HOUSE TAX COMMITTEES**

On Tuesday, January 16th, top lawmakers on the Senate and House tax writing committees announced a deal on a wide range of tax issues, including several business deductions facing possible phase down or sunset. Significant to the business aviation industry, the Act specifically extends 100% bonus depreciation.

The legislation, dubbed the Tax Relief for American Families and Workers Act of 2024, extends 100% bonus depreciation for eligible qualified property for qualified property placed in service after December 31, 2022, and before January 1, 2026 (January 1, 2027, for longer production period property and certain aircraft.<sup>1</sup>) This change may directly impact 2023 filings, removing the 20% phase-down in the current law.<sup>2</sup>

Taking bonus depreciation for a general aviation aircraft requires that the aircraft be used predominately in furtherance of the business activity, be placed in service in the tax year at issue, and that appropriate listed property books and records be maintained. Business form and type, ownership structure, and the nature of the business use may all impact bonus eligibility.<sup>3</sup>

While passage remains uncertain, prominent Party leaders from both parties have publicly endorsed the agreement. They face a tight deadline to implement any changes to the tax code with the 2023 tax filing season beginning on Jan. 29.

Senate Majority Leader Chuck Schumer, D-N.Y., embraced the deal Tuesday afternoon in a speech on the Senate floor.

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<sup>1</sup> 26 U.S.C. § 168(k)(2)(C)

<sup>2</sup> 26 U.S.C. § 168(k)(2)(A)(i)

<sup>3</sup> Tax laws surrounding business aviation are complex and often seem contradictory. The TCJA further complicated the tax landscape by treating different types of businesses vastly differently in surprising, and sometimes contradictory ways. For this reason, it is important to understand the need to seek individualized advice and assistance not only at the moment of purchase or purchase planning but throughout the duration of the equipment utilization.



"I support this bipartisan tax framework because it makes important progress to expand the child tax credit, helps address our affordable housing crisis and helps keep U.S. businesses competitive against the Chinese Communist Party," Schumer said. "As everyone knows it takes bipartisan support to get things done so I hope our Republican Senate colleagues are willing to work with us to keep this process going."

Sen. Mike Crapo, R-Idaho, the top Republican on the finance committee, called the bill a "thoughtful starting point" in a statement released Tuesday. Crapo said he was committed to working on the issue and did not endorse the plan.

"With the tax filing season approaching, there is a short timeline to advance tax legislation that can pass both the House and Senate," Crapo said in a statement. "I will continue working with my Senate colleagues to build broad, bipartisan support for a tax package that provides appropriate relief for working families and businesses."

Business Roundtable CEO Joshua Bolten explained, "Reviving immediate research and development expensing, full expensing for purchases of equipment, machinery and technology, and a more sensible business interest deduction would increase domestic investment, bolster U.S. innovation and create American jobs."

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Suzanne Meiners-Levy, Esq<sup>4</sup>.  
Legal Advisor

Advocate Consulting Legal Group, PLLC is a law firm whose practice is limited to serving the needs of aircraft owners and operators relating to issues of income tax, sales tax, federal aviation regulations, and other related organizational and operational issues.

This article provides an introduction to a complex, and often ambiguous, area of law. Knowledgeable people may disagree as to outcomes in particular cases. Always consult with your advisor.

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<sup>4</sup> Suzanne is a Managing Attorney and Shareholder at Advocate Consulting Legal Group, PLLC (ACLG). ACLG is a boutique aviation law practice focused exclusively on the tax compliance needs of general aviation aircraft owners and operators.

