

# ***New SIFL rates for second half of 2014 and last call for 2013 bonus depreciation***



This month's issue of the Aircraft Club Newsletter discusses the updated SIFL rates released for the second half of 2014. We're also including a reminder of the last call for potential 50% bonus depreciation for 2013. Both are noteworthy compliance issues.

## ***Updated SIFL rates for second half of 2014***

### ***Cruising altitude***

The U.S. Department of Transportation has recently released the Standard Industry Fare Level (SIFL) formula rates for July 1, 2014 through December 31, 2014.

### ***Stuck on the runway***

Certain fringe benefits, such as employees' personal flights on employer-provided aircraft, are includible in the gross income of those

employees. Treasury regulations generally provide that the value of such flights included in the employees' income should generally be equal to the fair market value — that is, the amount the employee would pay for a similar flight in an arm's length transaction. However, the regulations provide a special valuation rule (i.e., the SIFL formula) to determine the value of non-commercial flights.

The SIFL formula determines the value of a non-commercial flight in a three-step calculation:

*Step 1:* The number of miles flown during the flight is multiplied by the SIFL cents/mile rate applicable to the period during which the flight was taken.

*Step 2:* The value calculated in *Step 1* is then multiplied by the appropriate aircraft multiple, based on the maximum certified take-off weight of the aircraft and the type of employee (e.g., a 'control employee' or a 'non-control employee').

*Step 3:* The applicable terminal charge is then added to the value calculated in *Step 2*.

The SIFL cents/mile rates and the applicable terminal charge are determined by the Department of Transportation and are updated semi-annually. The applicable rates for July 1, 2014 through December 31, 2014 are as follows:

Miles	Cents/Mile	Aircraft Weight	Control Employee	Non-control Employee
Up to 500 miles	\$0.2530 per mile	6,000 lbs or less	62.5%	15.6%
501 – 1,500 miles	\$0.1929 per mile	6,001 – 10,000 lbs	125%	23.4%
Over 1,500 miles	\$0.1855 per mile	10,001 – 25,000 lbs	300%	31.3%
Terminal Charge	\$46.25	25,001 lbs or more	400%	31.3%

### *Landing*

If you have questions in connection with the use of SIFL to value personal flights, please call Rick Farley at (646) 471-4084 to discuss your questions in further detail.

## ***Last Call for Potential 50% Bonus Depreciation for 2013***

### *Cruising altitude*

As we come to the end of the extended filing due date for 2013 income tax returns for calendar year companies, this may be the last opportunity for companies to claim 50% bonus depreciation with regard to certain assets (including company aircraft).

### *Stuck on the runway*

As a refresher on the 2013 bonus depreciation rules, Section 168(k) provides for 50% bonus depreciation for property acquired after December 31, 2012 and before January 1, 2014, and that is placed in service before January 1, 2014. This includes commercial and non-commercial aircraft.

In addition to the acquisition and placed in service date requirements noted above, the aircraft must be 'qualified property' (i.e., MACRS property with a recovery period of 20 years or less) to qualify for bonus depreciation. The aircraft's original use must also begin with the taxpayer after December 31, 2007. However, if the aircraft is mandatorily subject to the Alternative Depreciation System rules, it isn't eligible for bonus depreciation.

It should be noted that an extended placed in service date provision may allow certain non-commercial aircraft to qualify for 50% bonus depreciation if such aircraft are placed in service during 2014. In addition to meeting the general requirements for bonus depreciation, in order for a non-commercial aircraft to qualify for 50% bonus

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depreciation in 2014 under this scenario, it must also meet each of the following requirements:

1. The aircraft is not transportation property (i.e., used in the trade or business of transporting persons or property other than for agricultural or firefighting purposes).
2. The aircraft is purchased and the purchaser, at the time of the contract for purchase, has made a non-refundable deposit of the lesser of 10% of the cost or \$100,000.
3. The aircraft has an estimated production period exceeding four months, and a cost exceeding \$200,000.

An extended placed in service date is also available for commercial aircraft that are considered long production period property.

Lastly, as noted in the [June 2014 Aircraft Club Newsletter](#), there are recent legislative proposals with regard to either extending or making permanent 50% bonus depreciation. However, Congress is not expected to enact tax extender legislation until after the November 4 midterm elections.

### *Landing*

If your client has acquired a corporate aircraft in 2013, please call Rick Farley at (646) 471-4084 to discuss whether the aircraft qualifies for 50% bonus depreciation.

### *Let's talk*

For a deeper discussion of how this issue might affect your business, please contact:

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