



23800 Windsock Drive  
Dulles, VA 20166  
[www.gwbaa.com](http://www.gwbaa.com)  
[info@gwbaa.com](mailto:info@gwbaa.com)

March 30, 2018

## **Please Join Us for the May GWBAA Safety Standdown**

### **2018 Safety Standdown Scheduled for May 17**

GWBAA will return to the NTSB's Safety Training Center in Ashburn, Virginia for its Annual Safety Standdown on May 17, 2018. The keynote speaker will be Greg Feith, a/k/a "The Aircraft Detective," an aviation analyst for NBC News and a former NTSB investigator/"go team" captain.



Additionally, attorneys Kent Jackson & Kali Hague of Jetlaw, LLC will present their PDP Regulatory Compliance and Documentation course on May 16, in conjunction with the Standdown. Jackson and Hague will walk participants through operating scenarios and engage attendees to solve every-day compliance problems. Attendees will learn to issue-spot red flags and understand how their decisions affect DOT, FAA, IRS, TSA, OSHA, and DOA compliance requirements. Separate registration will be required; for more information please visit <https://jetlaw.com/gwbaa-pdp/>.

Additional details (including about a networking reception on May 16) will be posted soon, but registration for the standdown is already open, for attendees and sponsors. Please visit <http://www.gwbaa.com/Events> for more information.

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## 2018 Golf Tournament Scheduled for September 13



GWBA is pleased to announce that our 2018 Golf Classic will be held on September 13, 2018 at the 1757 Golf Club in Dulles, Virginia. This will be GWBA's 14th Annual Golf Tournament. The day supports GWBA to help us continue our mission to promote the corporate aviation community in the Baltimore, Washington DC, and beyond. The day also benefits the Aero Club of Washington Foundation introduce aviation to local youth and the Corporate Angel Network, which provides provides transportation as part of their mission to assist young cancer treatment patients.

Registration is available now at <http://birdeaspro.com/2018GWBAAGolf>. For a detailed brochure, please visit

<http://www.gwbaa.com/resources/Documents/GWBA%202018%20Golf%20Classic%20Brochure.pdf>. And if you have any questions, please contact Dan Walker, GWBA's Golf Tournament Chair, at [daniel.walker@flightsafety.com](mailto:daniel.walker@flightsafety.com), or by cell at (302)-465-1837.

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## Regional News Round-Up

Six Virginia airports were awarded nearly \$5 million in grants by the Virginia Aviation Board, including more than \$2 million for taxiway rehabilitation at **Richmond International Airport**.

An article in the *Winchester Star* profiles the retiring director of **Winchester Regional Airport**, Serena "Renny" Manuel. See [http://www.winchesterstar.com/news/frederick\\_county/retiring-airport-director-looks-back-on--decades-long-career/article\\_c6593e78-e806-523c-9986-c0609f4bef53.html](http://www.winchesterstar.com/news/frederick_county/retiring-airport-director-looks-back-on--decades-long-career/article_c6593e78-e806-523c-9986-c0609f4bef53.html).

The Virginia Airport System's Economic Impact Study states that among the commonwealth's 57 general aviation airports, **Stafford Regional Airport** ranks No. 5 in wages (\$7.98 million), No. 6 in economic activity (\$23.3 million) and No. 6 in jobs generated (203).

**Frederick Municipal Airport** is soliciting proposals for corporate hangar development. For more information, please visit <https://www.businessinfrederickblog.com/businessinfrederick/2018/2/27/fdk-soliciting-proposals-for-corporate-hangar-development>.

The Hagerstown Aviation Museum hopes to sign a lease for property near the former Fairchild Aircraft ramp at **Hagerstown Regional Airport**.

On February 28, a Cessna 172 that had departed from **Martin State Airport** crashed off the coast near **Ocean City Municipal Airport**; the pilot and passenger were killed. As always, fly safely!

## Social Media Updates

Some recent items from our social media feeds:

- NBAA President Ed Bolen has thanked the industry for its support of efforts to oppose the privatization of ATC, a proposal that has been removed from currently-pending long-term re-authorization legislation for the FAA. For more information, please visit <https://www.nbaa.org/advocacy/regional/nbaas-ed-bolen-thanks-grassroots-activists-for-opposing-atc-privatization.php>.
- Additionally, Congress has temporarily extended the FAA's operating authority through the end of the current financial year, pending consideration of the long-term bill. For more information, please visit <https://www.nbaa.org/advocacy/issues/modernization/nbaa-applauds-passage-of-legislation-extending-faa-funding-through-september-30.php>.
- **Rockwell Collins Introduces the ARINCDirect Cabin Usage App.** Rockwell Collins is introducing new support tools in the form of an App for their ARINCDirect cabin connectivity services customers. The ARINCDirect Cabin Usage App provides operators with better insight into their cabin usage to improve the passenger experience and optimize costs. More information on the App can be found [here](#).
- Effective March 29, pilots operating in the Washington DC Flight Restricted Zone (DC FRZ) must file flight plans through the FAA's Washington Center Flight Data Unit (FDU), instead of filing a flight plan with the Washington Hub Automated Flight Service Station (Leidos AFSS). For more information, please visit <https://www.nbaa.org/ops/airspace/regional/northeast/new-dc-airspace-flight-plan-requirements-effective-march-29-dassp-procedures-affected.php>.
- Looking for information about aviation jobs, or to publicize an opening? Don't forget that GWBAA has a webpage to help - <https://gwbba.com/Job-Postings>.

## Tax Cuts and Jobs Act of 2017 Provides Many Benefits for Aircraft Owners

Julianne Christensen, CPA

The Tax Cuts and Jobs Act of 2017, "The Tax Bill", has many provisions that will affect the business aviation community.



### **100% Bonus Depreciation of New and Used Aircraft**

One of the biggest tax savings in The Tax Bill is the increase for bonus depreciation from 50% to 100% and the expansion of the definition of Qualified Assets to included used equipment, as long as it is the first use by the taxpayer. Historically, bonus depreciation had only been available for purchases of new equipment.

Bonus depreciation will remain at 100% for purchases between September 27, 2017 and December 31, 2022. After 2022 the bonus depreciation will be reduced to 80% for property placed in service in 2023; 60% for 2024; 40% for 2025; and 20% for 2026. The first year bonus depreciation will then sunset after 2026.

Tax planning is going to be very important so that taxpayers understand if they qualify to take bonus and how to maximize this first year bonus depreciation deduction to ensure that non-business guests and spouses on the aircraft don't result in an unexpected disallowance of some of this first year depreciation.

It is also important to understand the depreciation recapture provisions are still applicable. A reduction in business use in the future could trigger a taxable recapture of the excess depreciation taken over straight line.

Therefore, aircraft owners need to be in communication with their tax consultants to ensure they understand the recapture provision.

### **No More Like-Kind Exchanges**

One of the less favorable changes in The Tax Bill is that the deferred gain from like-kind exchanges of aircraft will not be available after 2017. The 1031 exchange rules will only be applicable to real estate that is not held for sale going forward. The negative tax effects of this change will be offset by the allowance of 100% bonus depreciation. However, the offsetting tax impact for the lack of ability to engage in a like kind exchange is temporary because the bonus depreciation is phased out as shown above and sunsets after 2026.

### **Federal Excise Tax**

The Tax Bill has several other items that directly or indirectly will affect the business aviation community. They have added language to subsection 4261 of the Internal Revenue Code to clarify that the Federal Excise Tax (FET) of 7.5% does not apply to owner flights on managed aircraft. This won't provide much in savings for the aviation community since most, if not all, of us were already taking this stance, but it is nice that we shouldn't have to worry about this coming up in an excise tax audit in the future.

### **Unreimbursed Employee Business Expenses No Longer Deductible on Schedule A**

The Tax Bill increases the standard deduction and makes significant changes to what can be deducted on Schedule A as an Itemized Deduction. There are several changes to Schedule A Itemized Deductions that will affect business aviation. One of larger impacts will be that unreimbursed employee business expenses will no longer be deductible as an itemized deduction through Form 2106. This will have little impact on partnerships and LLC's that are electing partnership treatment because unreimbursed partnership expenses for business related charter and other aircraft costs can still be added as a deduction to Schedule E (or the applicable form) above the line. However, corporate shareholders, including s-corps, will lose the ability as an employee to deduct any unreimbursed business expenses for the charter trips taken and aircraft costs incurred.

If you or your client is adversely affected by this change in law, you may be able to work with your tax advisor and the corporation to adjust their compensation package and add an allowance for reimbursement from the corporation for these expenses. This would allow the company to reimburse the employee for these expenses and deduct them at the corporate level. The reimbursement will not be a taxable fringe benefit as long as it is reimbursement through a written accountable plan. Reimbursements from a non-accountable plan are taxable fringe benefits and need to be included on the shareholder's W-2 as wages, which would reverse the tax benefit received by the company. It is important to evaluate your current deductions to see if any additional tax planning is necessary to ensure that you don't lose those deductions going forward.

### **Disallowance of Commuting & Business Entertainment Expenses**

As with all new laws there are things that will need further explanation before we can understand the true impact to our operations. Two things that I am following are the interpretations to the changes made to disallow deductions for employee commuting and business entertainment expenses. These changes will likely impact how we have historically calculated the percentage of aircraft costs that are disallowed as an income tax deduction in accordance with Section 274 of the Internal Revenue Code ("IRC").

#### **Business Entertainment Expenses**

Prior to the passing of The Tax Bill, business entertainment expenses for entertaining clients and marketing efforts to achieve a business objective have been deductible. The Tax Bill disallows all business entertainment expenses.

#### **Commuting Expenses**

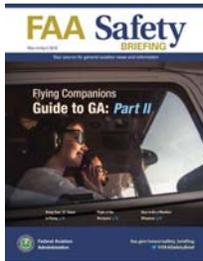
Another change in the tax bill is that commuting between residence(s) and the place of employment is not going to be allowed as a deduction without a safety related purpose. In the past, commuting was a grey area and if a company could substantiate that the commuting flights were personal non-entertainment then imputed income on the fringe benefit was calculated for the employee, but the non-entertainment commuting flights would not

affect the calculated percentage of disallowed aircraft expenses under IRC 274. This allowed a higher percentage of all aircraft costs to be deducted on the company's tax return.

Does the change in the law to disallow commuting expenses affect our ability to consider these flights personal non-entertainment for the purposes of determining the disallowed percentage of aircraft expenses under IRC 274? Will we need to include the commuting flights in the entertainment bucket going forward...? I'll update the AeroCPA, LLC blog at [www.aero-cpa.com](http://www.aero-cpa.com) as new information is available, but be on the lookout for more guidance on this topic and other items that arise as we get a better understanding of The Tax Bill.

**About the Author:** This article was written by Julianne Christensen, CPA ([info@afcjettax.aero](mailto:info@afcjettax.aero), <http://www.afcjettax.aero>) as part of AeroCPA's online blog which focuses exclusively on aviation tax and accounting related issues. In addition to AeroCPA, Julianne Christensen works for Aviation Financial Consulting, LLC as the Senior Vice President and Chief Operations Officer. Aviation Financial Consulting was founded in 2008 and specializes in tax and accounting, consulting and compliance with regard to federal excise taxes, state sales taxes, personal/entertainment use income and deduction compliance, SEC reporting, GAAP tax accounting and acquisition/disposition planning.

## FAA General Aviation News



The FAA has released a new issue of its newsletter for general aviation, FAA Safety briefing. The theme of the issue is the Flying Companion's Compendium - Part II. Building on a prior issue of the newsletter published in 2014, this edition discusses the roles that non-pilots can play, both on the ground and in the air - for example, 'decoding (and parroting) pilot patter'. The March/April issue is accessible at [https://www.faa.gov/news/safety\\_briefing/2018/media/MarApr2018.pdf](https://www.faa.gov/news/safety_briefing/2018/media/MarApr2018.pdf).

## Upcoming Events

**April 4:** International Aviation Club luncheon featuring Andrew Watterson, Executive Vice President and Chief Revenue Officer of Southwest Airlines, at the City Club of Washington. For more information, please visit <https://iacwashington.wildapricot.org/event-2852686>.

**April 11:** Aero Club luncheon featuring Alan Pellegrini, CEO of Thales North America, discussing cyber-security challenges. For more information, please visit <https://www.aeroclub.org/events/>.

**April 17:** National Aeronautic Association luncheon featuring Dr. John Langford, Founder, President, and CEO of Aurora Flight Sciences, at the City Club of Washington. For more information, please visit <https://naa.aero/events/upcoming-events>.

**May 16:** Hold this date for the PDP course and networking reception in advance of GWBAA's safety standdown; see above for more details.

**May 17:** Hold this date for GWBAA's safety standdown; see above for more details.

**June 14:** National Aeronautical Association Robert J. Collier Trophy Dinner. For more information, please visit <https://naa.aero/userfiles/files/documents/Press%20Releases/2017%20Collier%20Trophy%20Nominees.pdf>.

**July 26:** FlightSafety's 6th annual networking dinner at the National Press Club. For more information, please visit <https://flightsafety.org/events/>.

**September 13:** Hold this date for GWBAA's golf tournament; see above for more details.

**October 16-18:** NBAA Business Aviation Convention and Exhibition in Orlando, Florida. For more information, please visit <https://www.nbaa.org/events/bace/2018/>.

**October 26:** Aviation Education and Career Expo at ProJet Aviation at Leesburg Executive Airport. For more information, please visit <http://www.aveducationexpo.com>.

## About GWBAA

GWBAA President Bob Blouin ([info@gwbaa.com](mailto:info@gwbaa.com)), GWBAA Executive Director Cheryl Goldsby ([cheryl@gwbaa.com](mailto:cheryl@gwbaa.com)), and GWBAA Secretary Jol Silversmith of Zuckert, Scutt & Rasenberger, LLP ([jasilversmith@zsrlaw.com](mailto:jasilversmith@zsrlaw.com)) write and edit GWBAA News.

GWBAA's success and ability to make a difference depends on the breadth of its support and your participation – so please send any ideas or comments for future newsletters, or for GWBAA, in general, to Bob, Cheryl, or Jol.

Also, if you are a business aviation professional and interested in volunteering to serve on the GWBAA Board of Directors please contact Bob directly at [bobolouin@msn.com](mailto:bobolouin@msn.com) or (302) 500-2782.

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