

# AIRCRAFT OWNERS CAN DEFER CAPITAL GAIN TAXES IN A 1031 EXCHANGE



## Compliments of

Many aircraft owners, whether dealing with a requirement to upgrade from a current aircraft to meet new business needs, delayed delivery times, or steep depreciation schedules resulting in increased capital gain, can benefit from the tax deferral benefits of a Section 1031 exchange. Business owners and investors are well aware of this valuable tax strategy and frequently use §1031 exchanges of real property to improve their investment position or expand business operations with full tax deferral. These same tax benefits also present a tremendous opportunity in the arena of aircraft dispositions. In the absence of a §1031 exchange, depreciation taken on aircraft is subject to depreciation recapture at the time of sale and any potential appreciation of the aircraft further compounds the tax consequences for the aircraft owner. Once a tax advisor calculates the amount of value remaining after taxes to reinvest into a new aircraft, it may not seem like a smart move to sell after all.

### PERFORM A 1031 EXCHANGE RATHER THAN SELLING

The answer to this dilemma lies in exchanging an aircraft, instead of selling. Many aircraft owners are unaware that a method exists for deferring what can be significant capital gain taxes and depreciation recapture due on the sale of an aircraft. A §1031 exchange is nearly as simple as a typical aircraft sale. Once a purchaser for an aircraft is located, you or your broker should contact a Qualified Intermediary who will structure an exchange within the IRC requirements. It is not necessary to purchase a replacement aircraft from the same party you are selling to, nor is it necessary to close the sale and the purchase at the same time. The tax code has built in timeframes and structures to allow you flexibility in your exchange.

### ASSET PRESERVATION PROVIDES A TAX SOLUTION

Aircraft owners look to Asset Preservation, Inc. (API) for answers to their capital gain tax dilemmas. Aircraft owners have learned that API has helped structure hundreds of aircraft sales as §1031 exchanges, thereby deferring capital gain taxes that would otherwise be due! API has been facilitating aircraft exchanges for over twenty years as a Qualified Intermediary as defined by §1031 of the Internal Revenue Code. As a Qualified Intermediary, Asset Preservation, Inc. has designed a system for facilitating aircraft exchanges which allows owners to sell aircraft, search for replacement aircraft, and complete tax deferred exchanges within the time limits specified. API's sole purpose is to guide aircraft owners through their exchange transactions with minimal interruption to their everyday business activities. API's professionals monitor each exchange carefully through communication with sellers and brokers to address issues as they arise. Our experienced staff and aircraft specialists allow us to accommodate all types of exchange transactions. API has CPAs and legal counsel on staff who are available to assist in interpreting exchange rules. However, API does not replace independent tax or legal counsel; we work together to reach the best possible exchange solution for each unique situation. Give API a call to learn how we can help you keep your sale proceeds available for reinvestment in a new or upgraded aircraft. Our exchange counselors are always available to answer questions and provide guidance in determining if a §1031 tax deferred exchange might be an excellent alternative for you.



A National IRC §1031 "Qualified Intermediary"

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