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Subject: Avioneta Holdings, LLC

Date: Thu, 19 Sep 2013 20:09:13 +0000

Attachments: Copy_of_Proforma_Tax_Treatment_(2)09-19-13.pdf

Inline-Images: image001.gif; rem-newlogo_sm29.png; primeglobal_color_blktext_tagline4823.jpg; 2013_ipatop100(2)18be.jpg

Jeffrey,

I revised the amount of Leon's "private use income" in the attached tax treatment schedule. Using the flight hours for 2012, I calculated the average per-hour rate (dom/int'l) to be \$9,110. I applied that hourly rate to the personal-use hours for 2012 (137.7). Business hours (per Apollo payment statements) were assumed the same.

Michael Volpe of Jet Aviation confirmed that the reported hours and mileage shown on their monthly statements is all-inclusive.

The total amount paid by Leon to the LLC above the computed flight revenue was considered capital contribution. The portion of the capital contribution related to operating, managing and maintaining the aircraft is shown at the bottom of the schedule. **Until May 2013, amounts paid by the owner for management, maintenance, pilot costs (etc) to management company were considered to be taxable for excise tax by IRS – this has been suspended (see below).**

The excise tax computed is based on business flights - assuming all domestic flights. However, international flights (over 200 miles from US border) are not subject to excise tax. Since much of the flight time is international, the excise tax could be significantly less.

I'm available to discuss.

Tom

From NBAA....

On May 16, 2013, the IRS informally announced that it will suspend the assessment of Federal Transportation Excise Tax (FET) on owner flights on aircraft managed by aircraft management companies. In a new article, NBAA Tax Committee Member John Hoover reviews the implications of this suspension on assessments, summarizes meetings and efforts by NBAA leading up to this suspension on assessments, and discusses expected future guidance from the IRS on this issue

IRS Suspends Federal Excise Tax Assessments on Aircraft Management Company Fees

[Gary I. Horowitz](#)

May 21, 2013 | *Airworthy Alert*

The Internal Revenue Service (IRS) is suspending Federal Excise Tax (FET) assessments of aircraft management companies under audit, while the IRS develops guidance on FET specific issues affecting private aircraft operations.

The Tax Code imposes a 7.5% FET on the amount paid for domestic air transportation services provided by aircraft charter operators and commercial airlines. FET can also be imposed by the IRS on non-commercial flight operations. Over the last several years, the IRS has aggressively audited aircraft management companies, and has claimed that the aircraft

management fees paid by an owner to its aircraft management company are subject to FET, even when the aircraft is operated by the owner under FAR Part 91.

In a 2012 Chief Counsel Advice memorandum, an aircraft owner hired a management company to oversee aircraft operations, paid the management company a monthly management fee and reimbursed pilot employment and training costs. The IRS determined that the management company provided taxable transportation to the aircraft's owner and that FET was due on the monthly management fees and pilot reimbursements. However, this new IRS position is inconsistent with prior guidance and creates confusion.

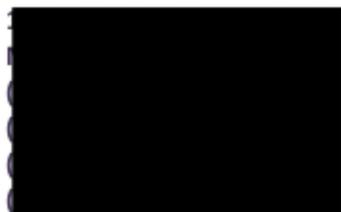
In response, representatives of the National Business Aviation Association (NBAA) and National Air Transportation Association (NATA) met with IRS officials to request clear guidance on FET as applied to aircraft operated privately by owners using aircraft management company services.

In consideration for the concerns of NBAA and NATA, the IRS will suspend FET assessments on current audits until the IRS develops formal guidance and audit standards for both future FET liability and past activity. IRS guidance is expected to be provided within several months.

In light of the IRS's FET activity, private aircraft owners using aircraft management company services should review their arrangements to clearly establish that, for FET purposes, the aircraft owner has possession, command and control over its aircraft and the management company is merely acting as the owner's agent.

For more information, please contact [Gary I. Horowitz](#) at [REDACTED] or [REDACTED].

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