BUSINESS AIRCRAFT SUBSTANTIATION

Information Document Request

Instructions to the Examination Team (the team):

This IDR language is for substantiating the business purpose of flights designated as business by the taxpayer.

These are proforma Information Document Requests ("IDRs") prepared to assist with an aircraft examination. Please note the following:

- Not all the suggested questions in the proforma IDRs may be applicable for each case.
- The team may need to eliminate, add, or modify some of the suggested questions.

The following is instruction only, not to be included in the IDR sent to the taxpayer.

IRC § 274(d) Substantiation on Aircraft Usage

Once you have the flight information you will need to determine the reason for the flight. You will make a determination based on the records and substantiation provided for each flight. Was the flight business related, personal, maintenance or other?

IRC § 274(d)(4) provides that no deduction or credit is allowed with respect to listed property defined in IRC § 280F(d)(4) unless substantiated by adequate records or by sufficient evidence corroborating the taxpayer's own statement with (A) the amount of the expense or other item, (B) the time and place of the travel, entertainment, amusement, recreation, or use, (C) the business purpose of the expense or other item, and (D) the business relationship to the taxpayer of persons entertained, using the facility or property, or receiving the gift.

Business Aircraft Substantiation Information Document Request

Issue: To obtain basic information regarding the aircraft reported on the tax return.

For each flight listed below (insert table) please provide:

- 1. The name of each passenger on board (if not already provided);
- 2. The purpose of the flight for each passenger;
- 3. Documentation to support the business relationship of each passenger to the taxpayer; and
- 4. <u>Contemporaneous documentation</u> that supports the business purpose of each trip and each passenger classified as business;
- 5. If the supporting documentation is not contemporaneous, provide contemporaneous supporting documentation that was relied upon to reconstruct the substantiation.

Important Instructions

- 1. Use a separate SSF for each person, each calendar year receiving aircraft fringe benefits.
- 2. Use the Rows 9 54 for Jan June flights and Rows 56 101 for July December Flights.
- 3. Consult SSF Tabs at bottom of spreadsheet to locate SIFL rates and Aircraft Multiples
- 4. Placing your curser on a cell's "Red Triangle" will reveal a useful "comment".
- 4. Agent must input appropriate data in "Flight Miles" (Statute Miles) and all boxes shaded green.
- 5. An Internet Source for Distances:

http://m.airwx.com/tools/airportDistanceForm.aspx?prev=%2F

Input Flights for Jan - June Go to Row 56 for July - Dec Flights

Flight Date	Originating City	Destination City	Flight Hours	Statute Flight Miles	0-500 Miles	501-1500 Miles	1500+ Miles	
2/10/2023	DFW	HOU	1.5	270	270	0		0
3/15/2023	DFW	IAD	4	1159 0	500 0	659 0		0

Total Taxable Fringe Benefit for semi-annual

Input Flights for July through December Below

Flight Date	Originating City	Destination City	Flight Hours	Flight Miles	0-500 Miles	501-1500 Miles	1500+ Miles
				0	0	0	0
				0	0	0	0
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Total Taxable Fringe Benefit for semi-annual

Total Taxable Fringe Benefits for Year



Applicable	Semi-Annu	al SIFL Rate
0-500 MI	501-1500	>1500

			0.2163	0.20					
Value of Miles									
<5	01	50	1-1500	>1500					
\$	77.33	\$	-	\$	-				
\$	143.20	\$	143.86	\$	-				
\$	_	\$	_	\$	_				

	1.61-21(g)(7)			SIF		
	Aircraft			Те	rminal	
Miles Sub-	Multiple	Val	ue of	Charge		
Total Value	4	Mile	es		52.35	
\$ 77.33	4	\$	309.31	\$	52.35	

es Sub-	Multiple		value of	Charge		
al Value		4	Miles	52.35		
77.33		4	\$ 309.31	\$	52.35	'
287.06			\$ 1,148.24			
-		4	\$ -			

SIFL Value of Flight per Person

361.66 \$ 1,200.59

Total Taxable

SIFL Value of Flight per

	Applicable	Semi-Annu	al SIFL Rate
1	0-500 MI	501-1500	>1500
ı	0	0	0

Value of Miles									
<501		501-	1500	>1500					
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Total Taxable

Total Taxable

Employee	Employee's	Less any	Employee's	
plus # of	potential	Amount	Taxable	
Employee's	Fringe	Paid by	Fringe	
Guests	Benefit	Employee	Benefit	
2	\$ 723.32		\$ 723.32	
1	\$ 1,200.59		\$ 1,200.59	
1	\$ -		\$ -	
Fringe Ben	efit for semi-ar	nnual	\$ 1,923.91	
Employee	Employee's	Less any	Employee's	
plus # of	potential	Amount	Taxable	
Employee's	Fringe	Paid by	Fringe	
Guests	Benefit	Employee	Benefit	
1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1				

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1	\$ \$	-	\$	-
1	\$	-	\$	-

Fringe Benefit for semi-annual

\$ -

Fringe Benefits for Year

\$ 1,923.91

Exercise Answers

Holly's Schedule C

Income Inclusion

280F Calculation %	25% Test

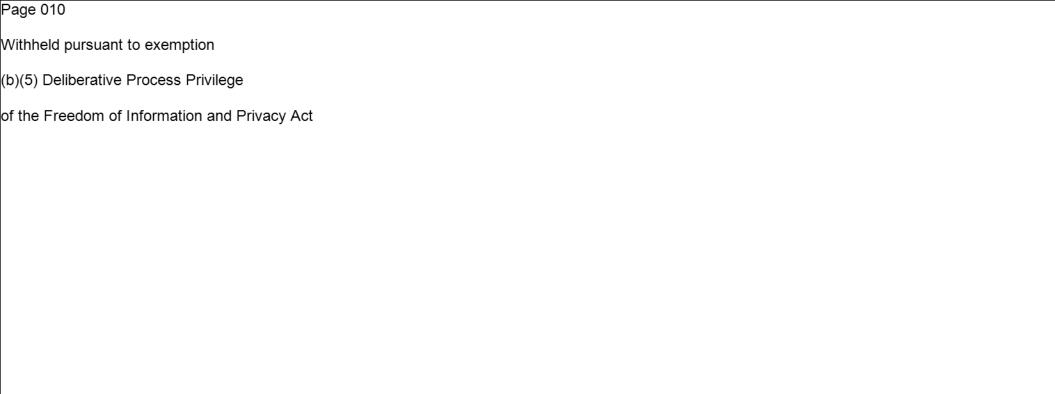
OSH 20% Failed OSM 19% Failed FbFH 22% Failed FbFM 19% Failed

Depreciation Recapture Computation

31,334,400

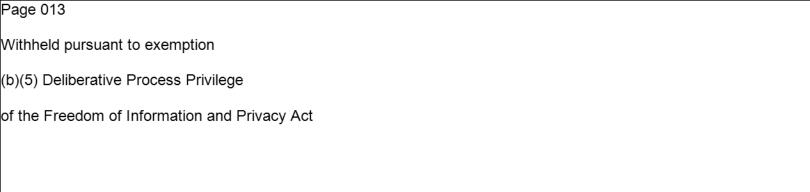
			If TP agrees
BAC Company	to income inclusion		
Expense Disallowance			inclusion on audit
OSH	3,519,415	460,723	3,058,692
OSM	3,483,610	502,706	2,980,904
FbFH	2,943,423	595,299	2,348,124
FbFM	2,850,214	635,420	2,214,794

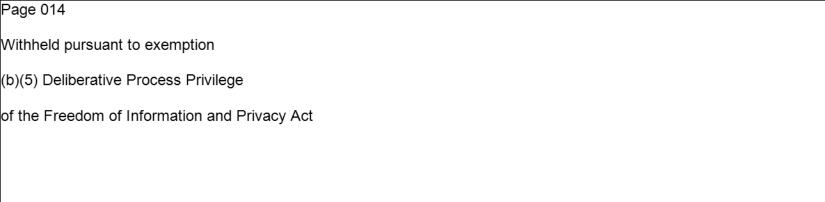
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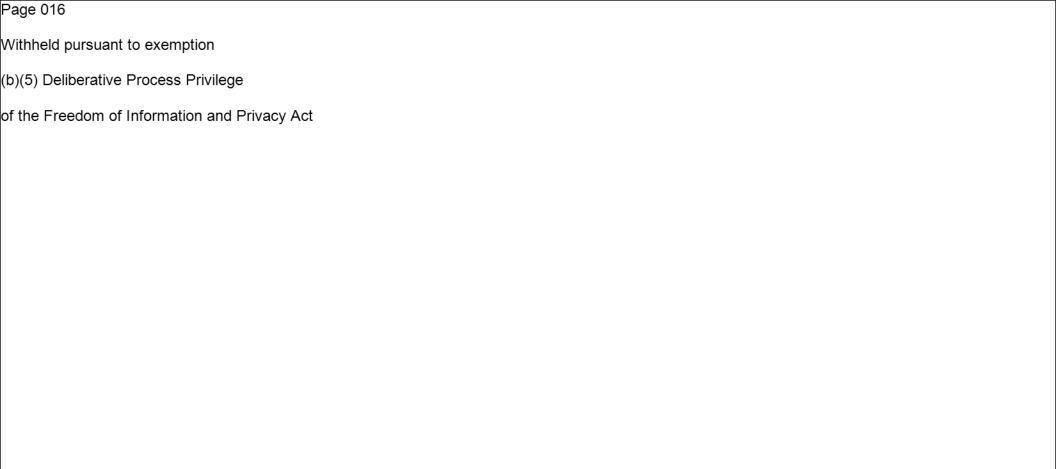


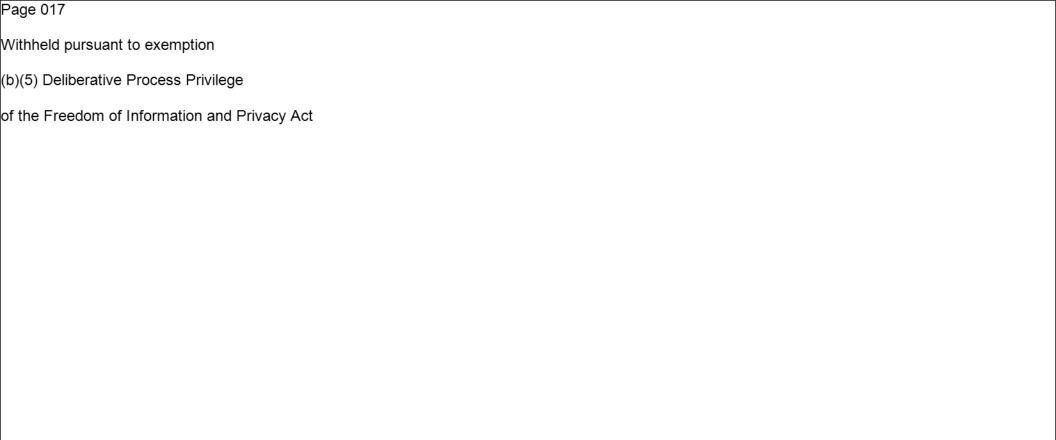


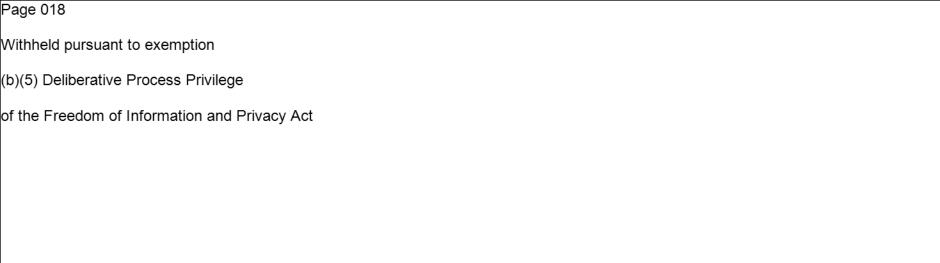


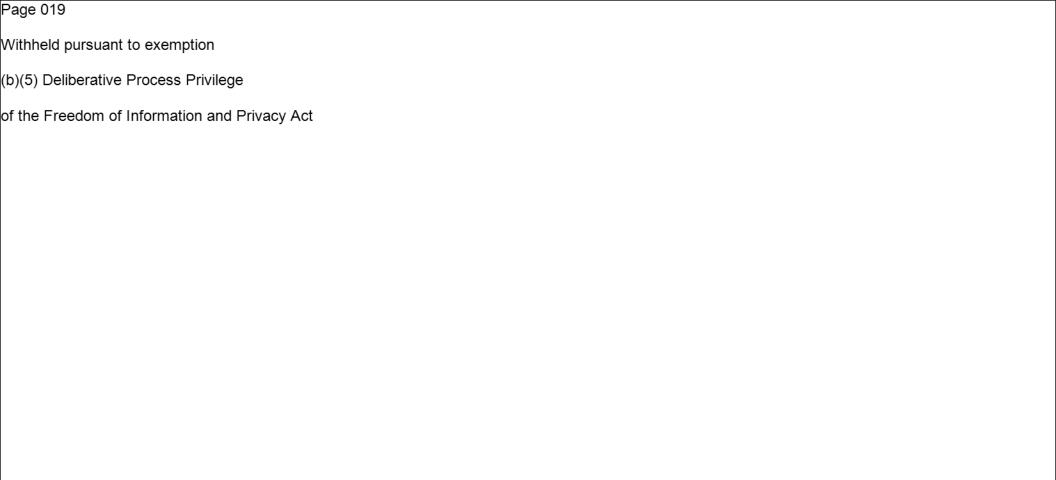


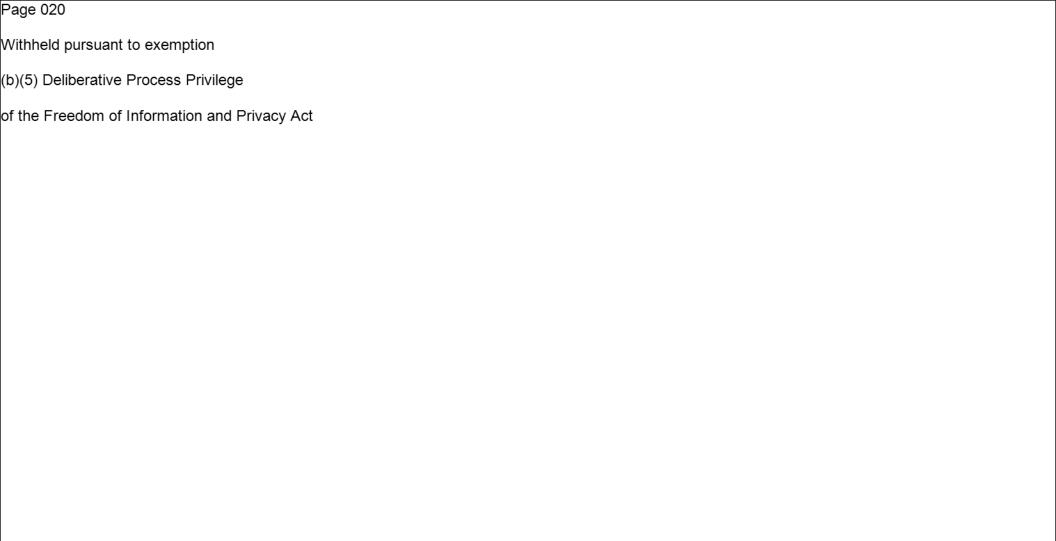


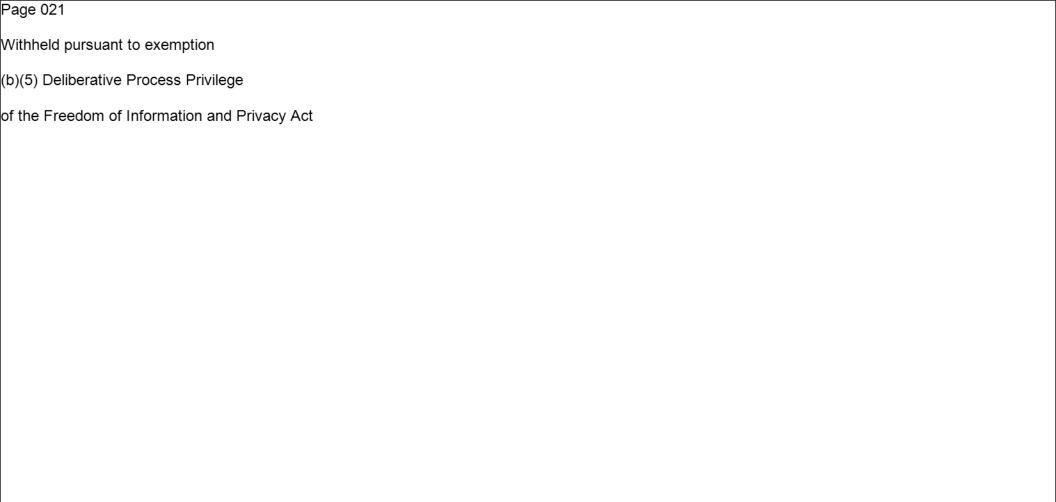


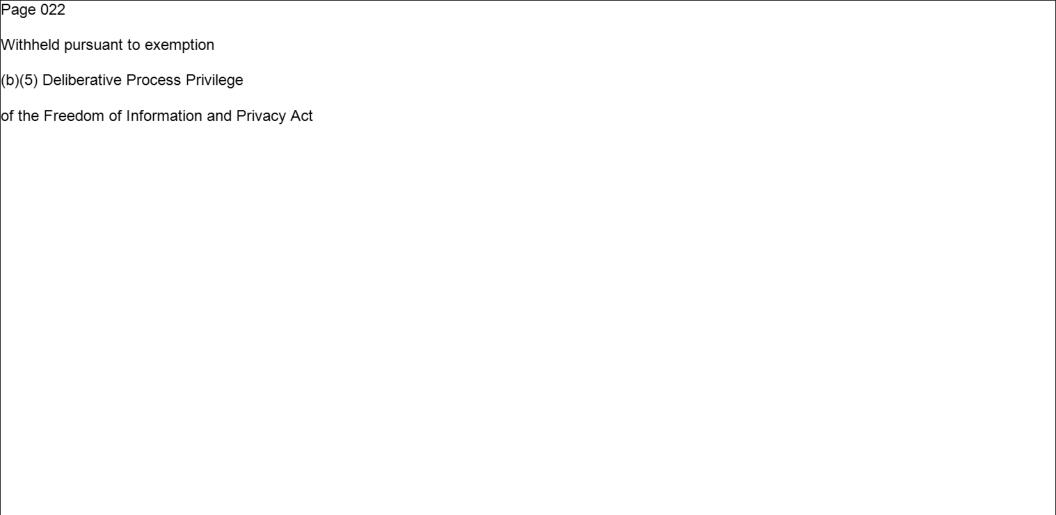


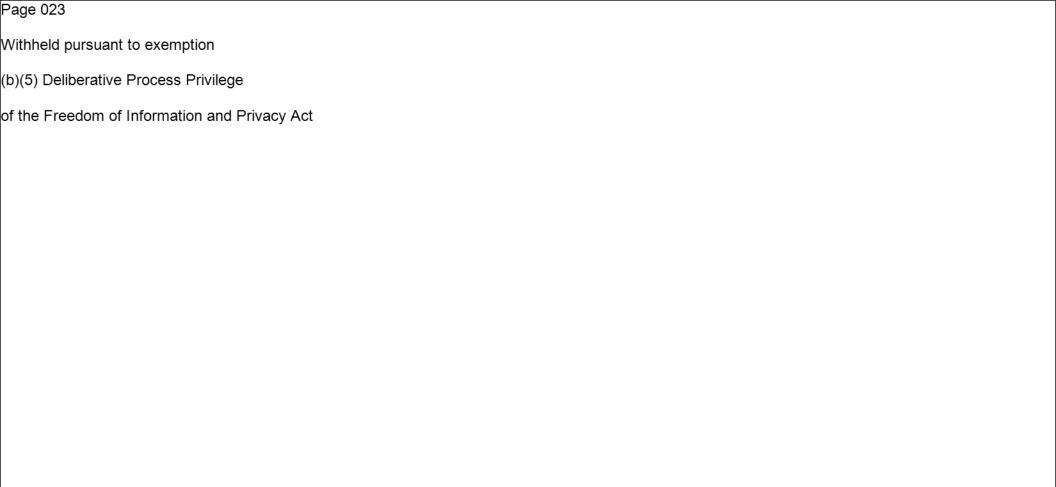


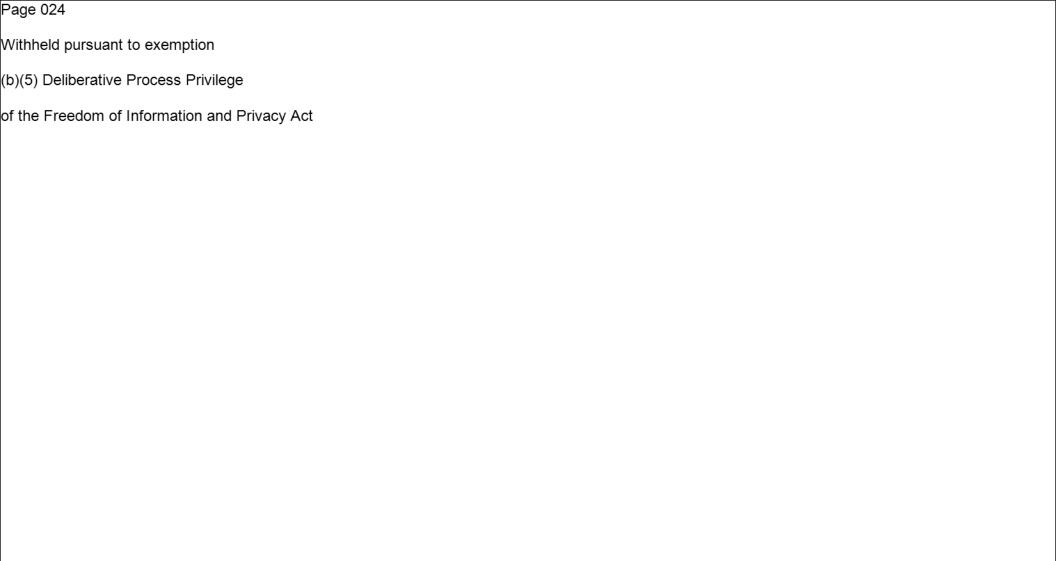


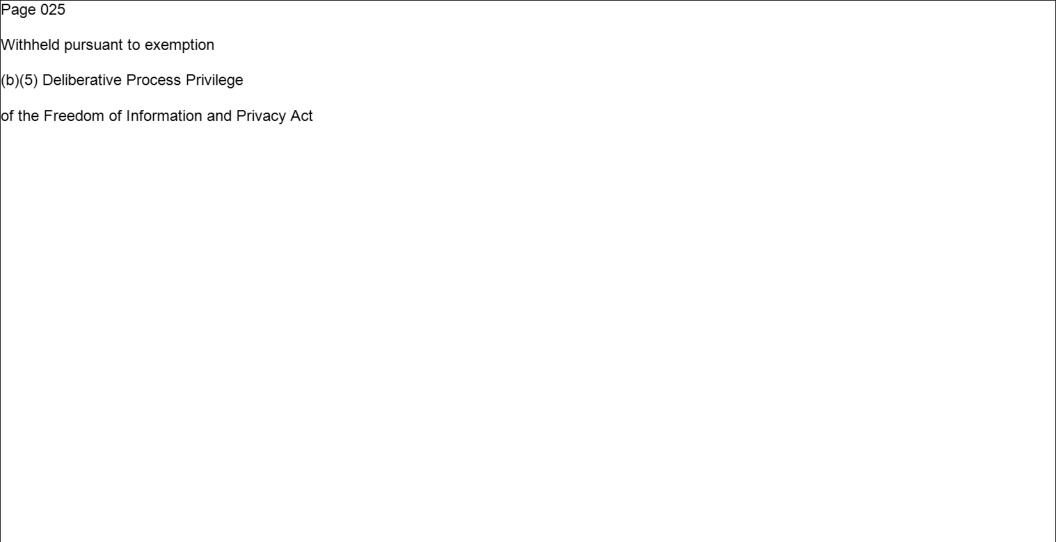


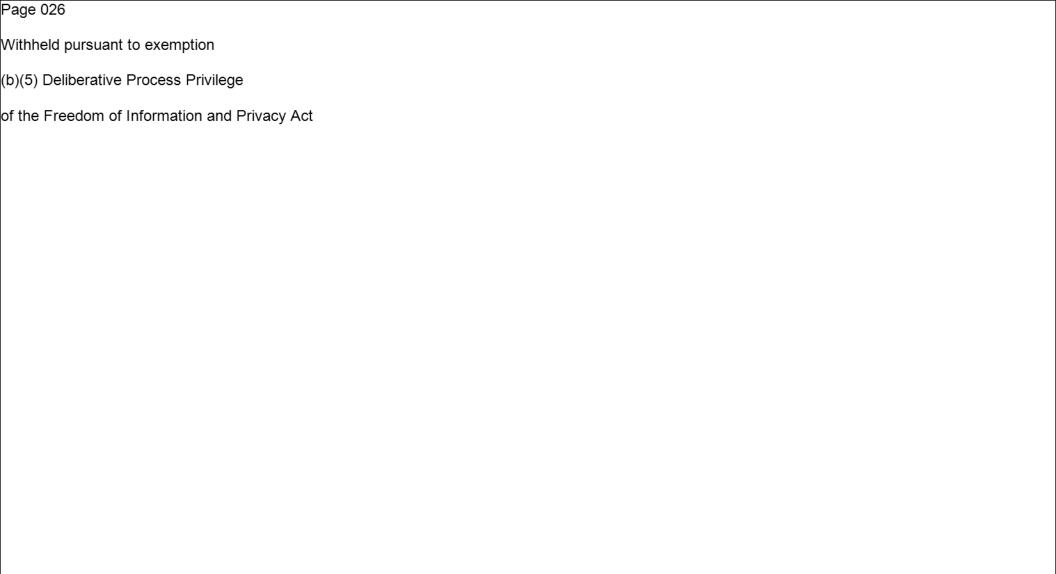


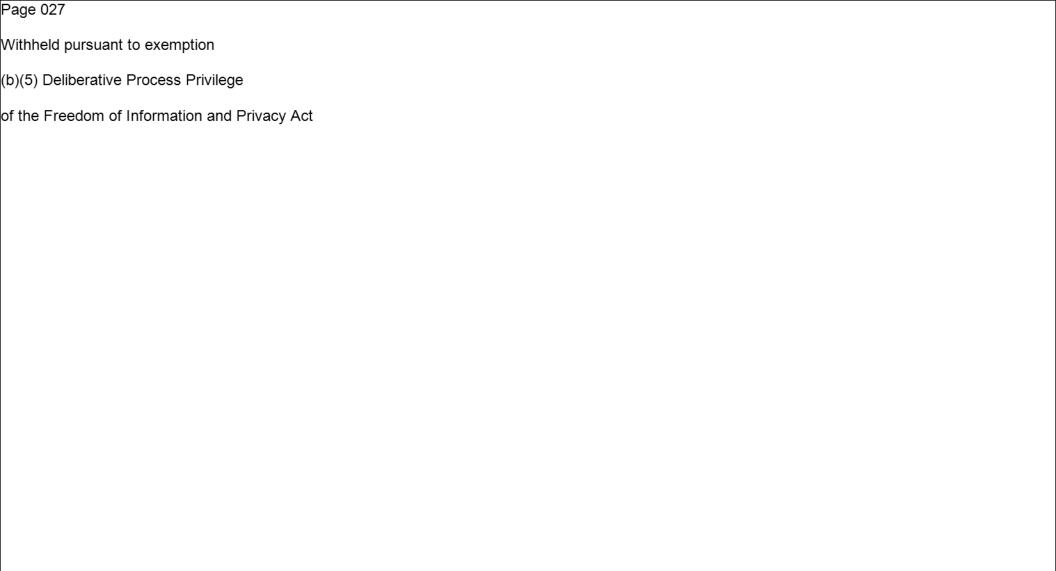




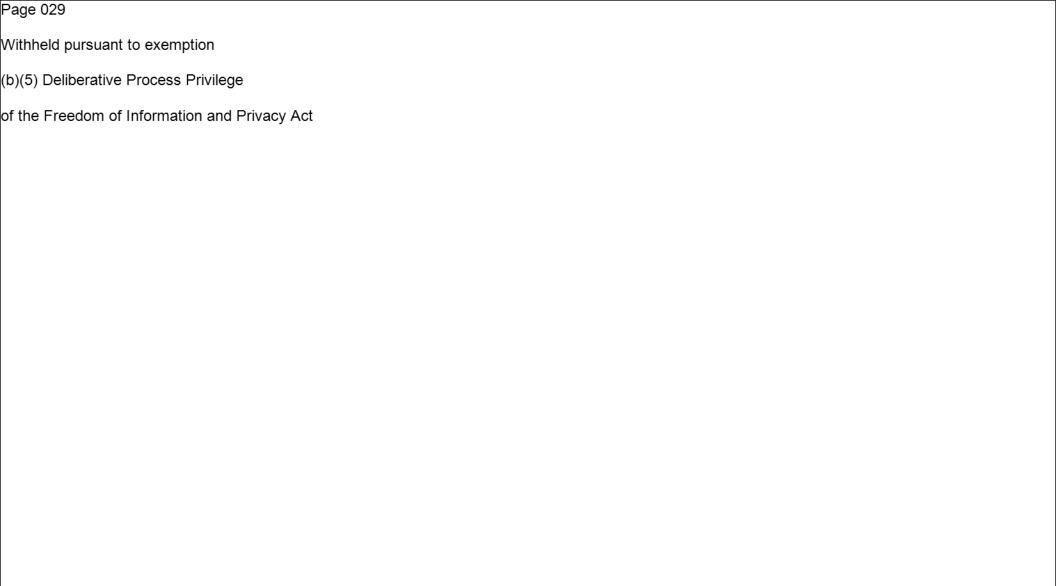


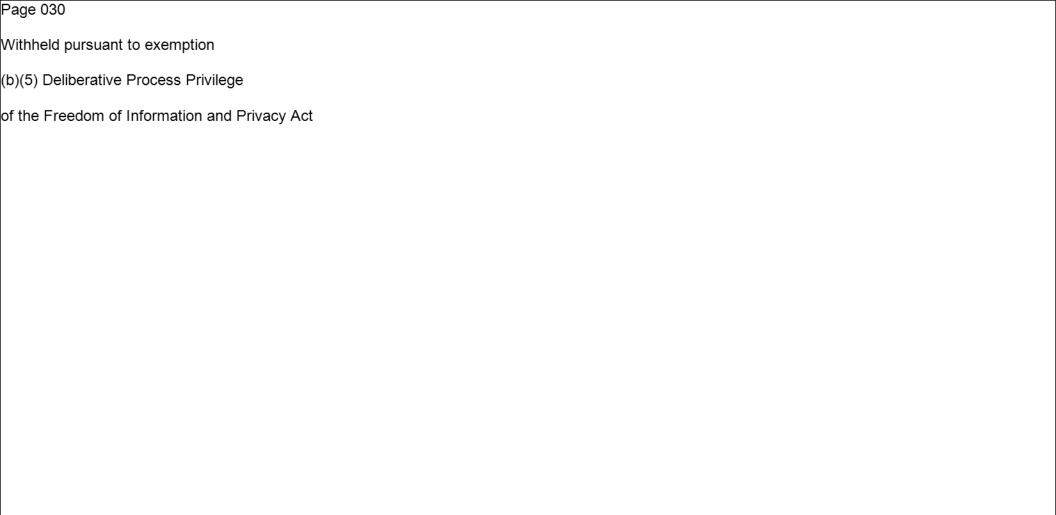


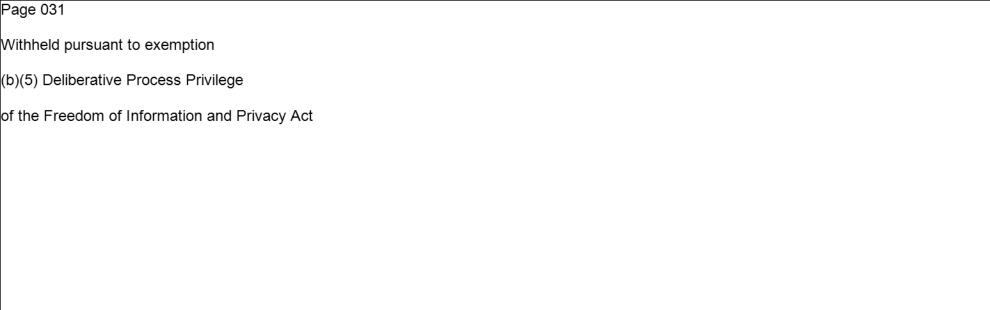


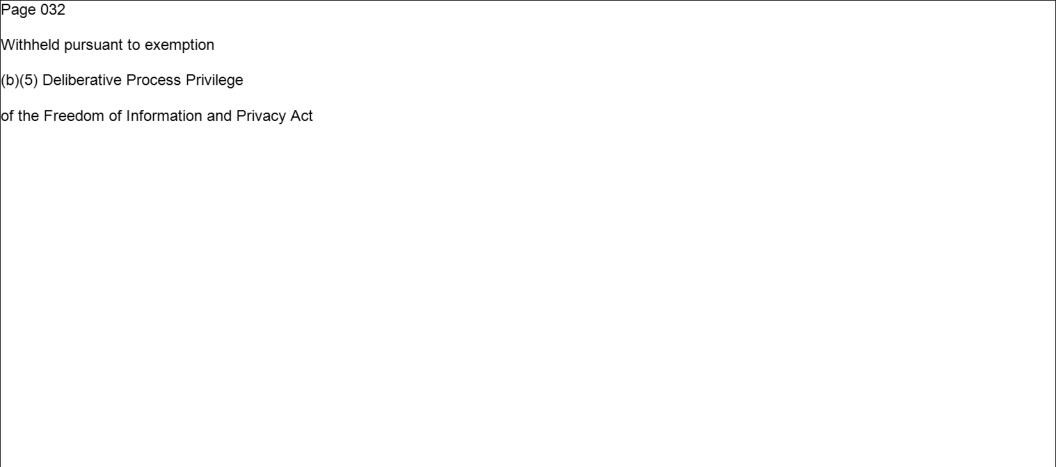


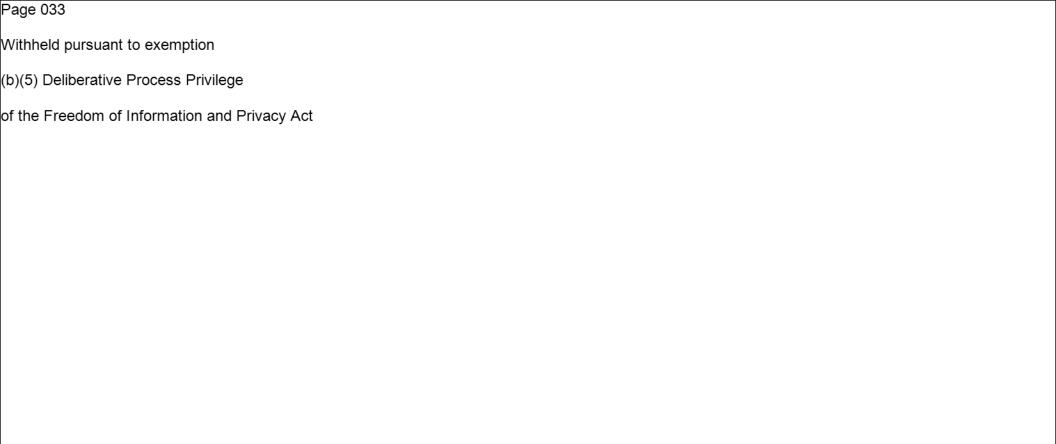


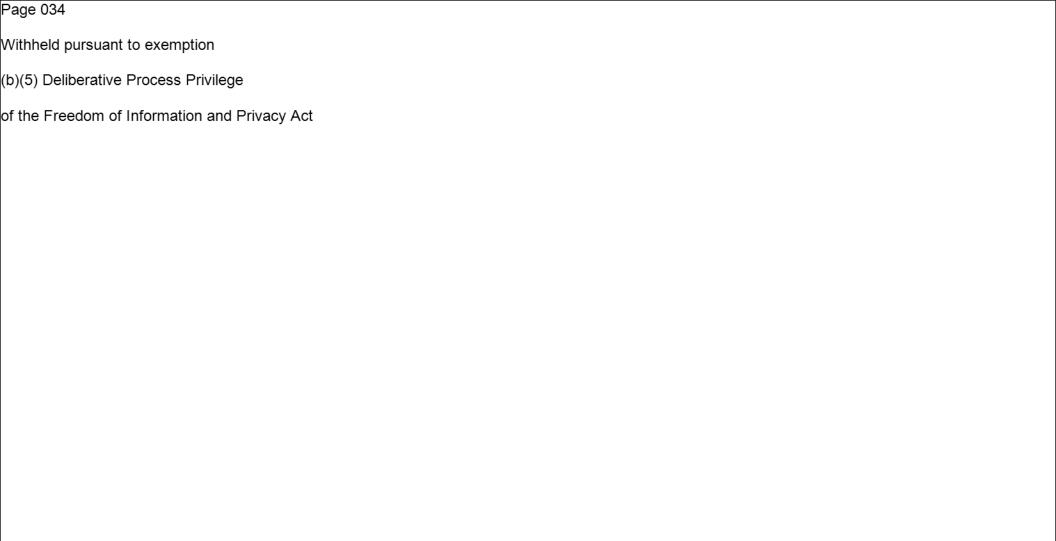




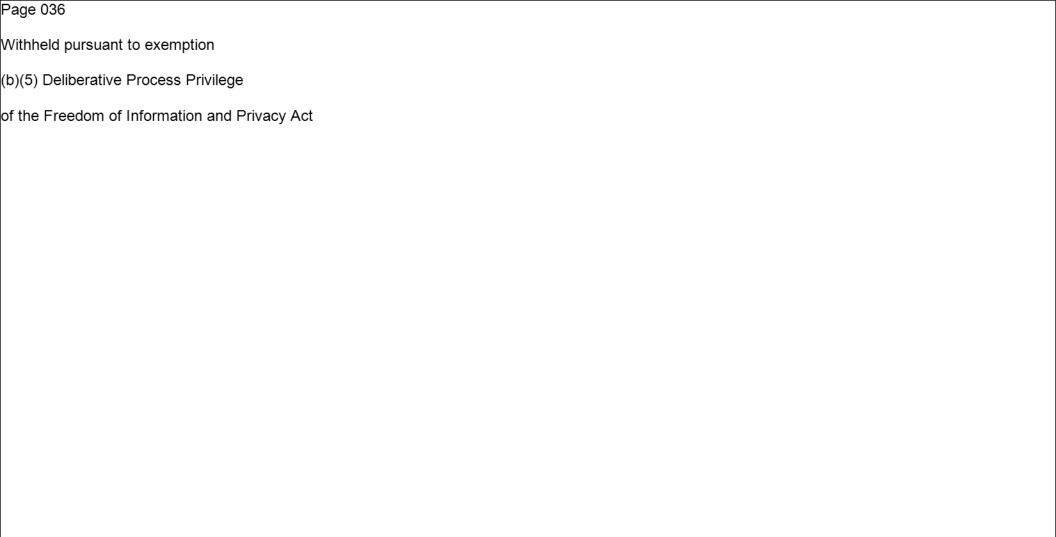


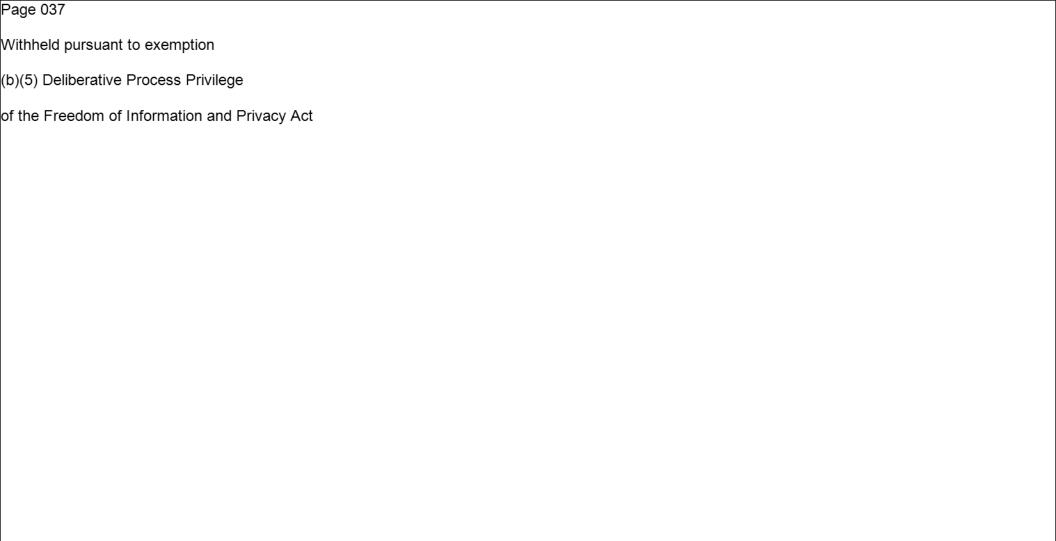


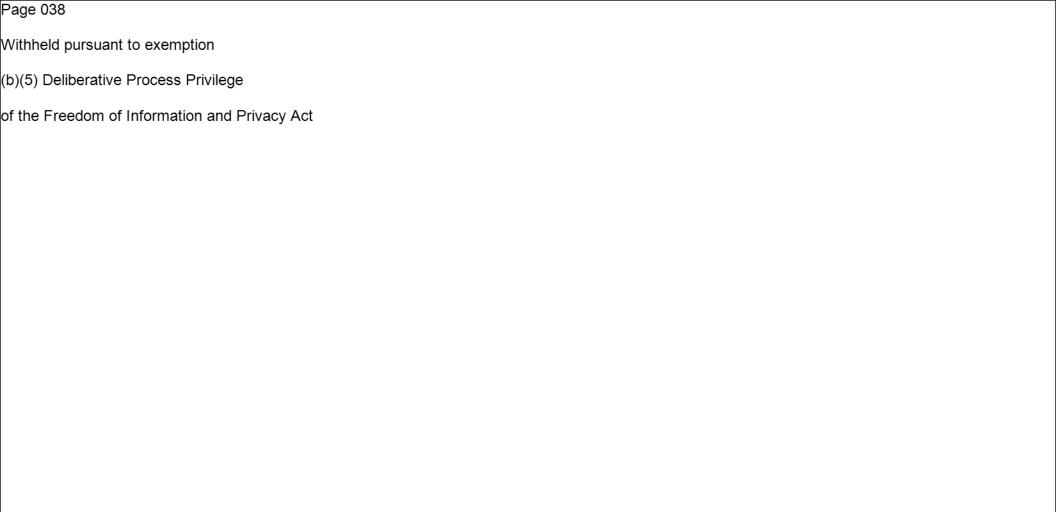


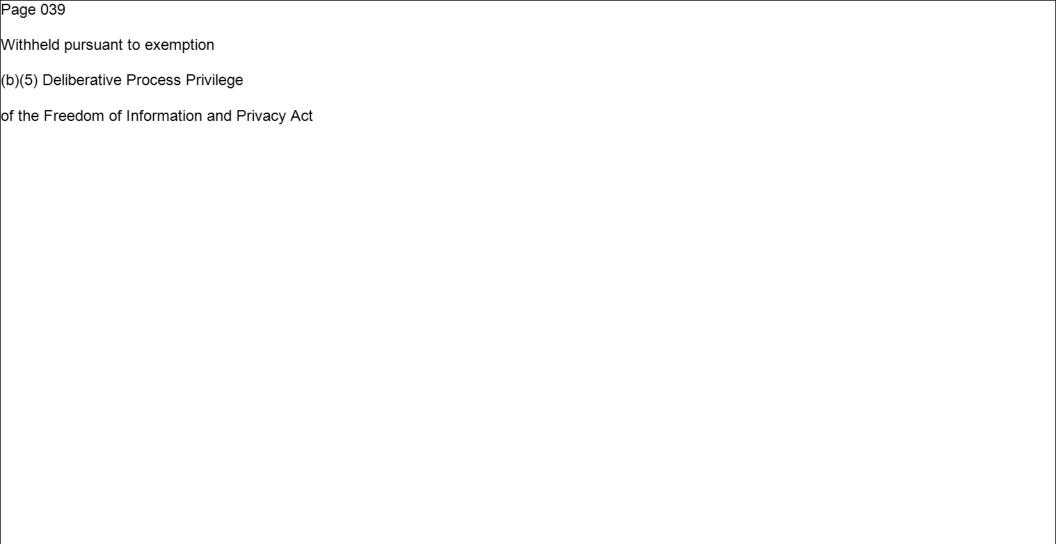




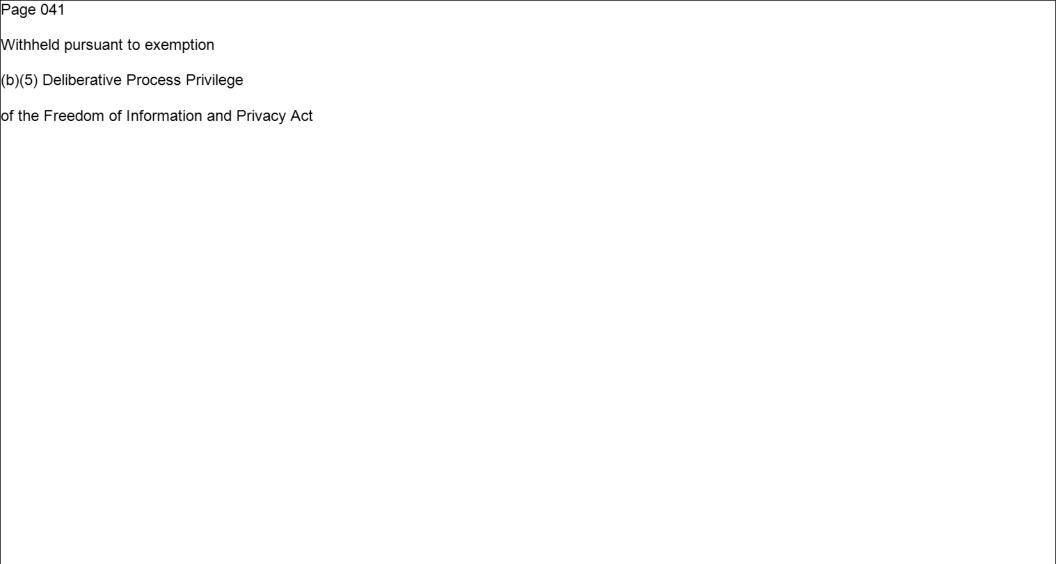


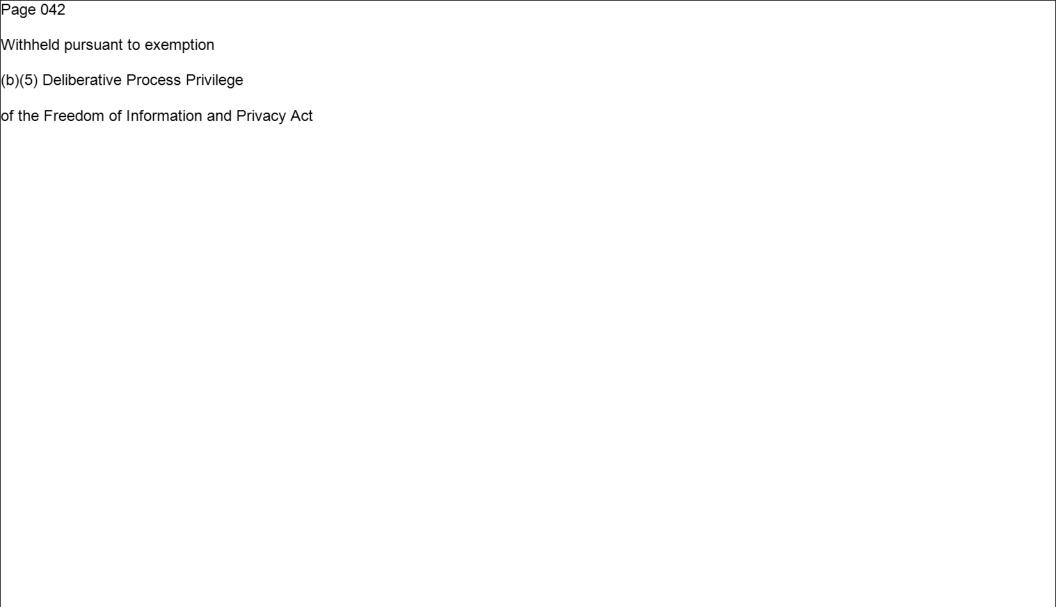


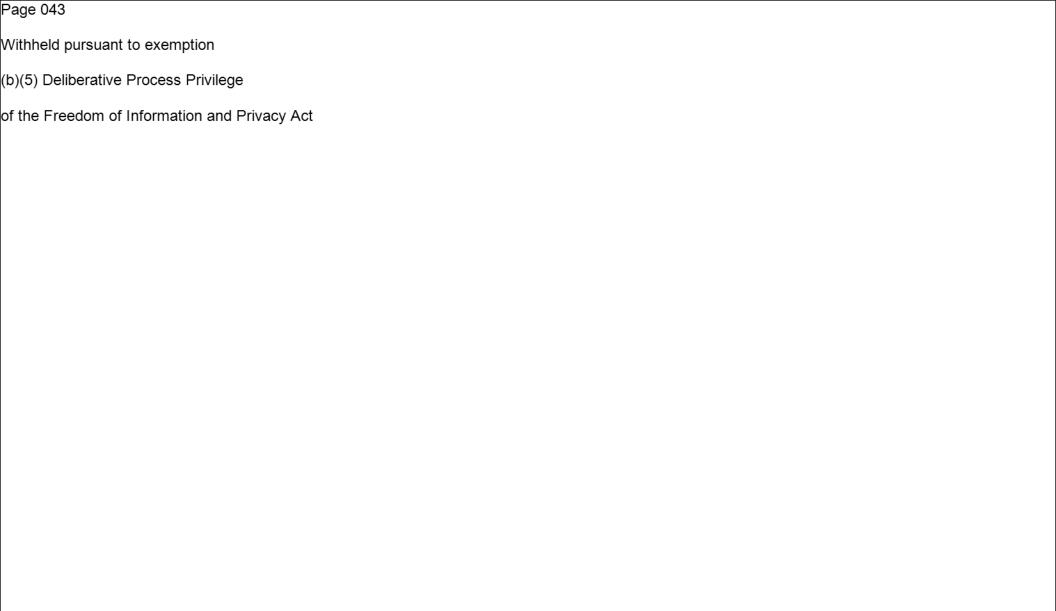


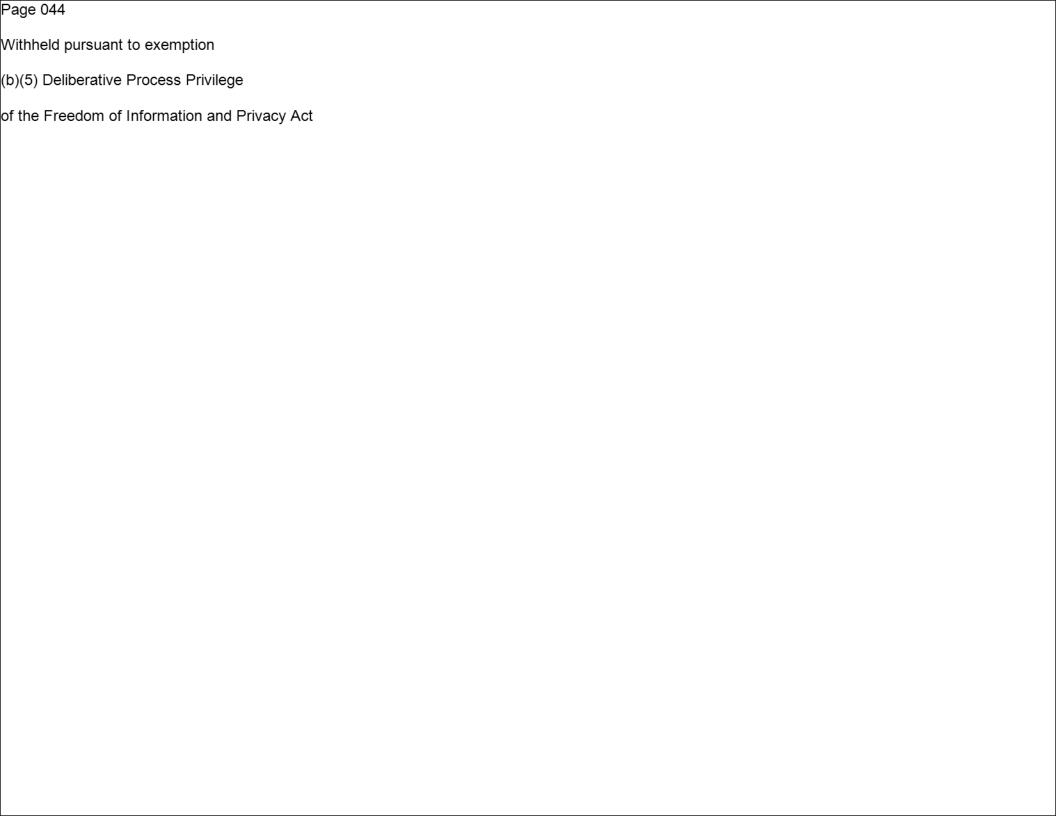


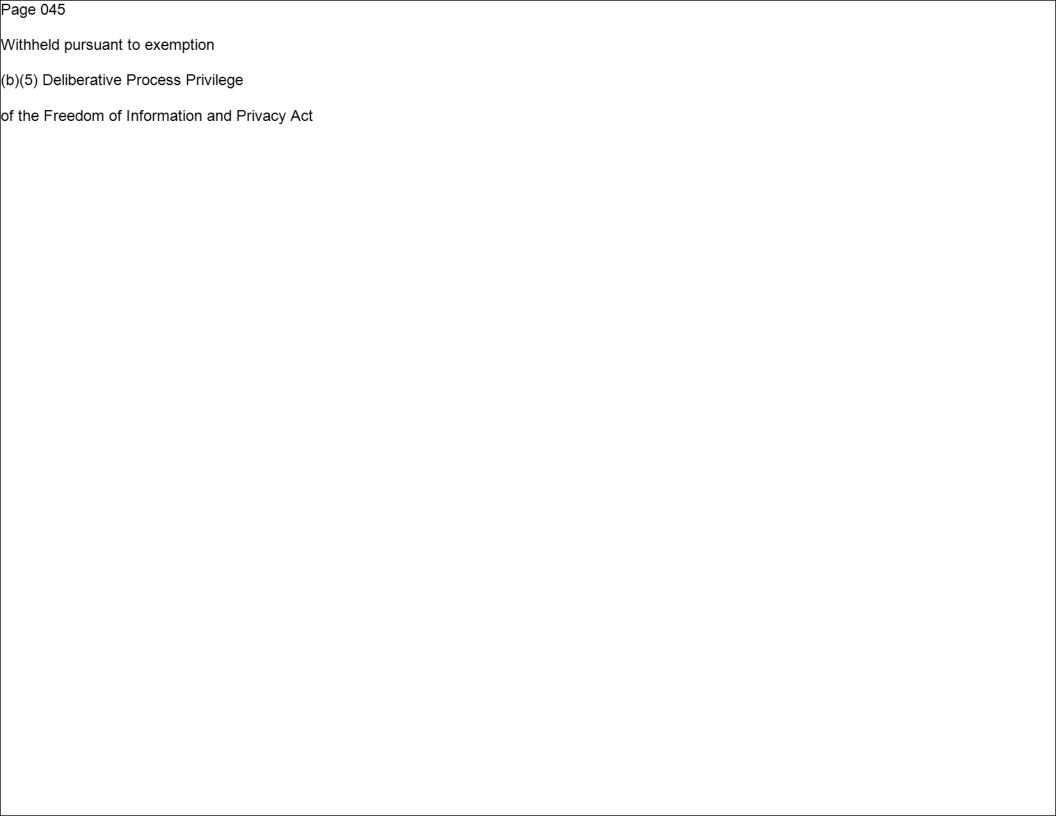


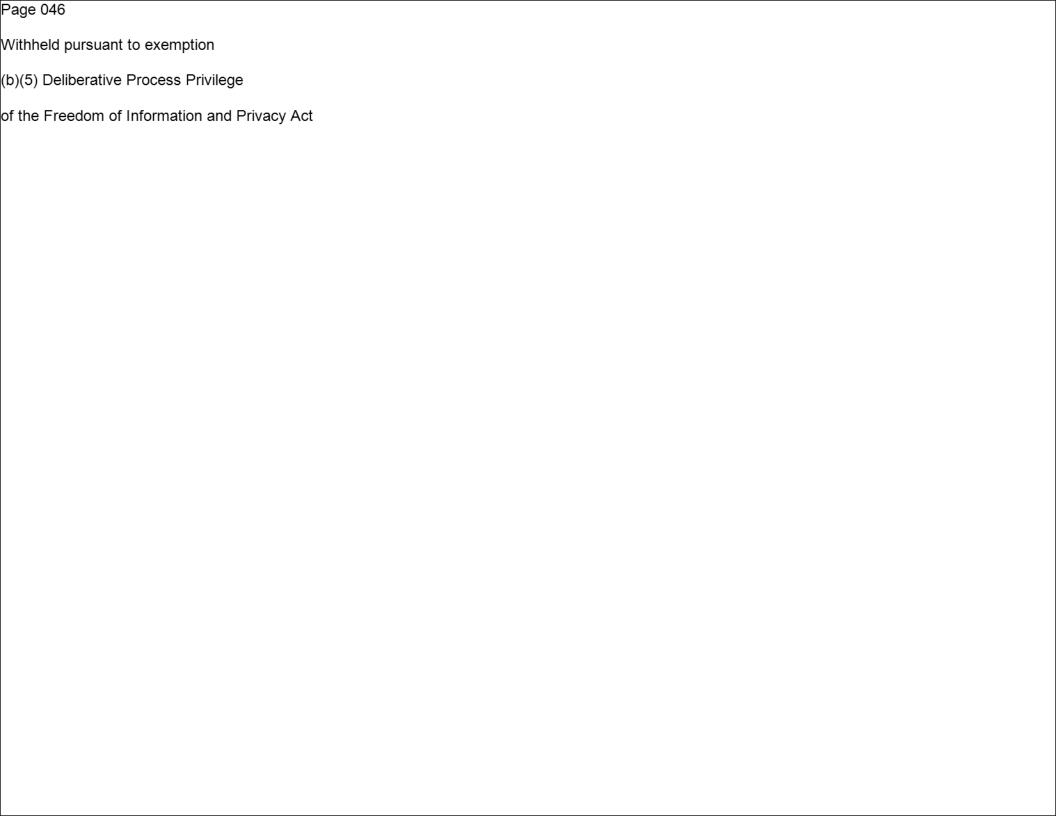


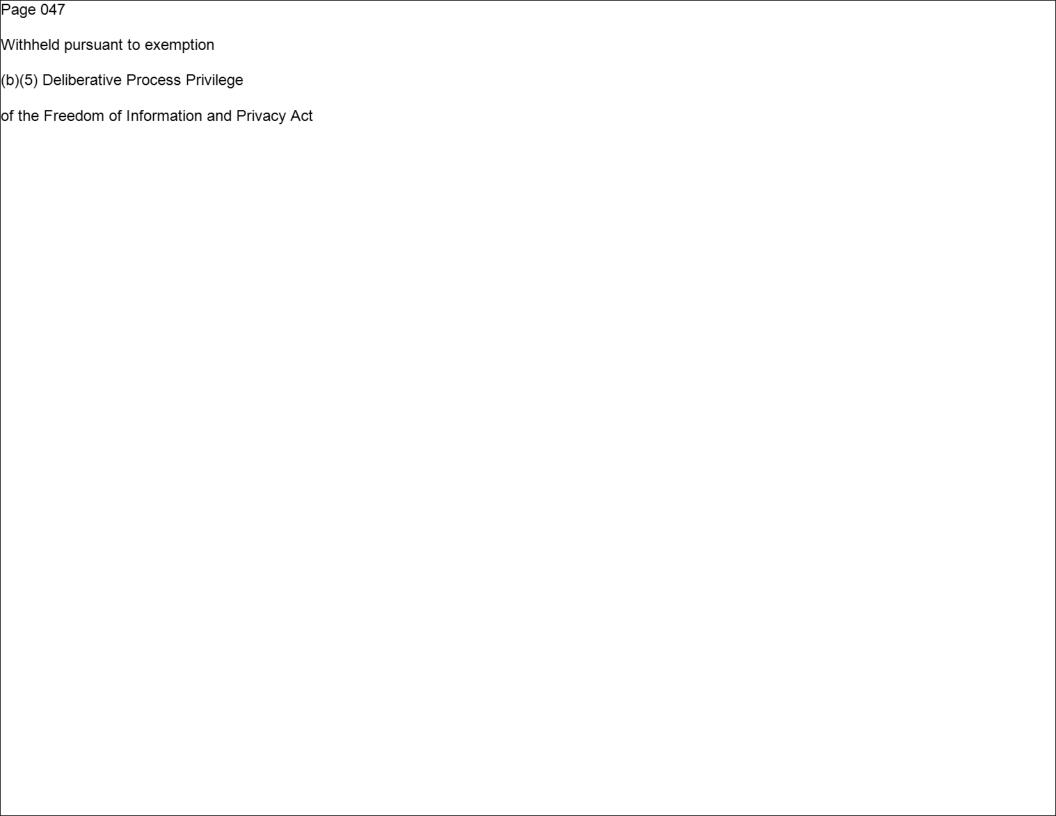


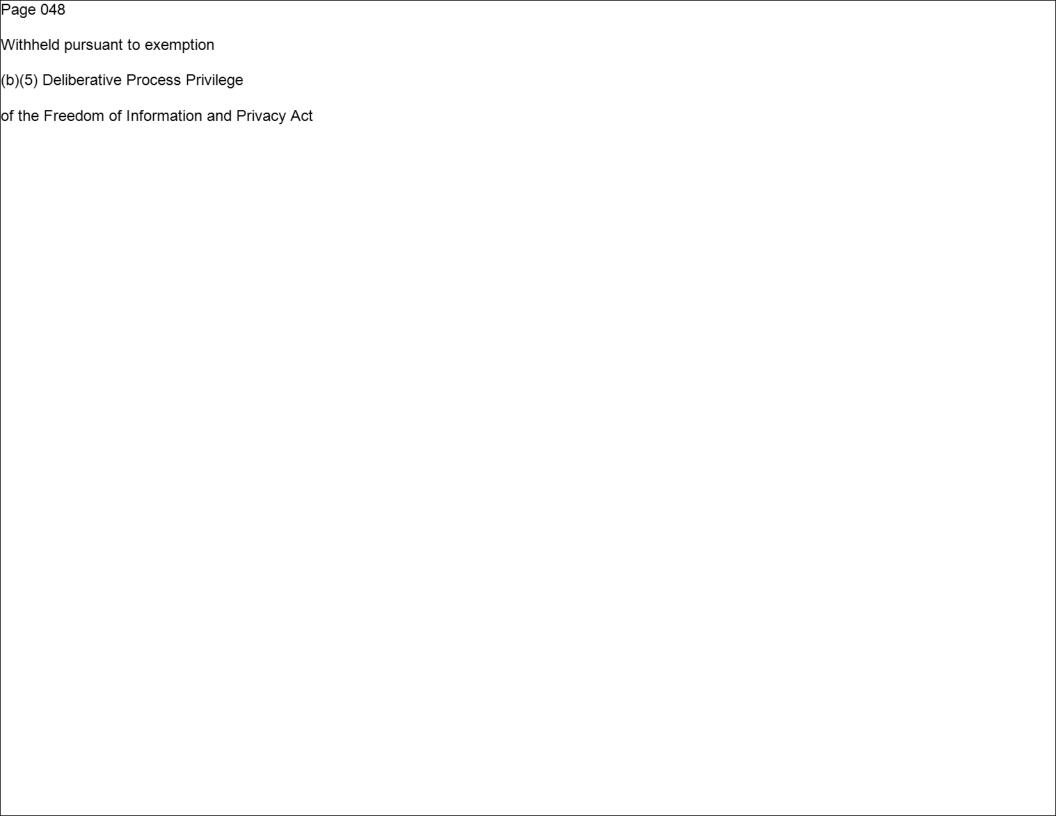


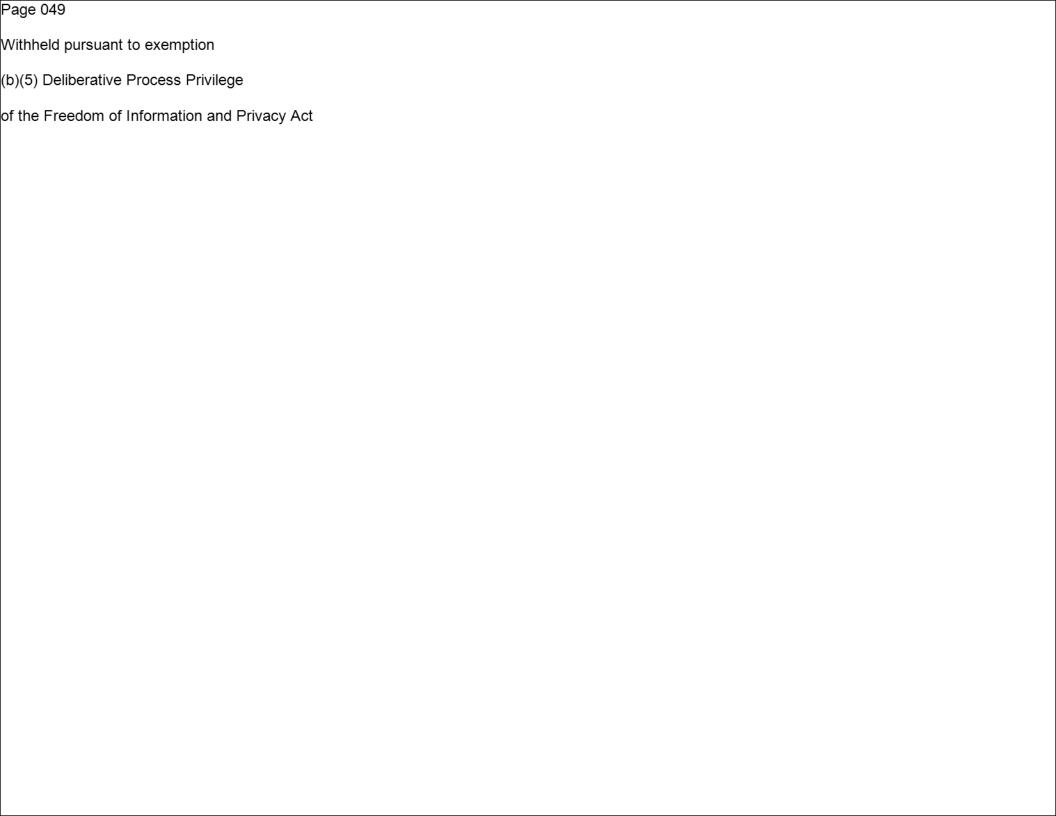


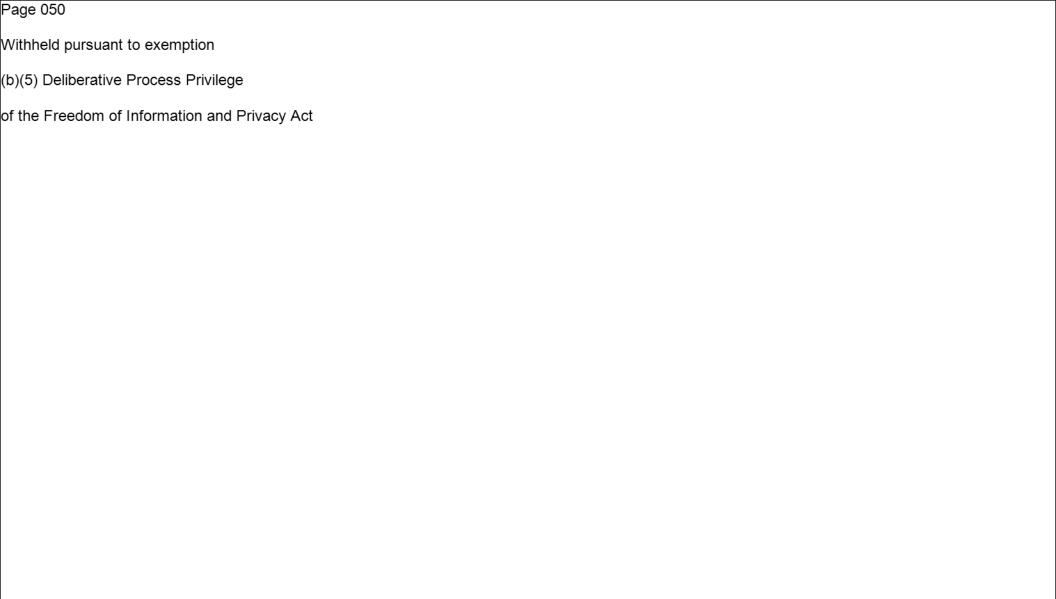




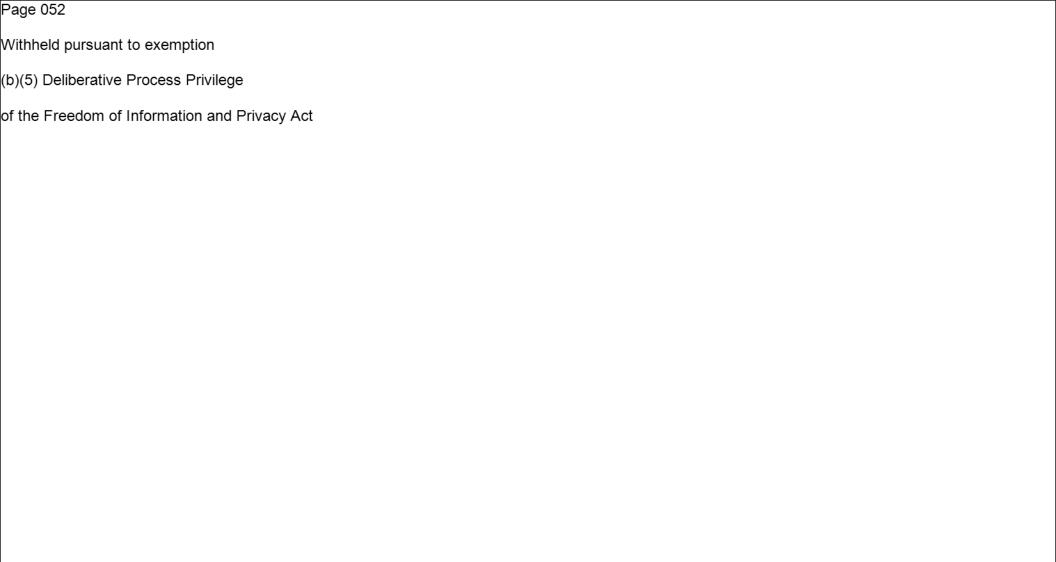


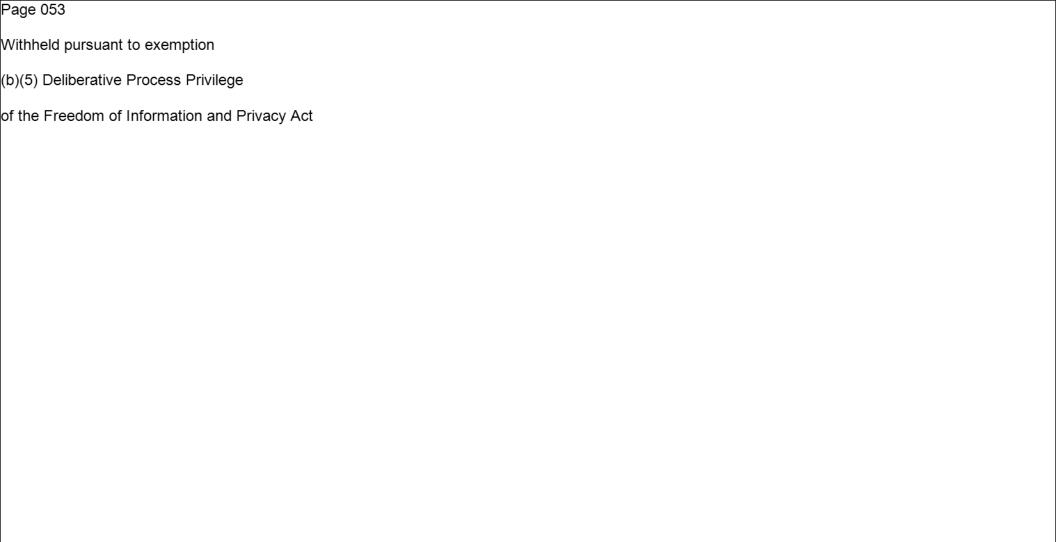


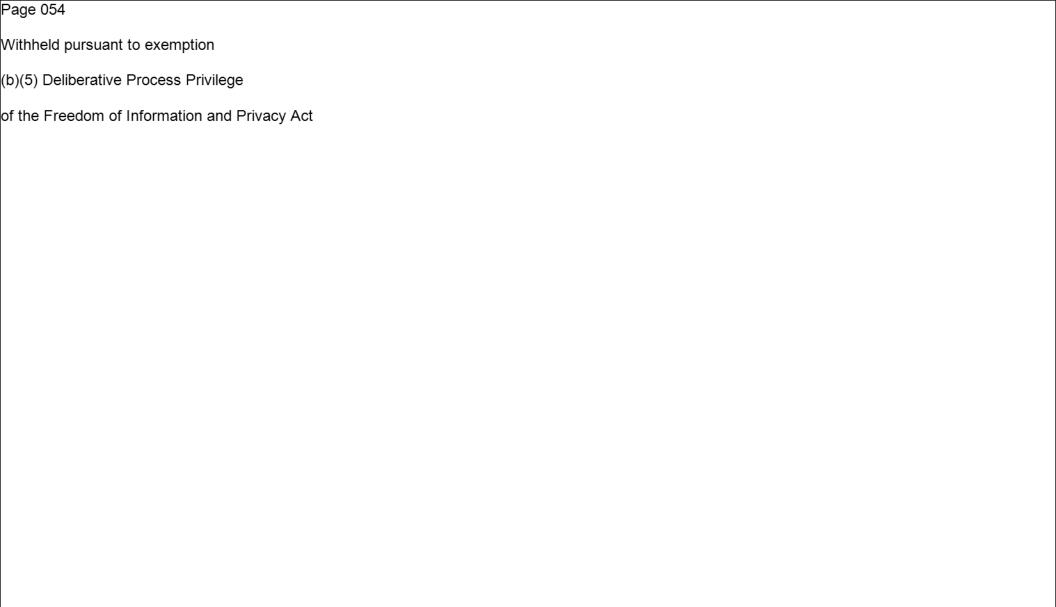


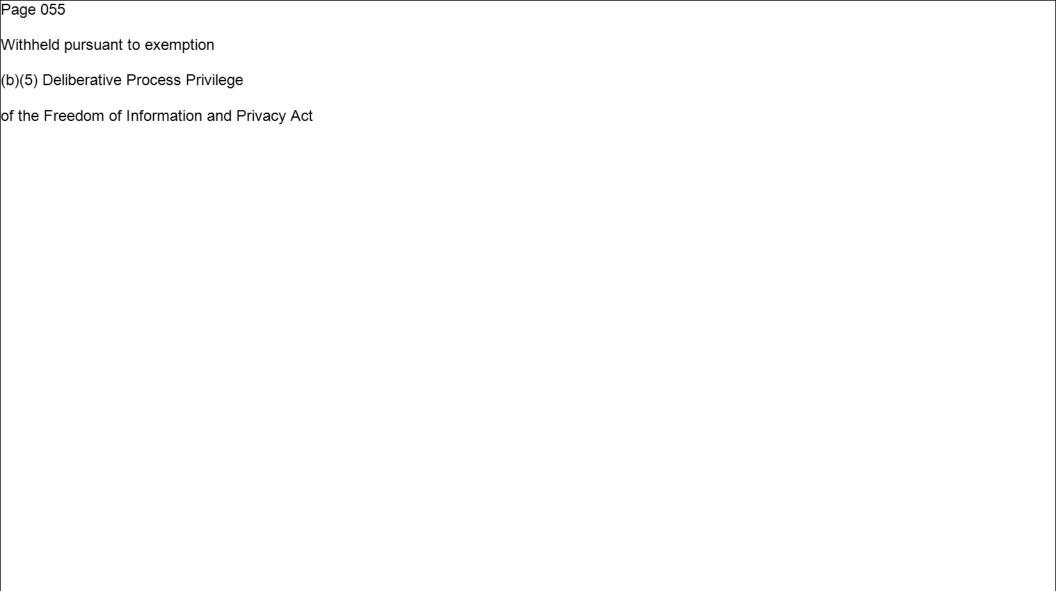


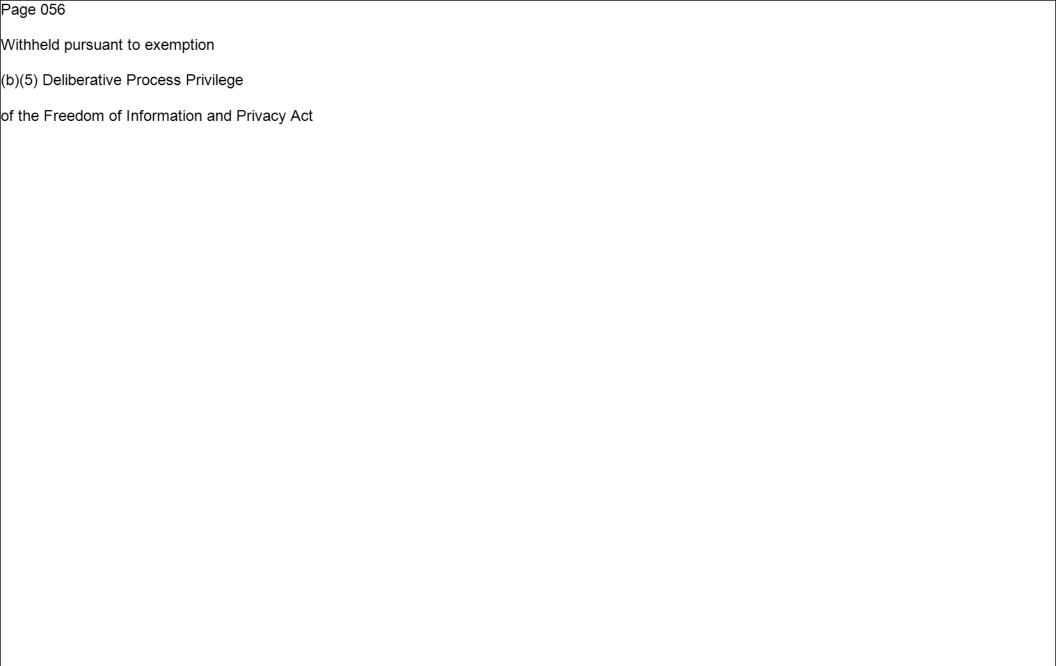


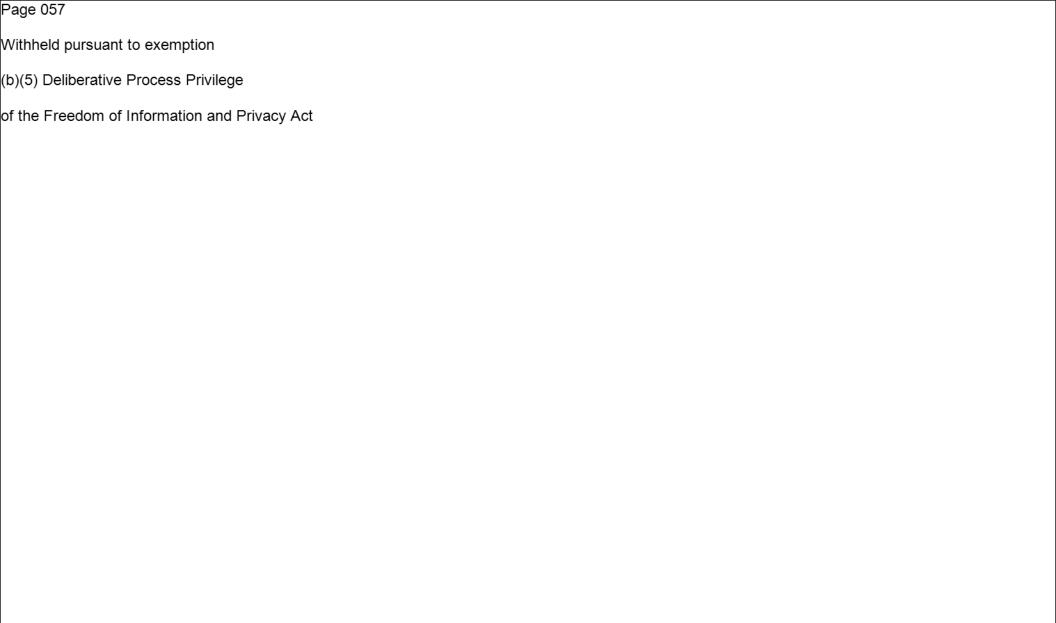


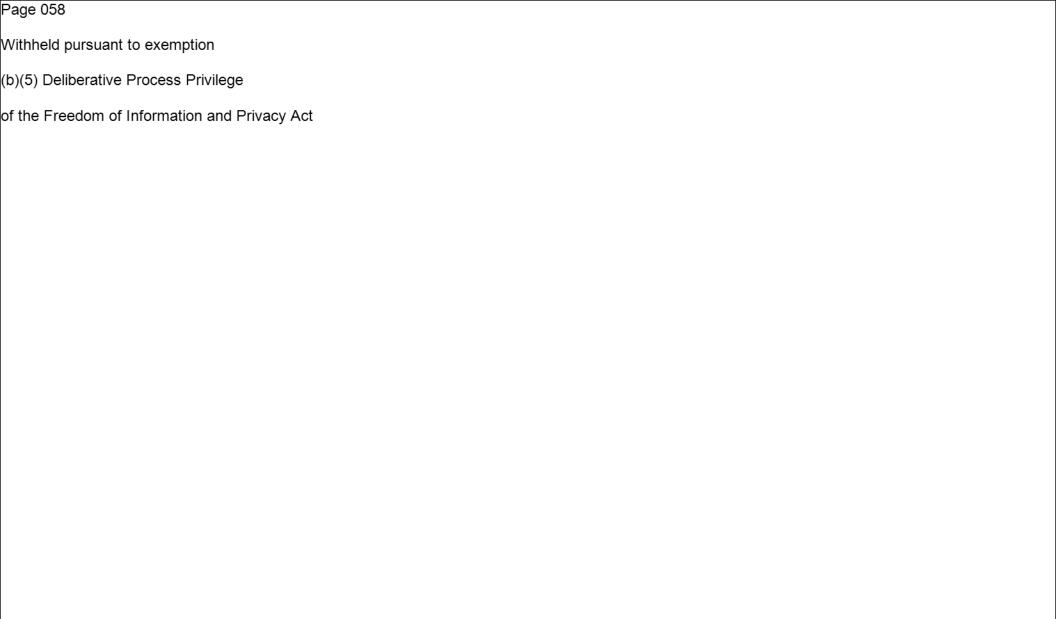


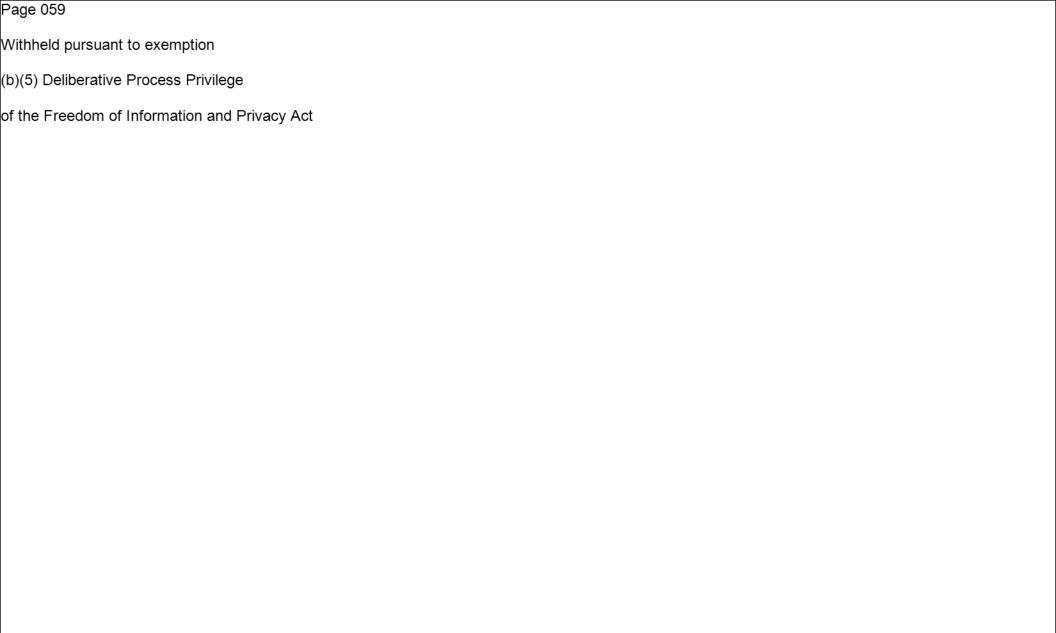


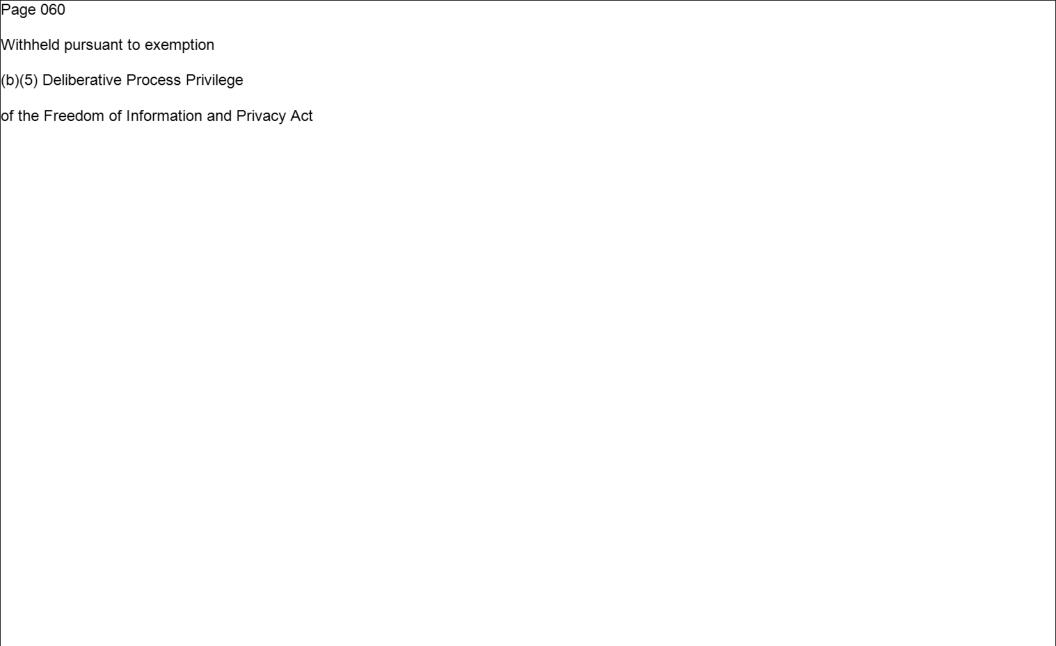


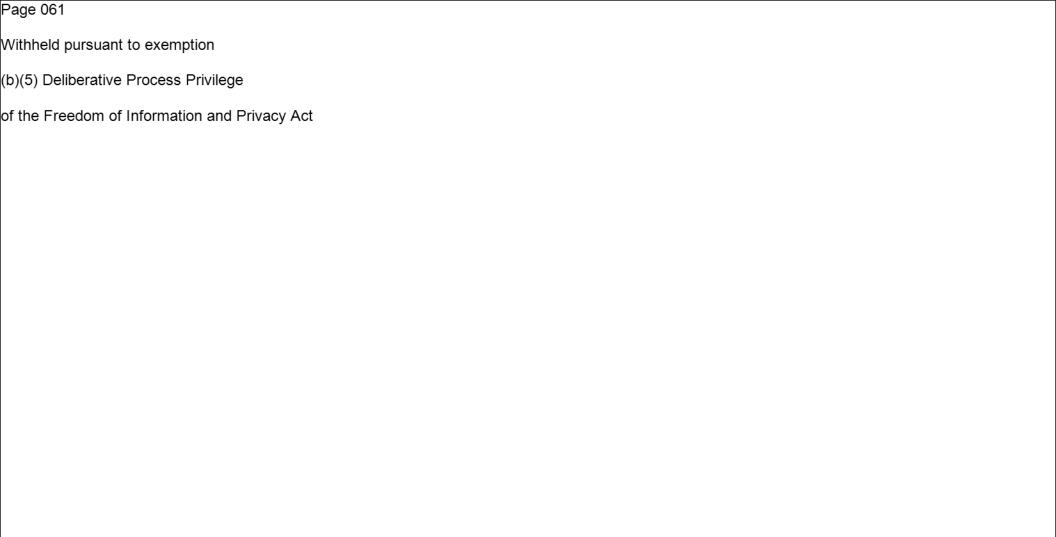


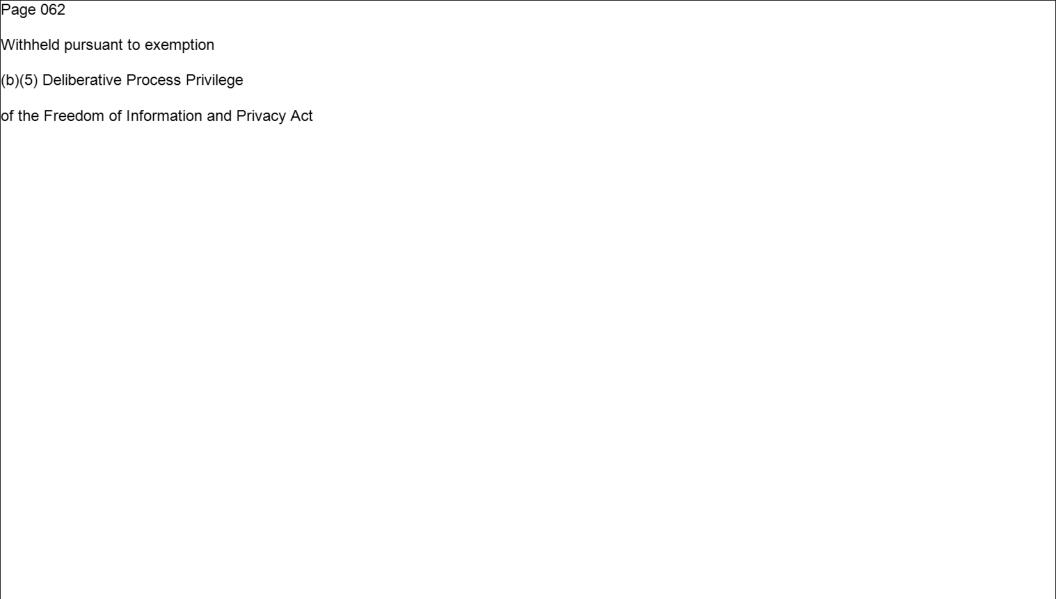


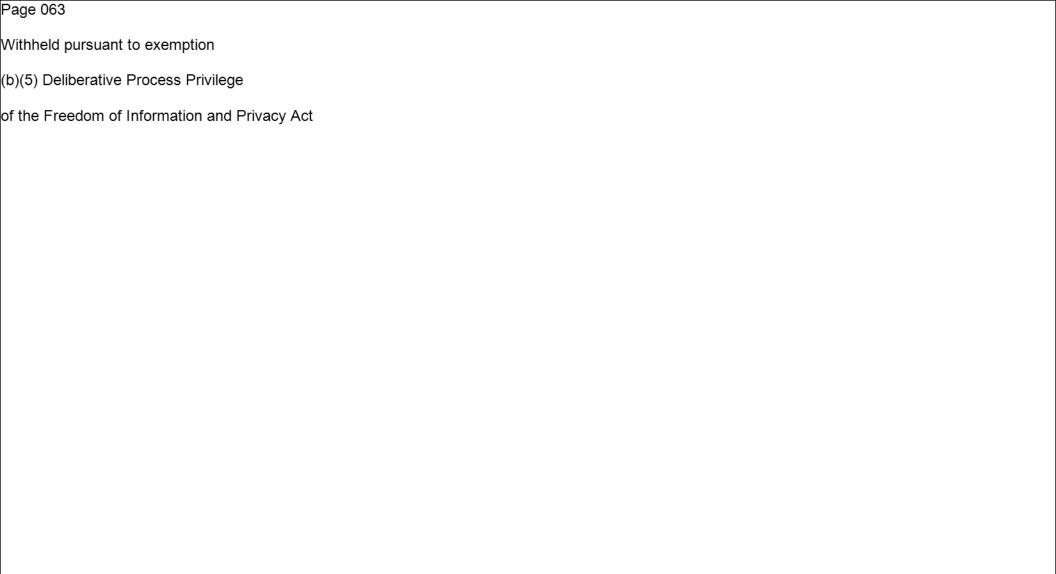


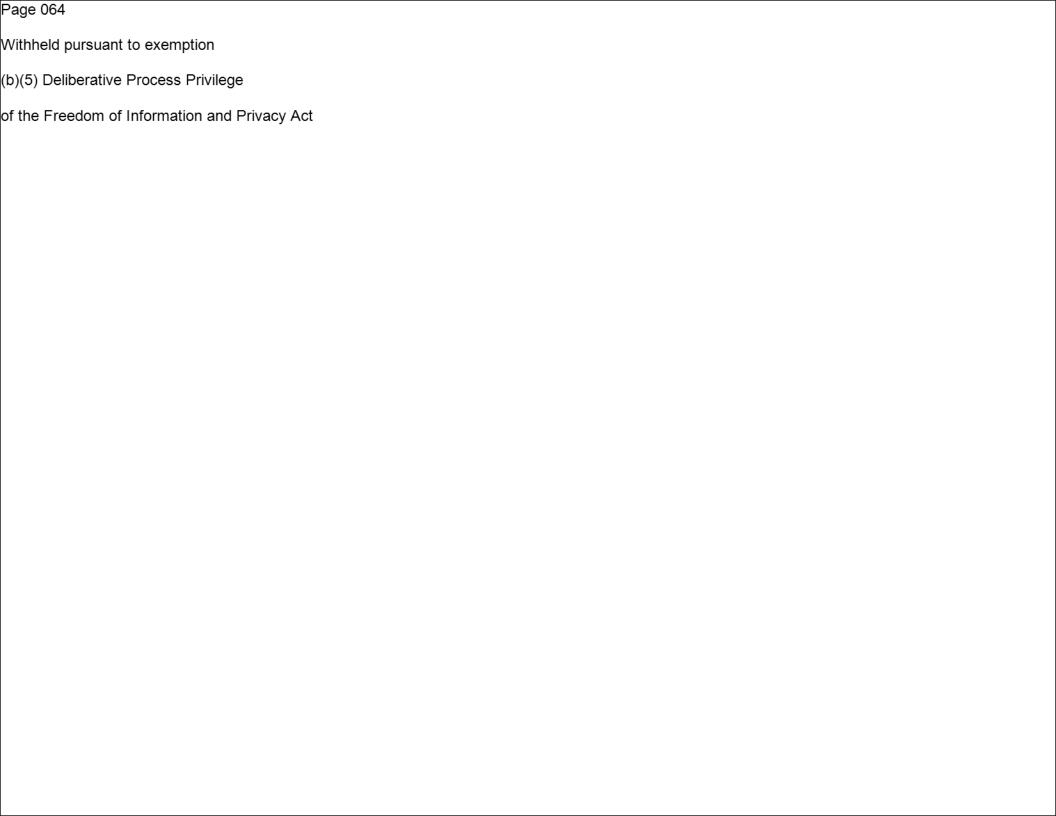


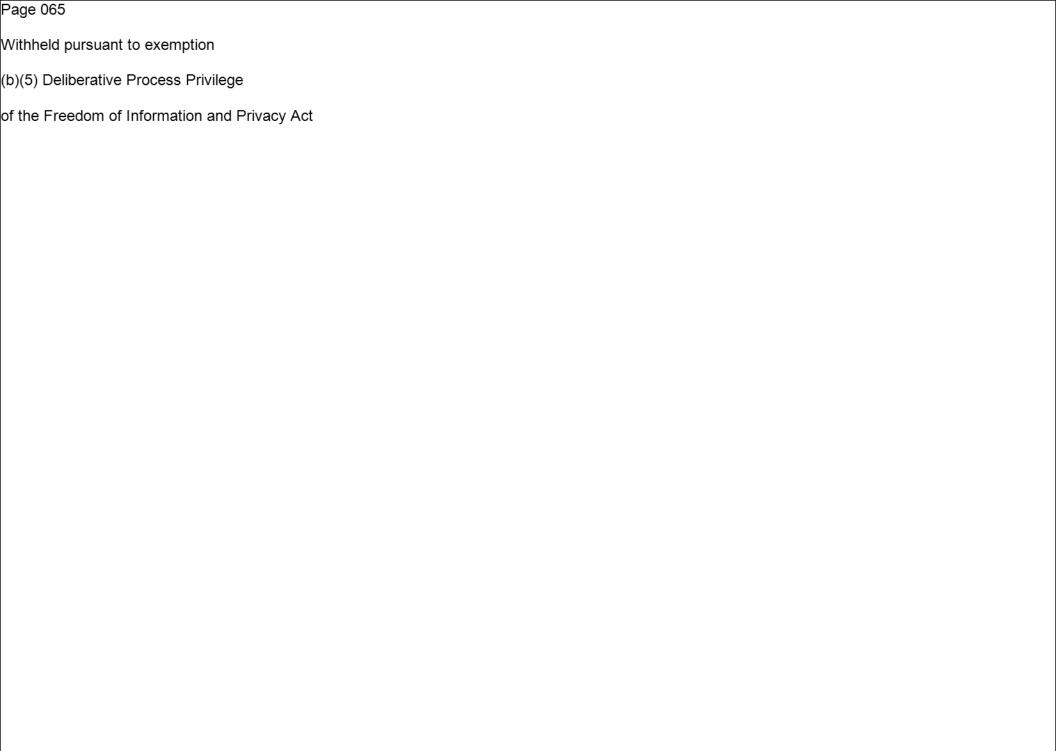


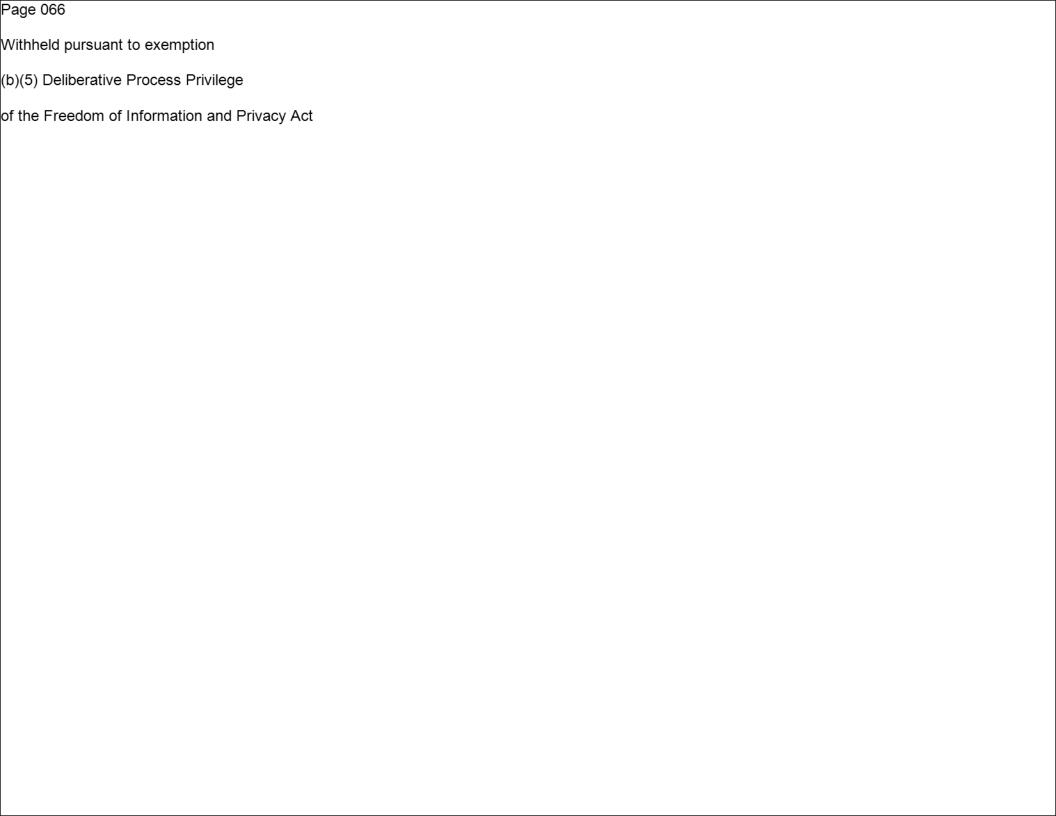


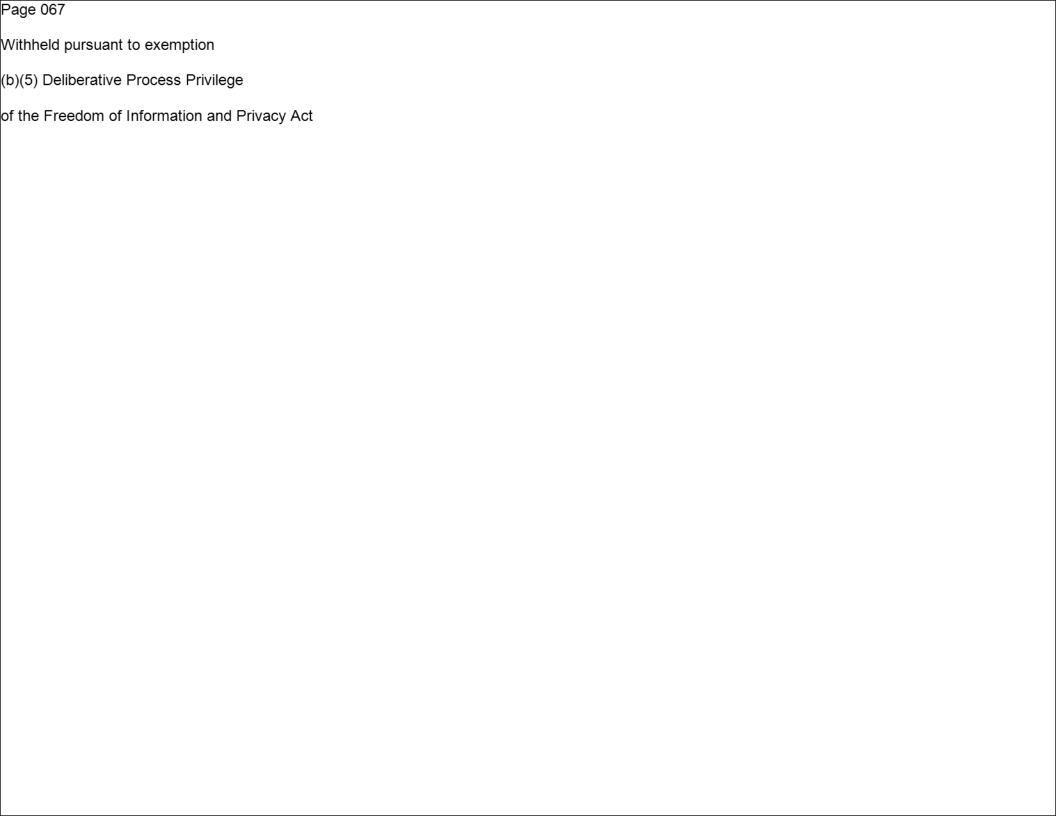


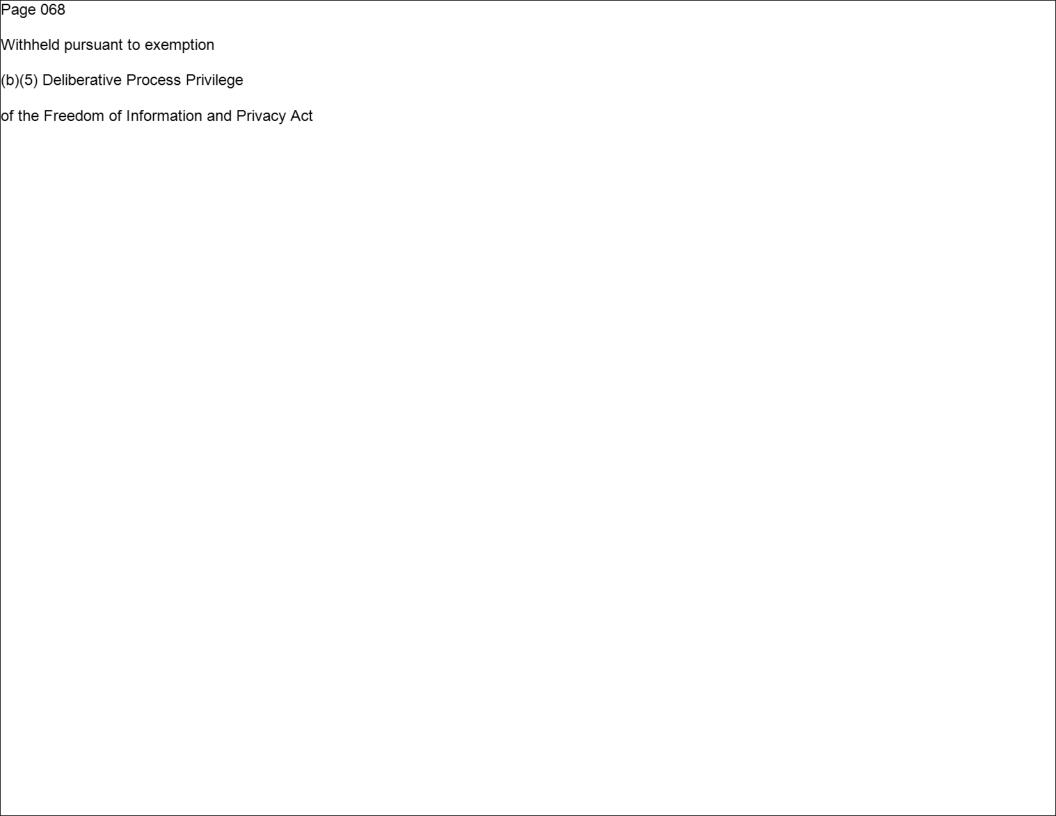


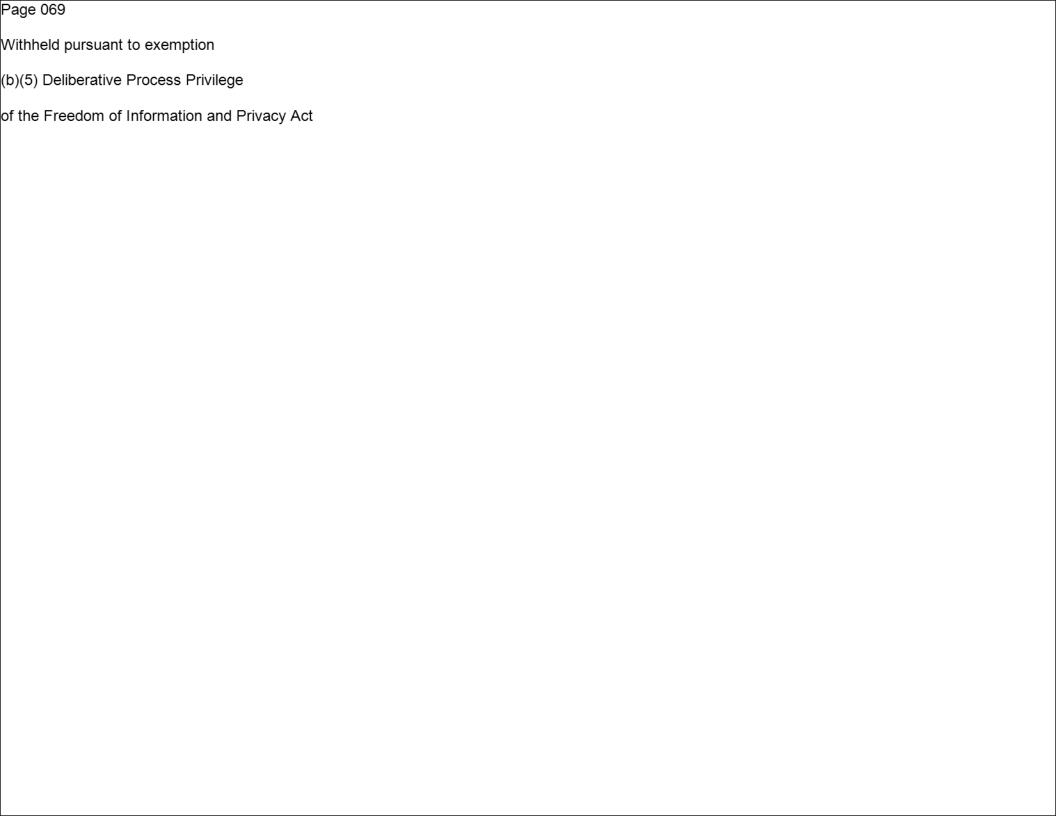


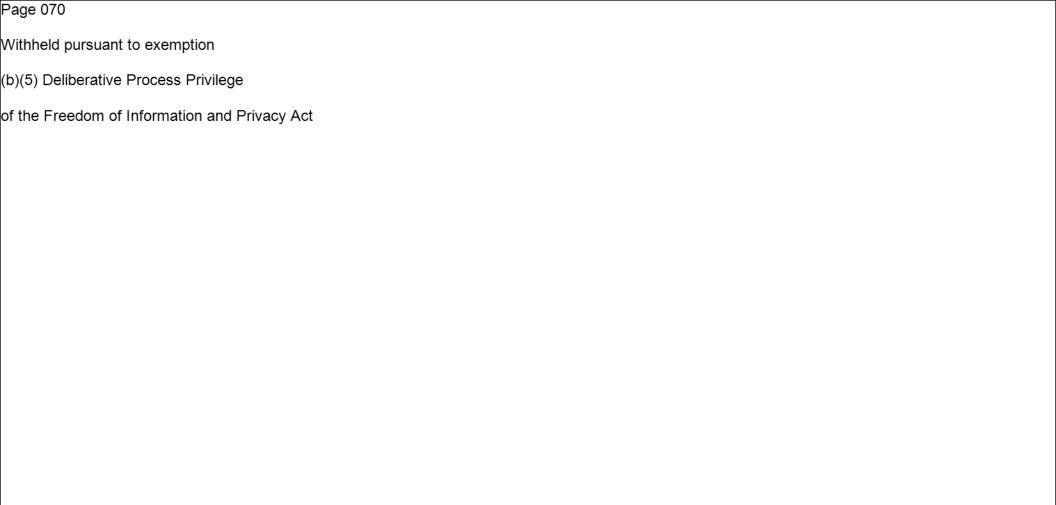


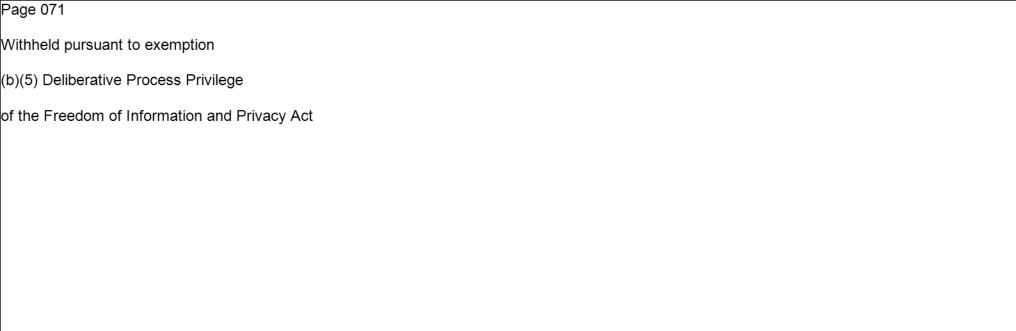




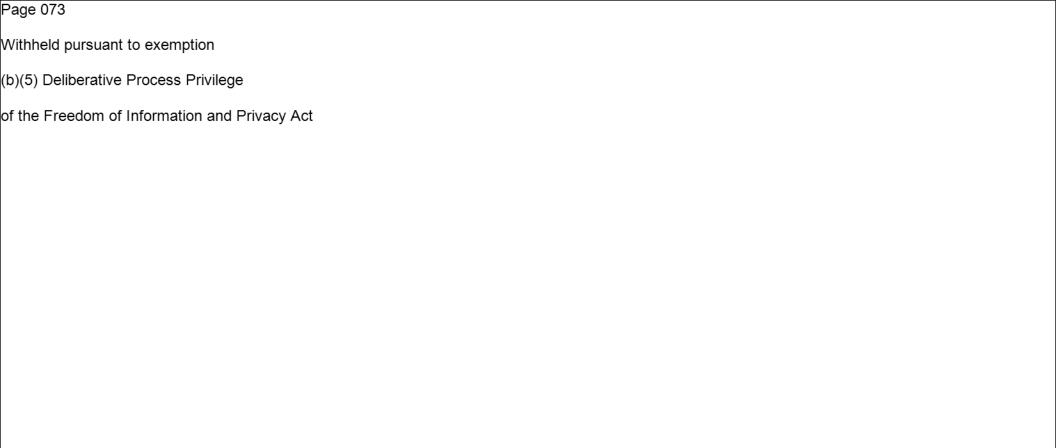


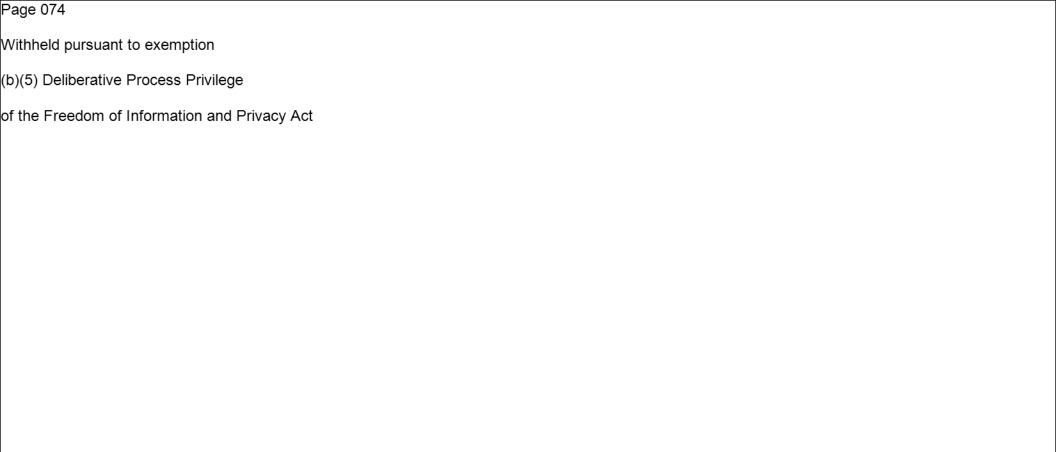




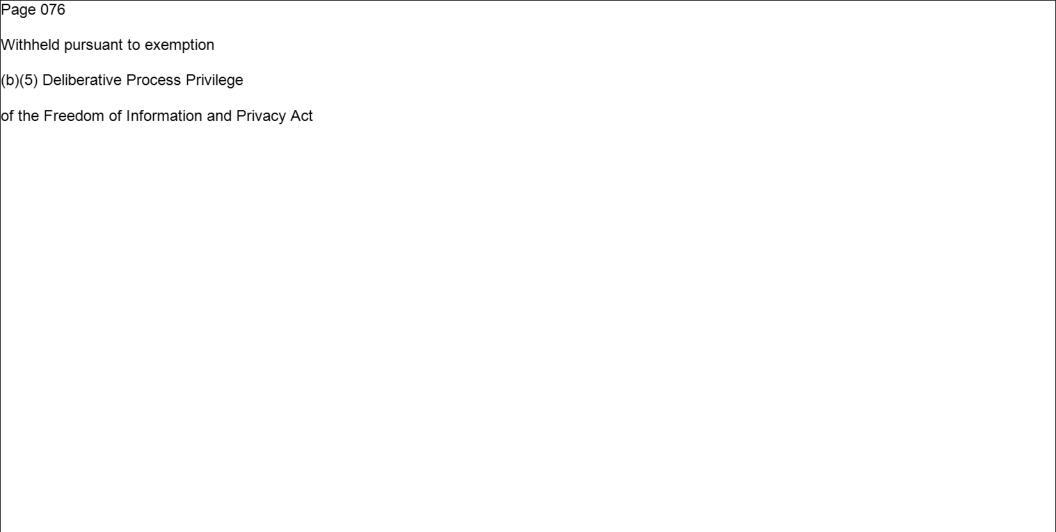


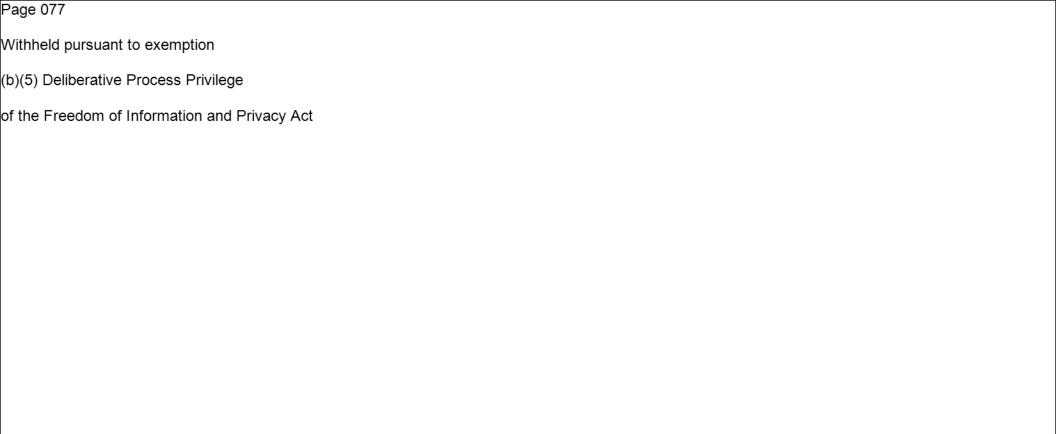


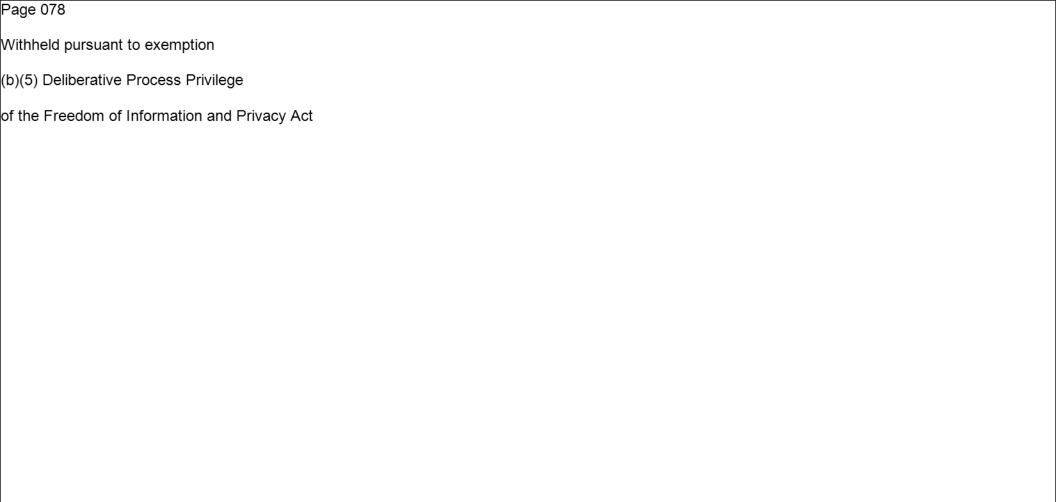


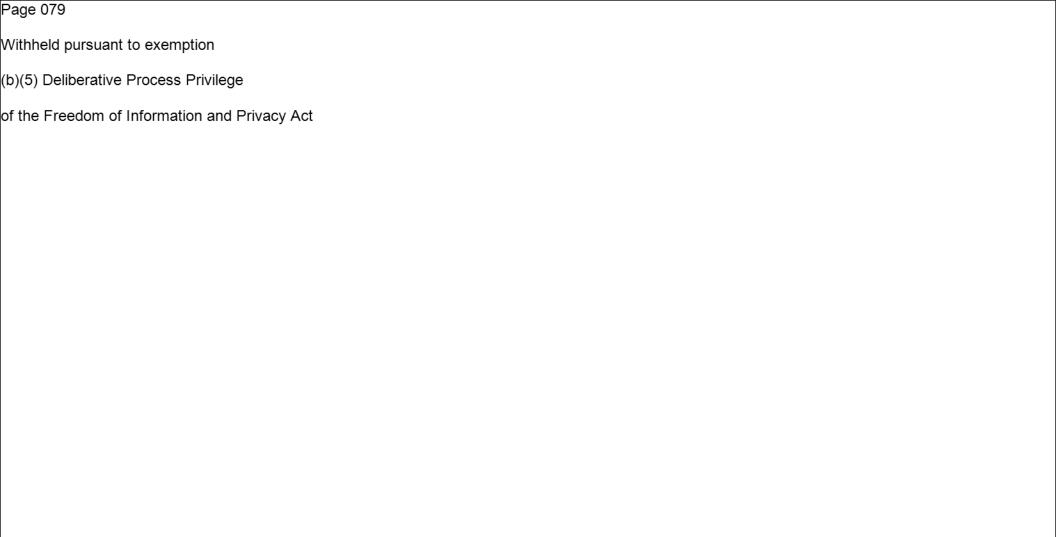




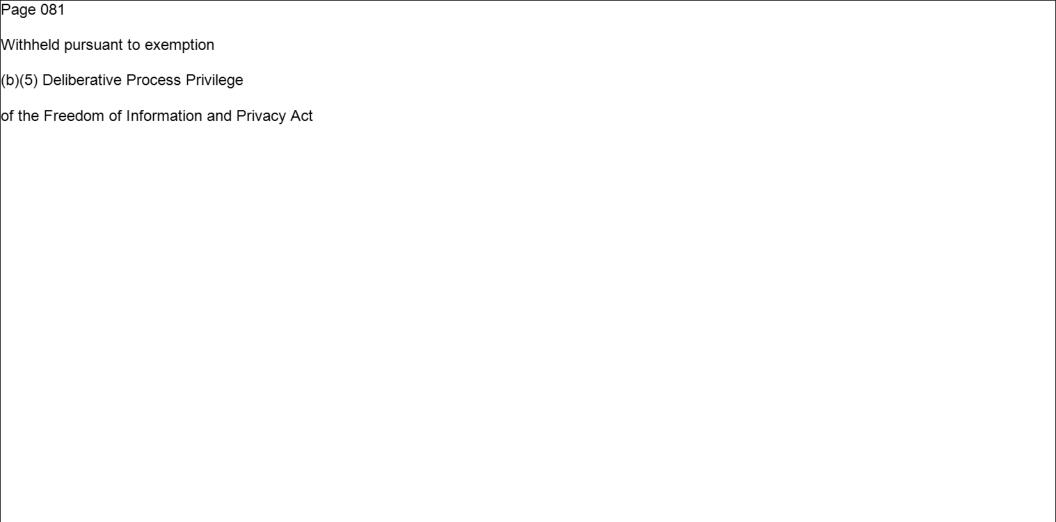


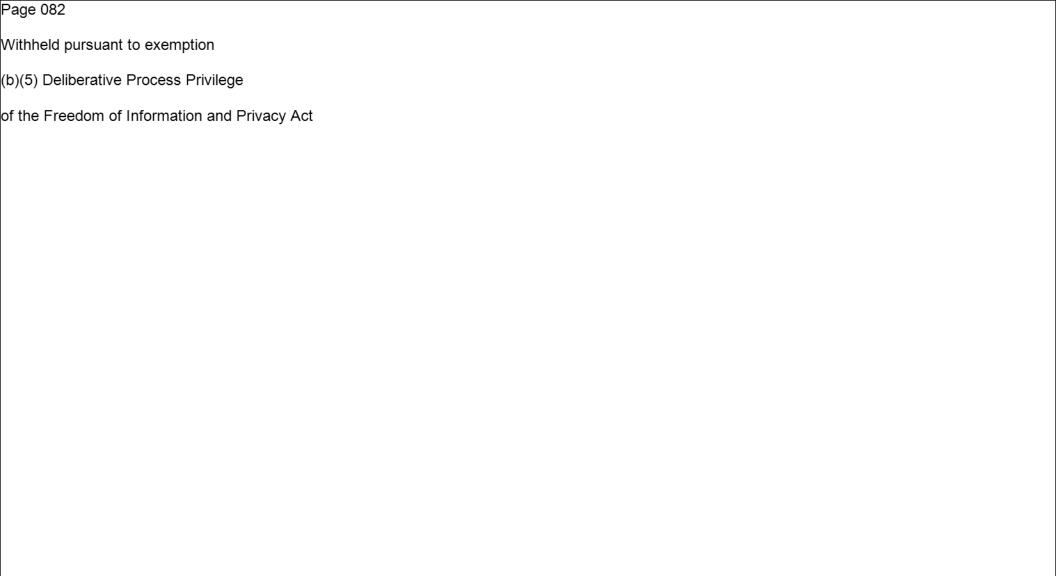


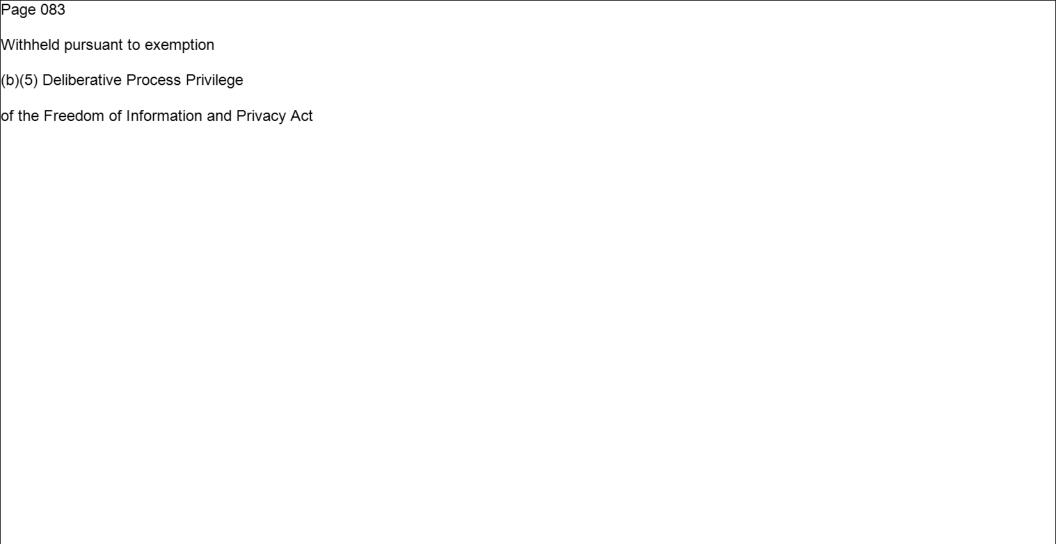


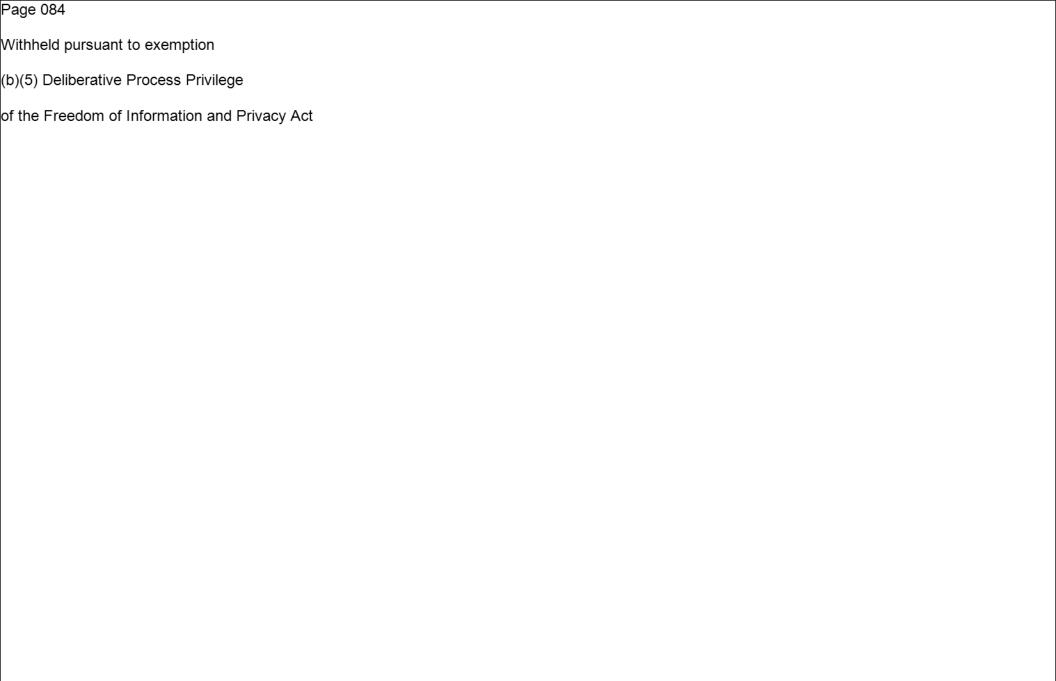


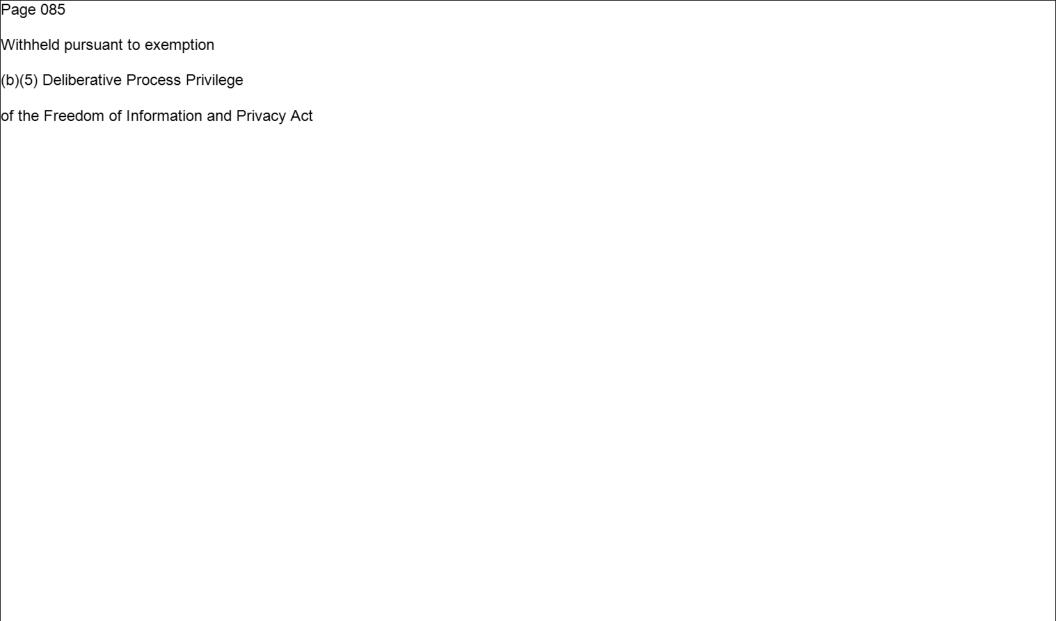


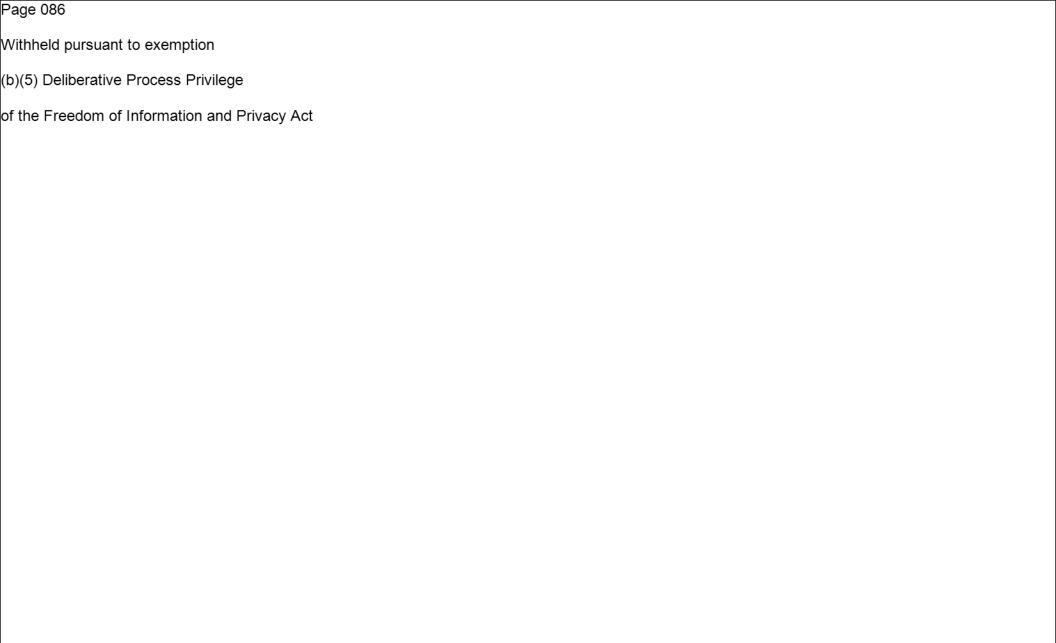


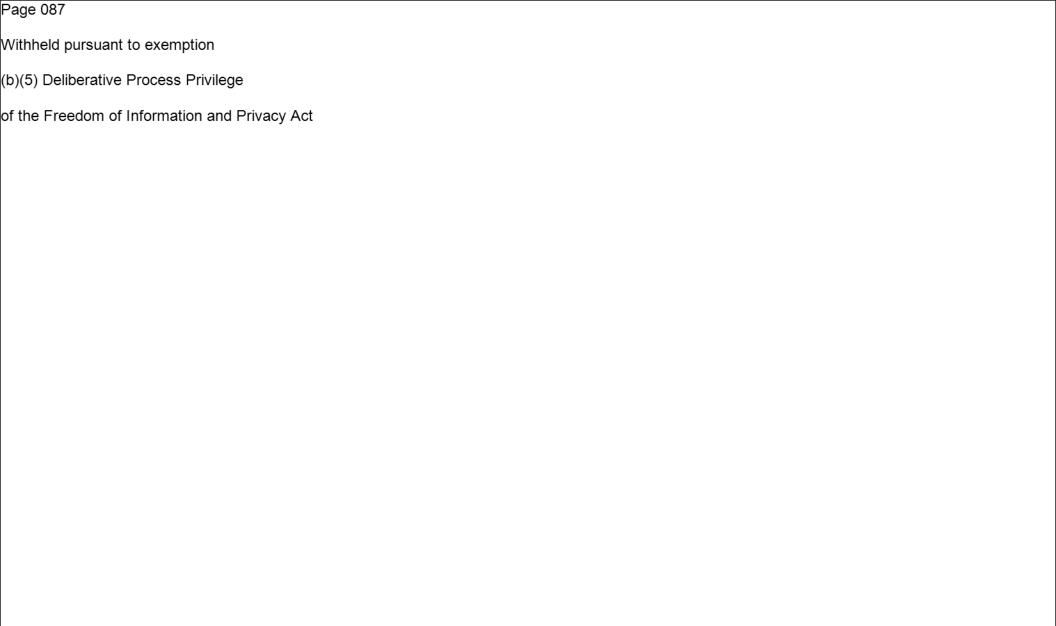


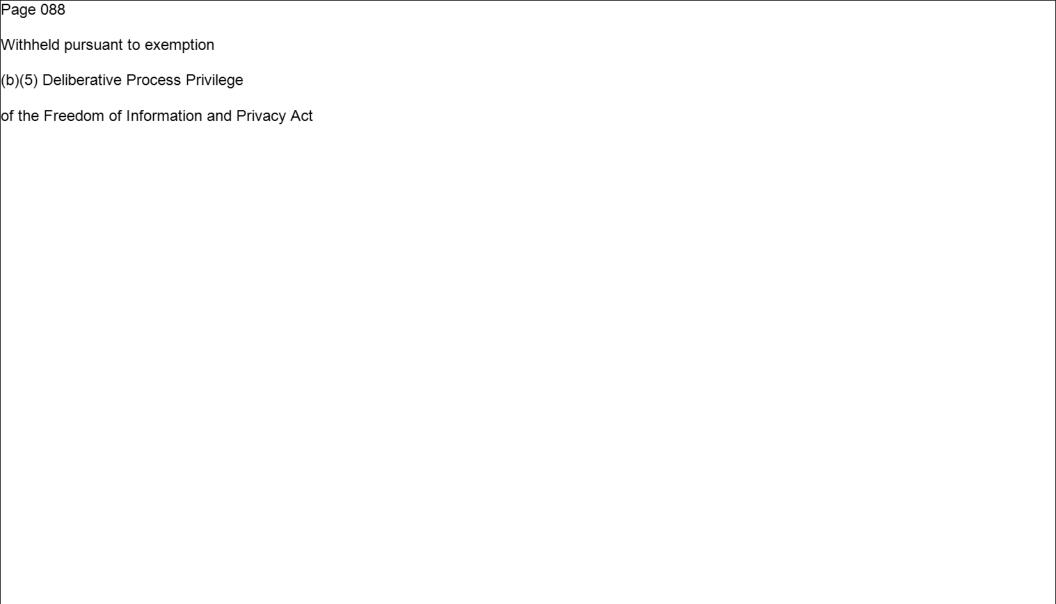


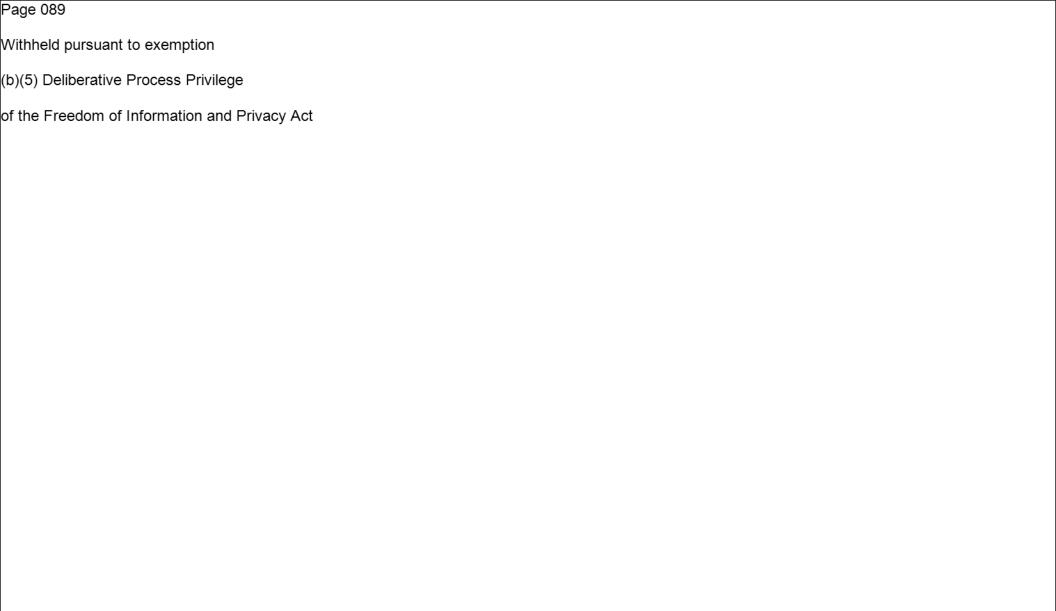


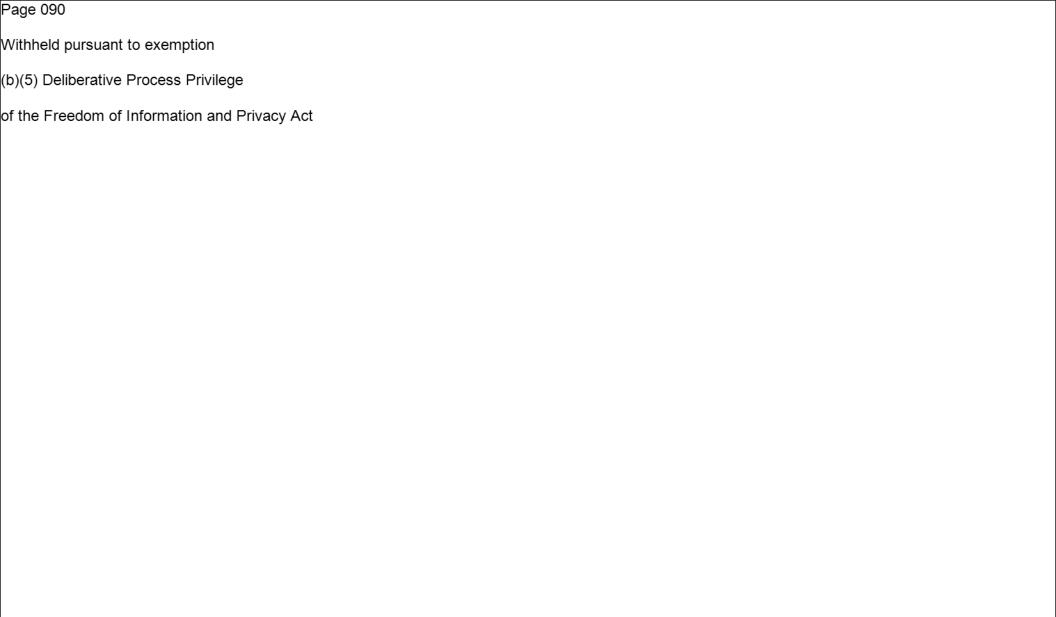






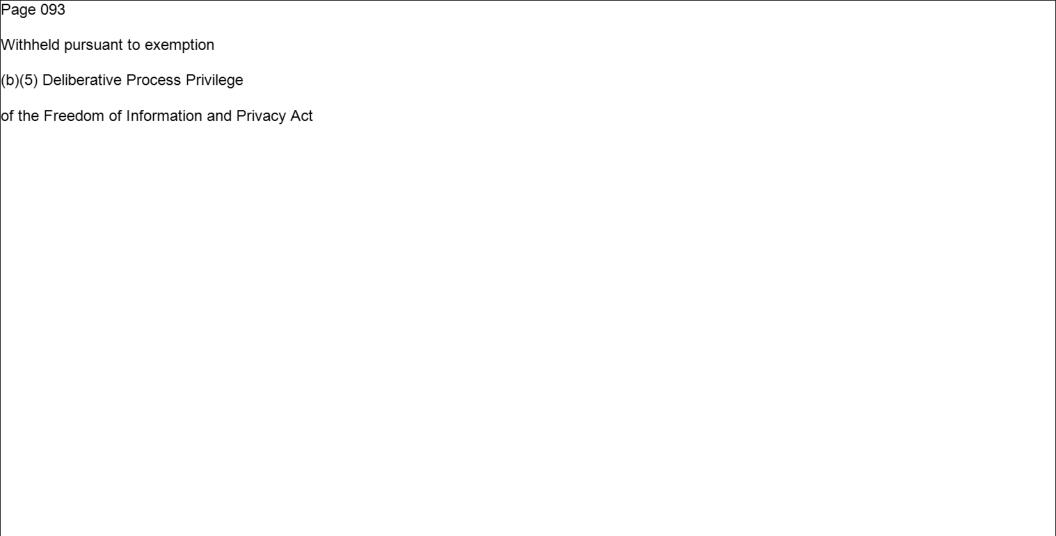






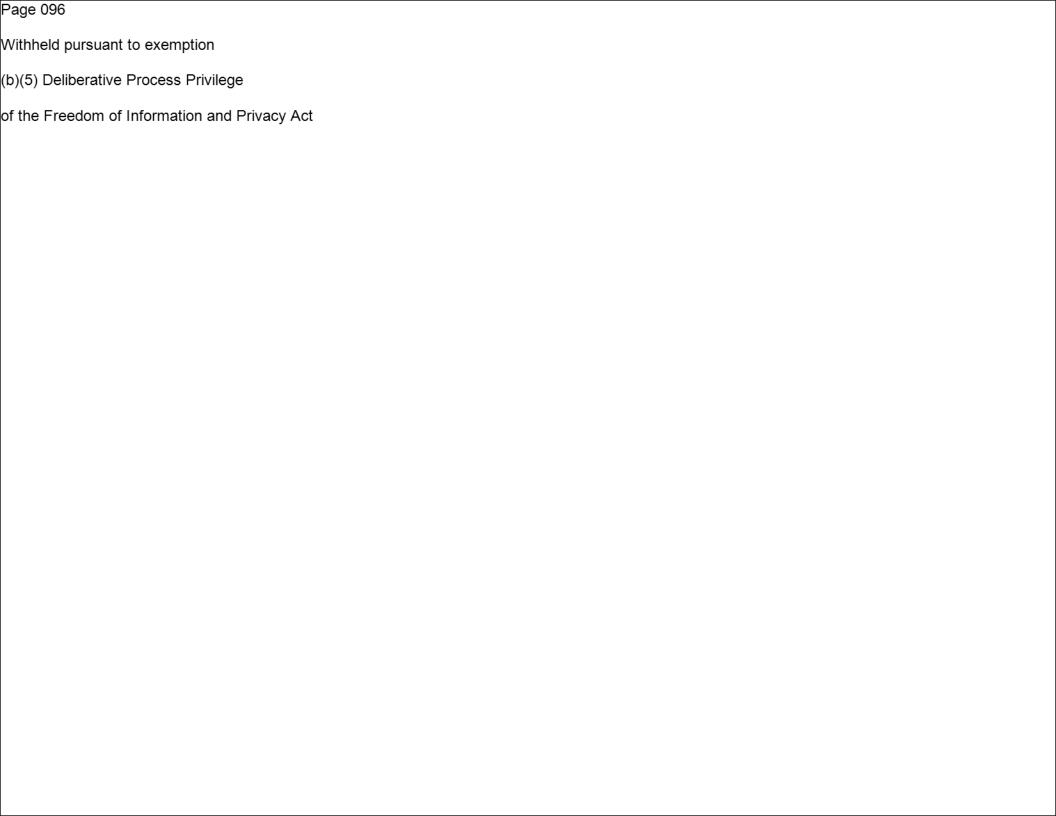




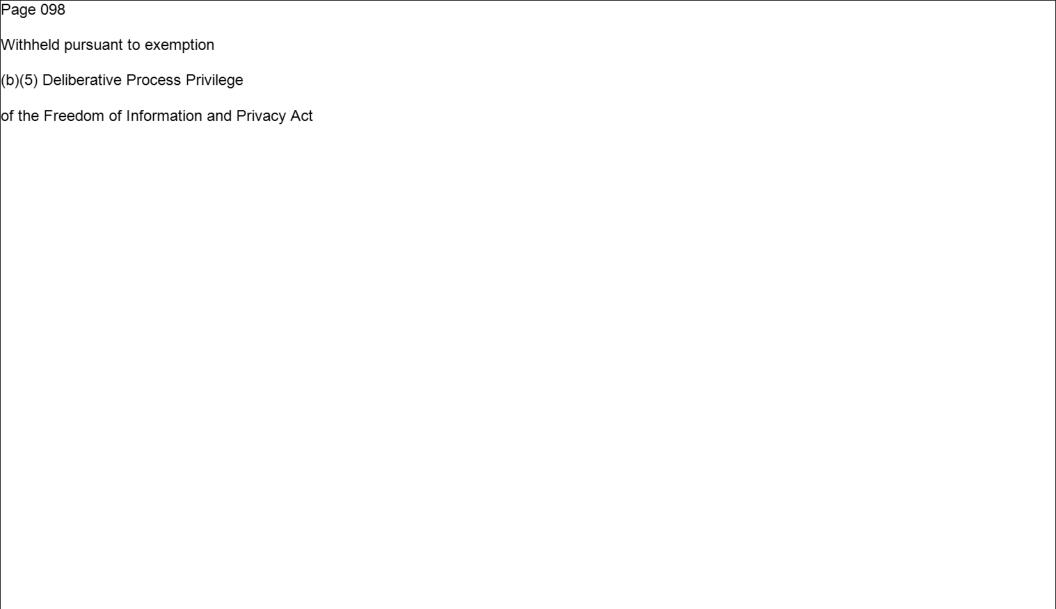


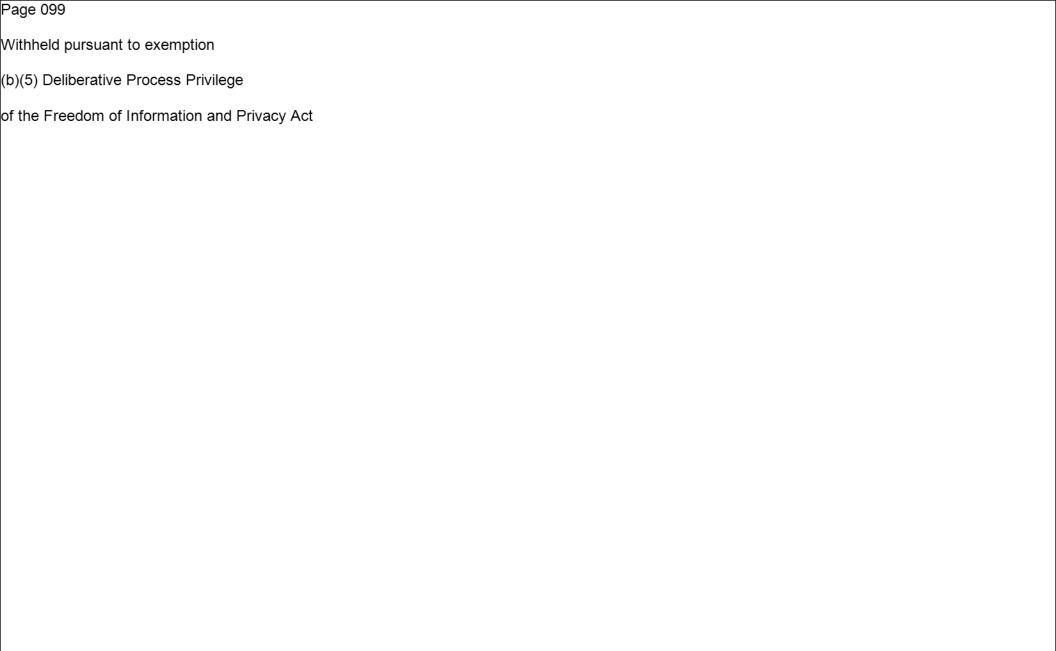


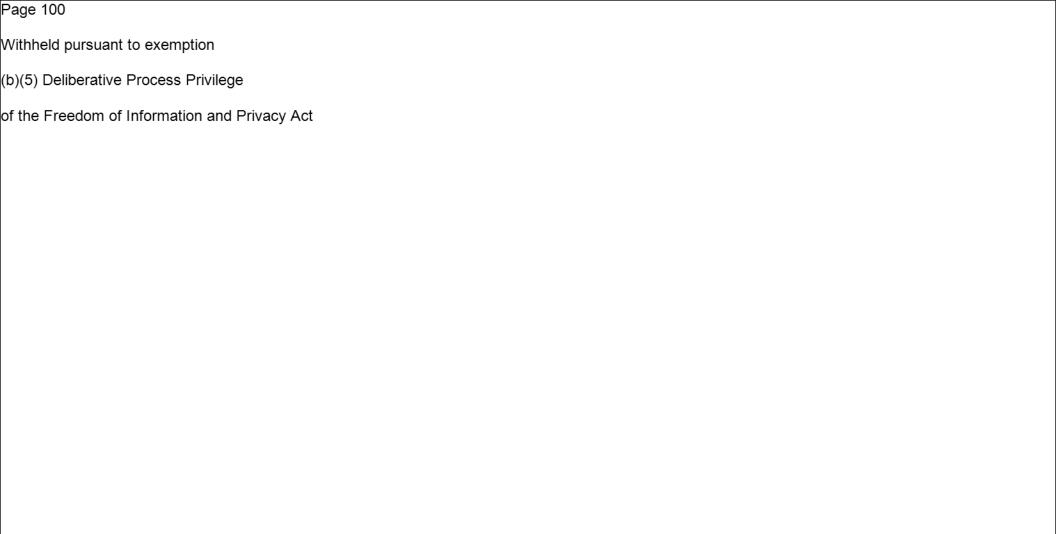


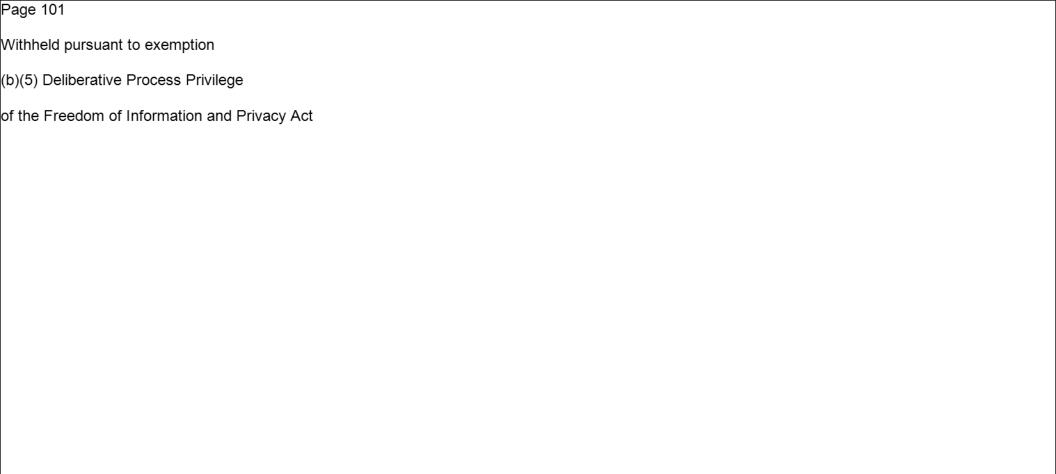






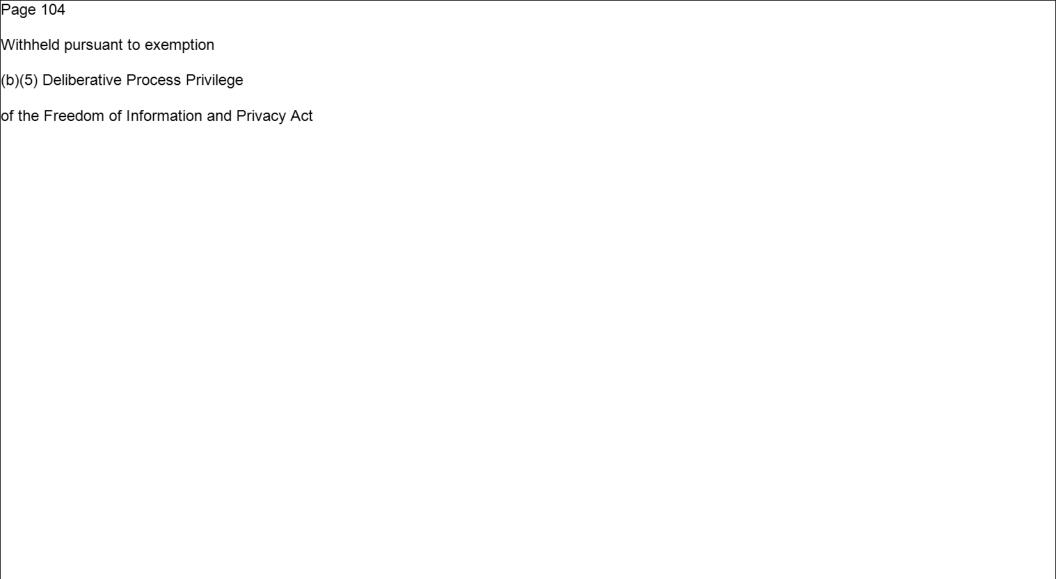


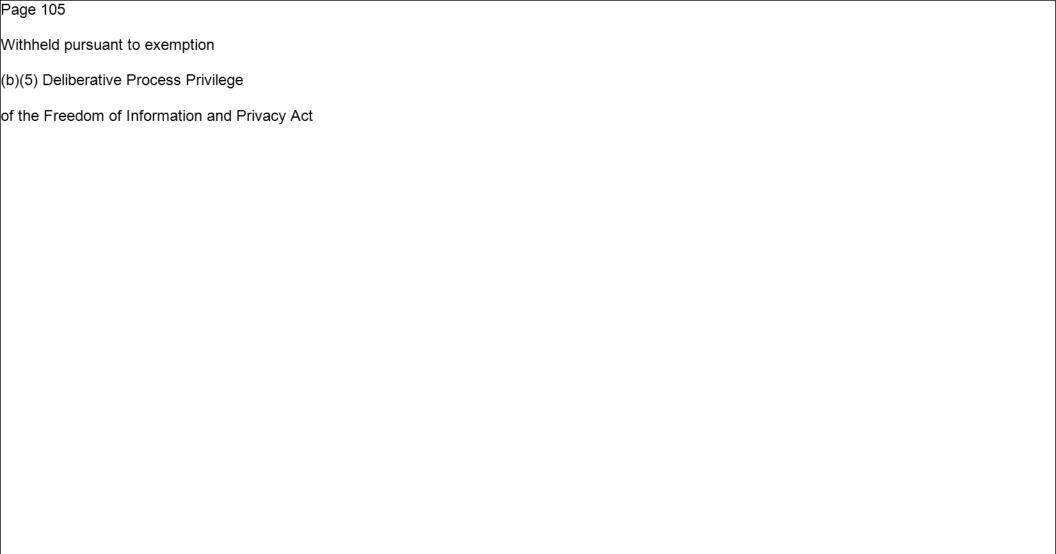


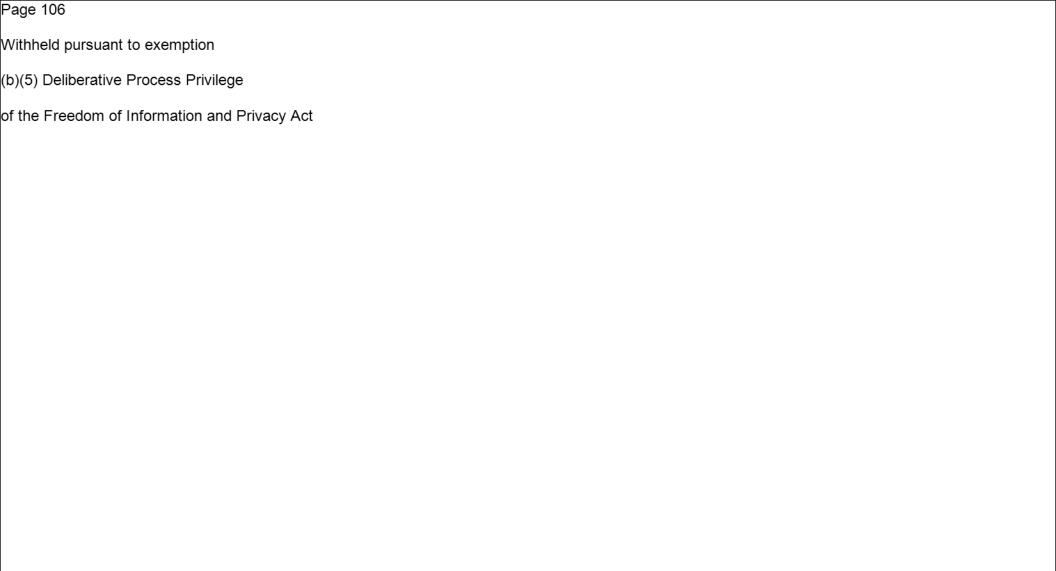








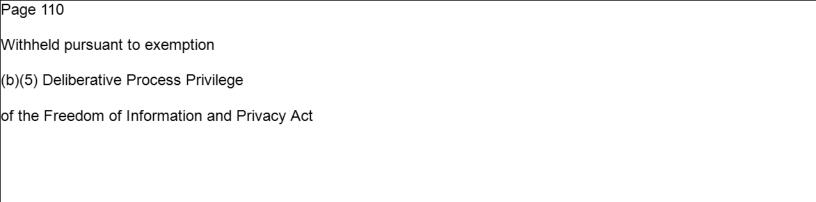






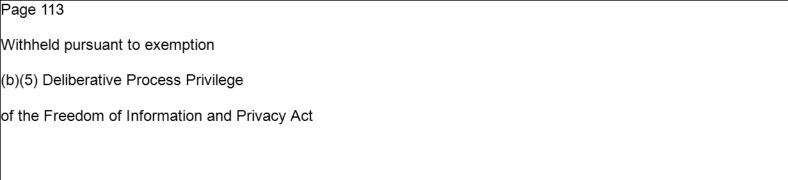


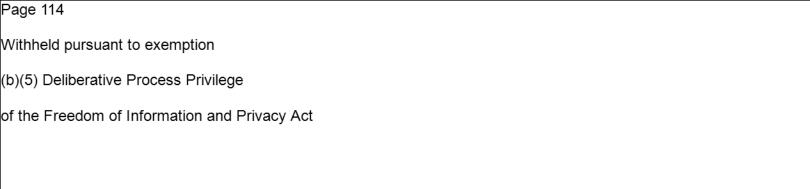


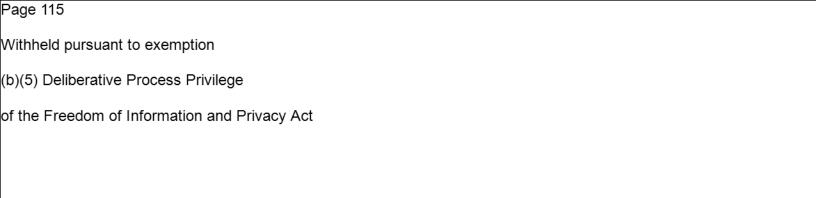


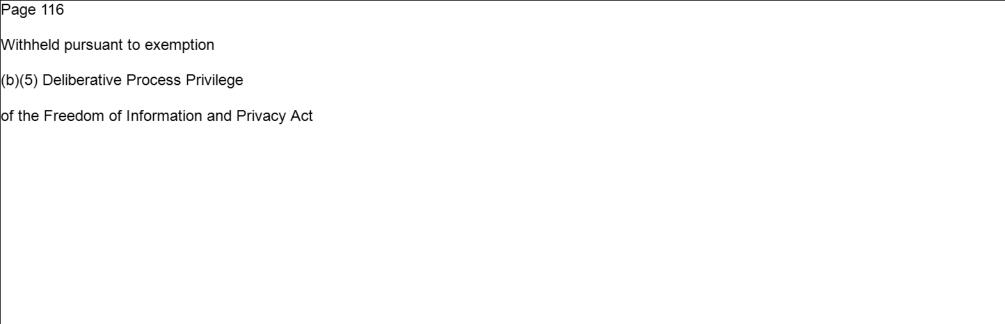


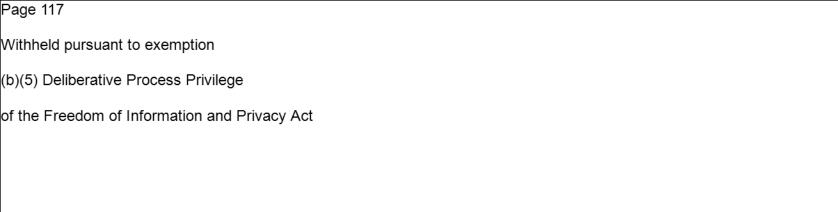




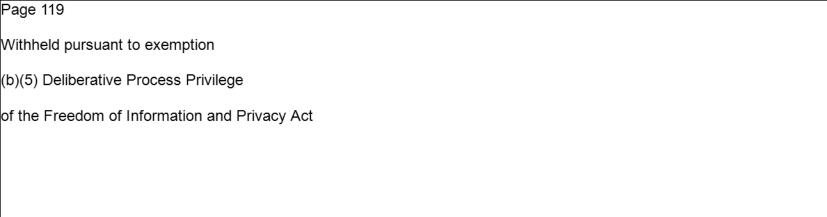


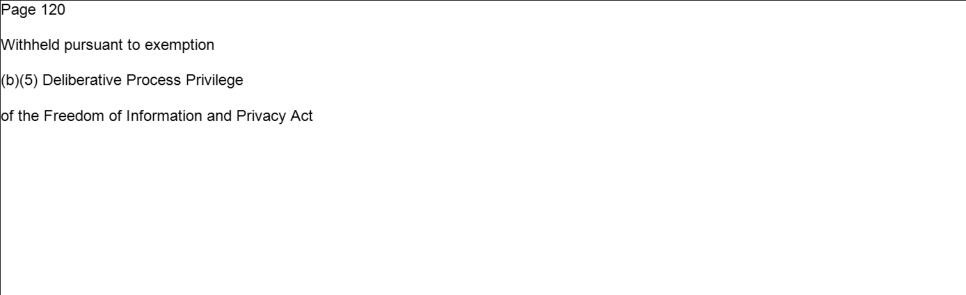


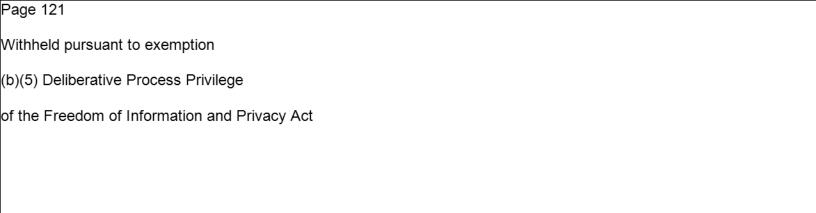


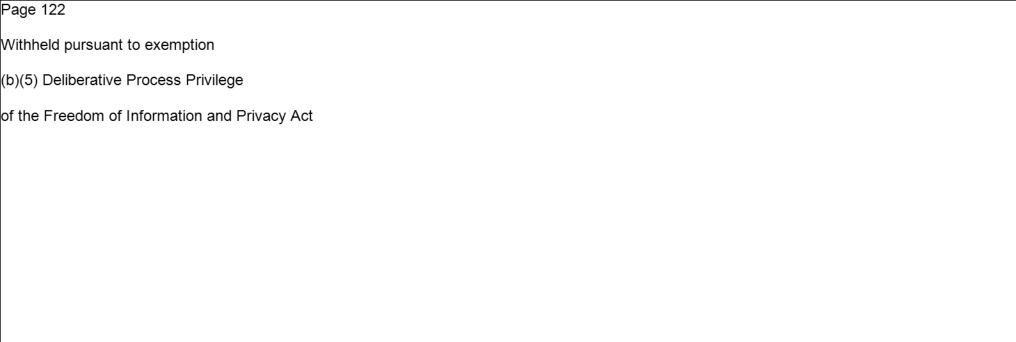


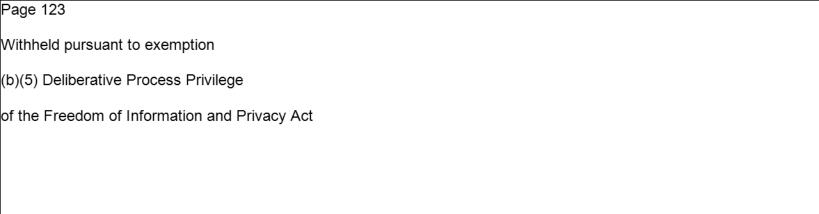


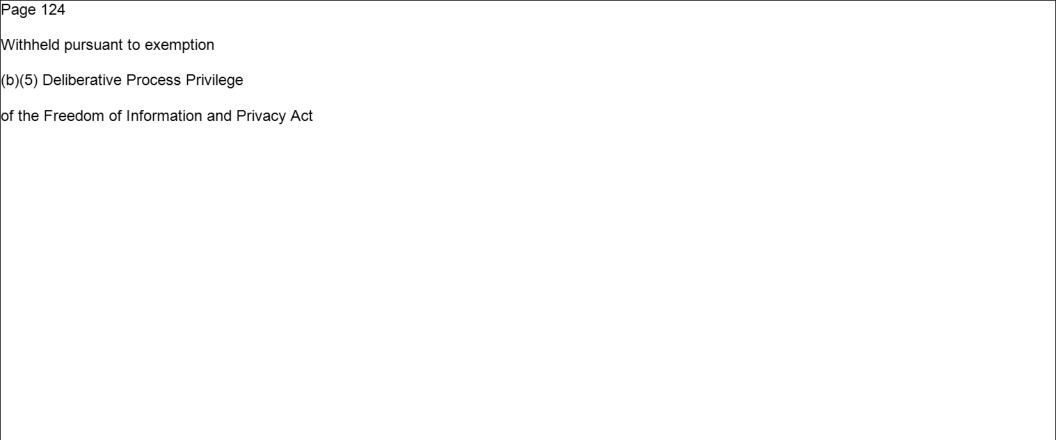


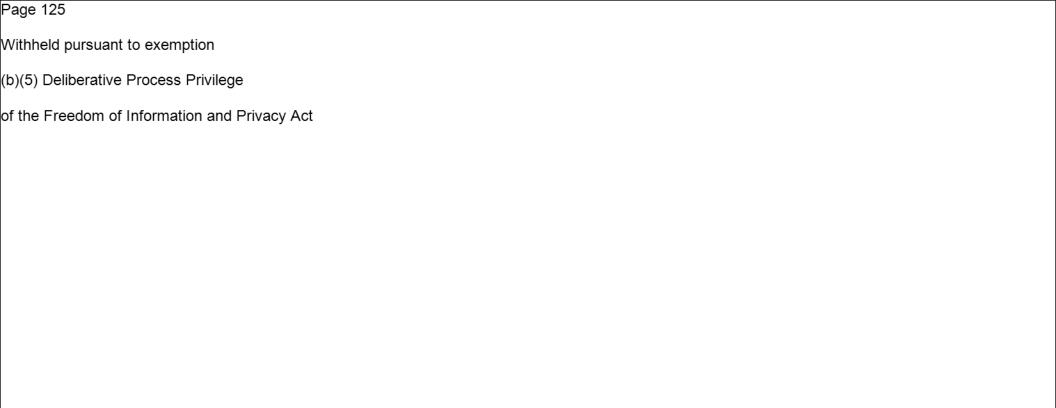




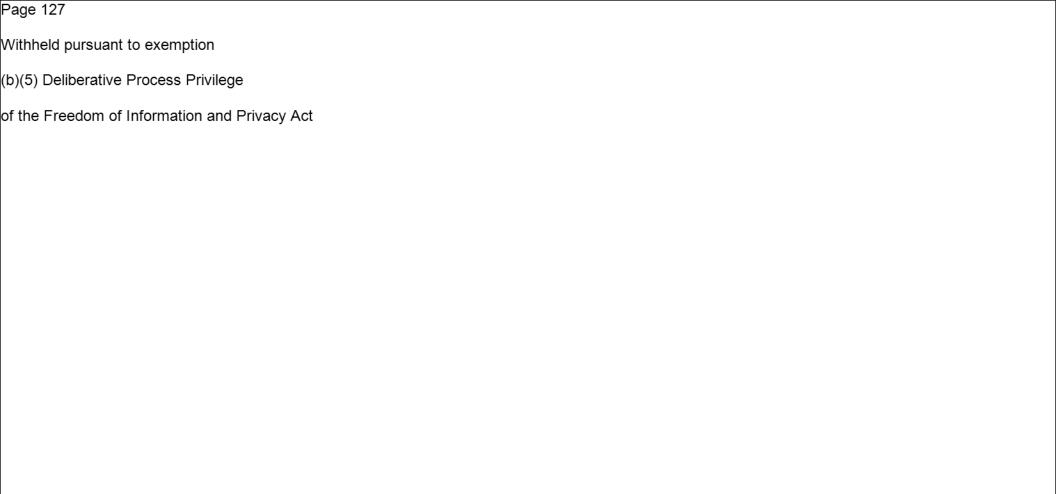


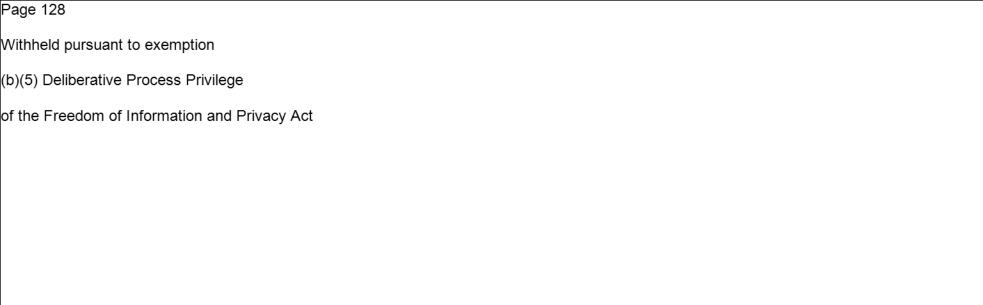


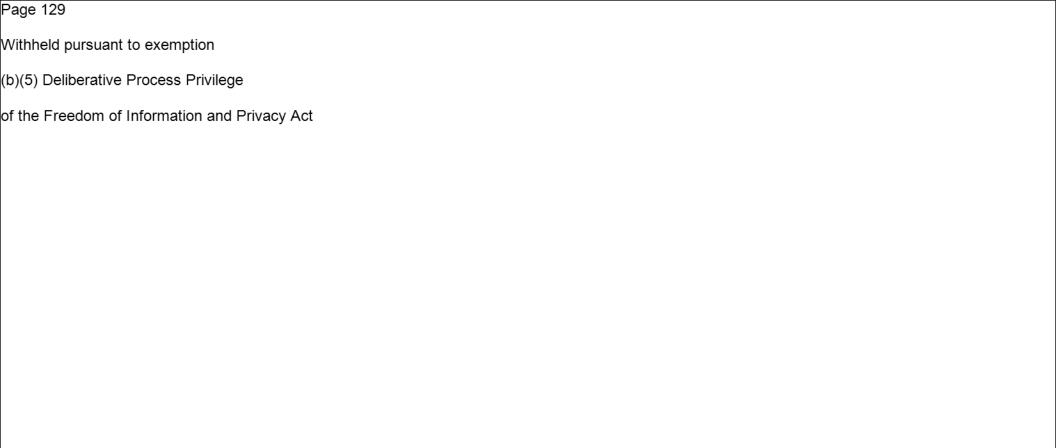


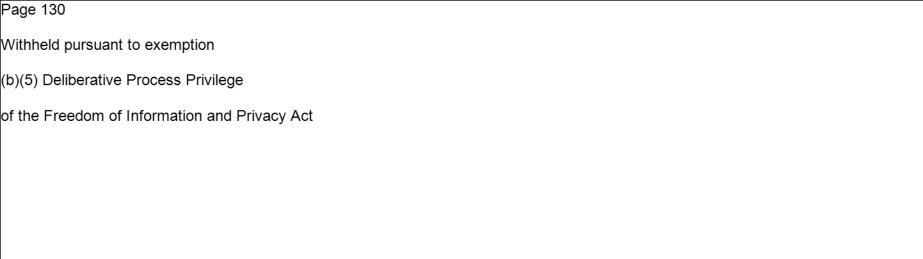


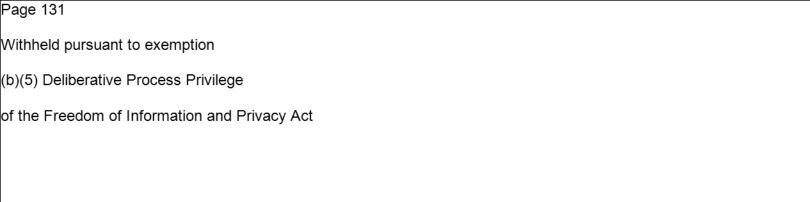


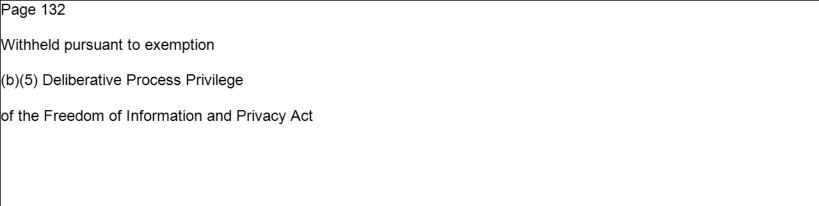


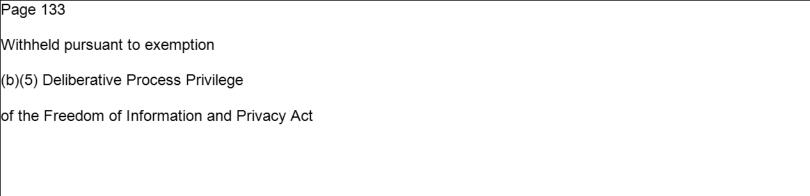


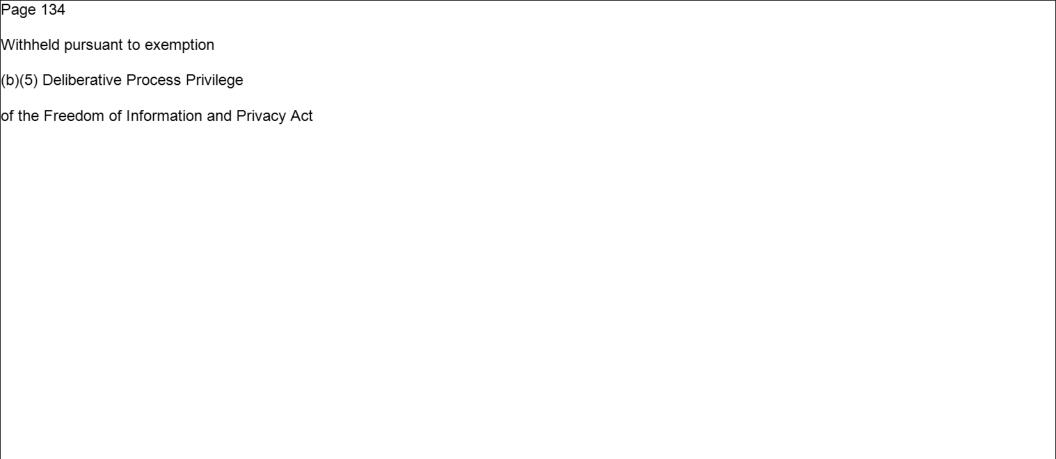




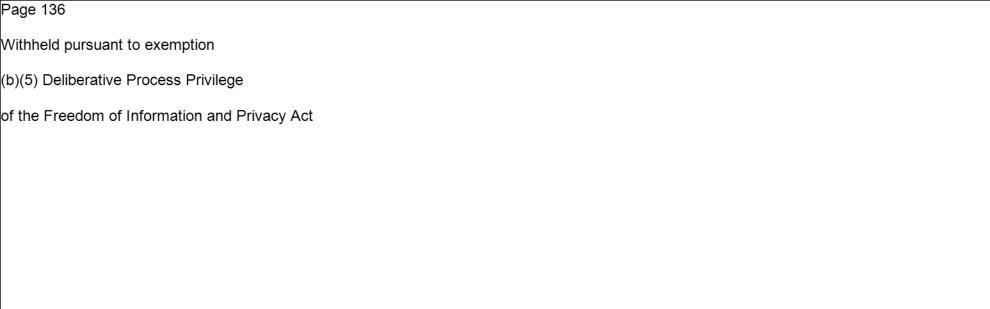


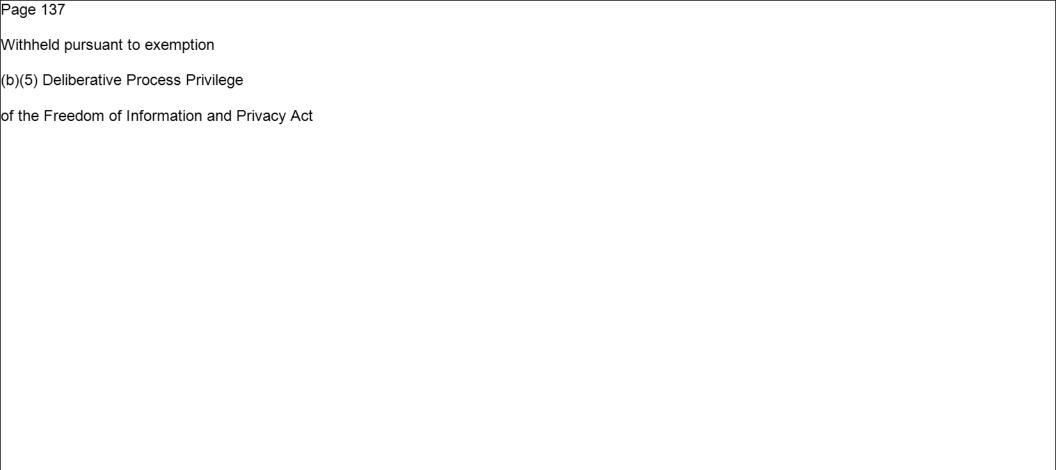


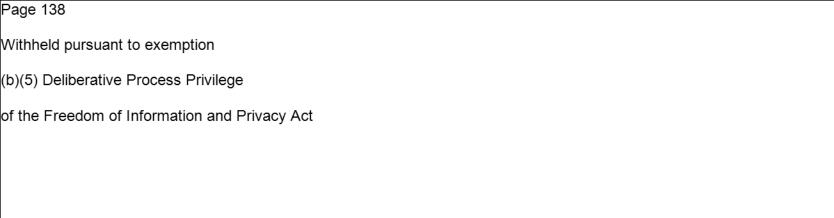


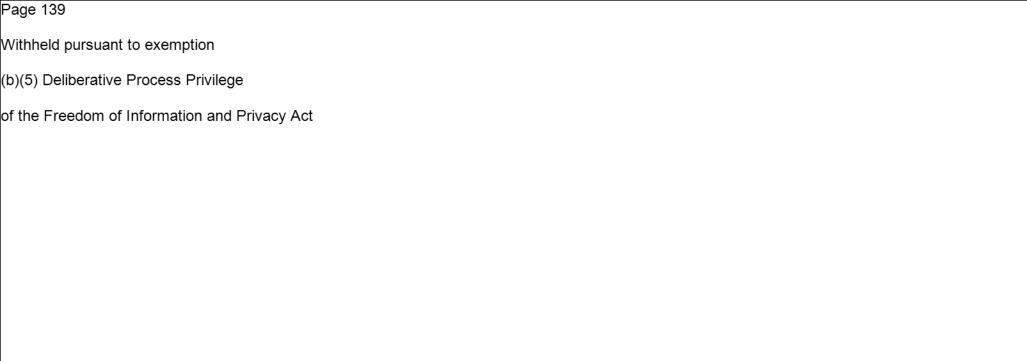


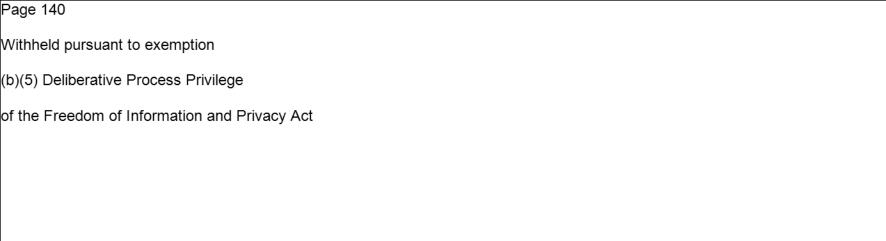


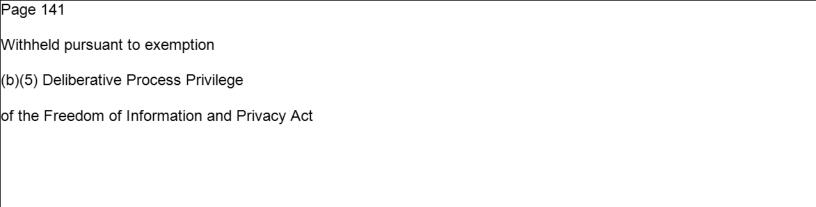


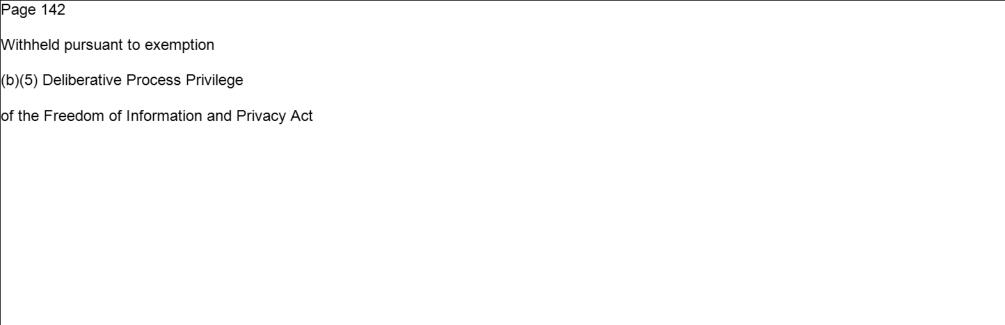


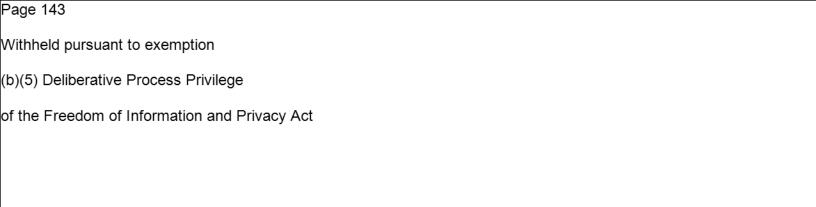




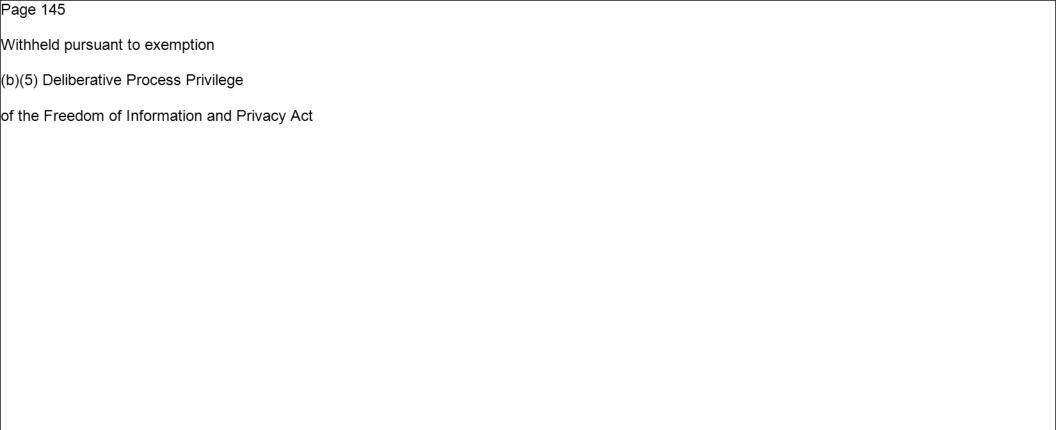


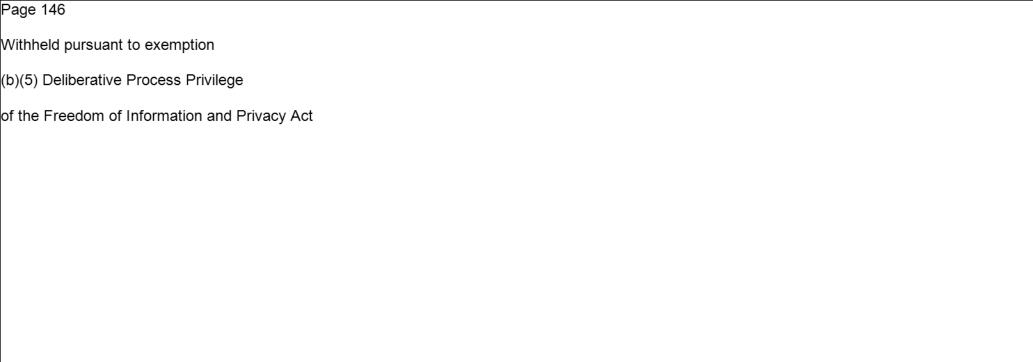


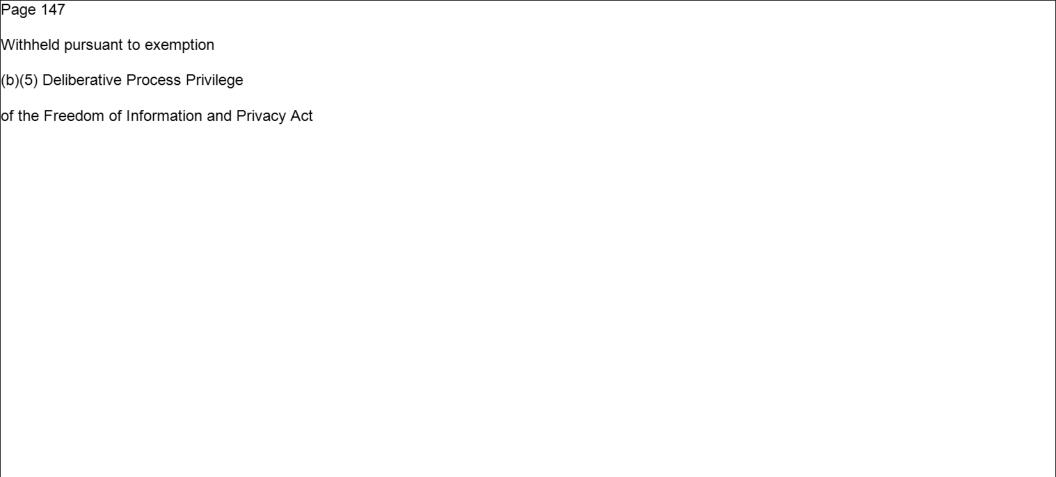


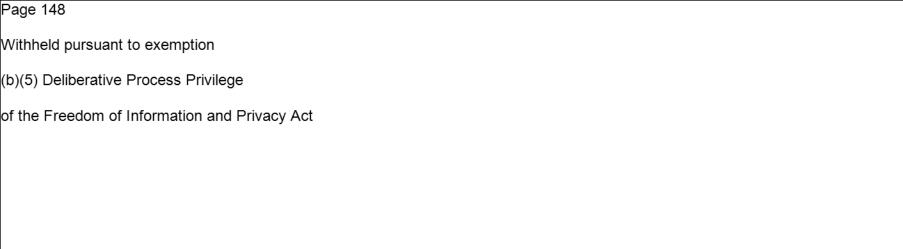


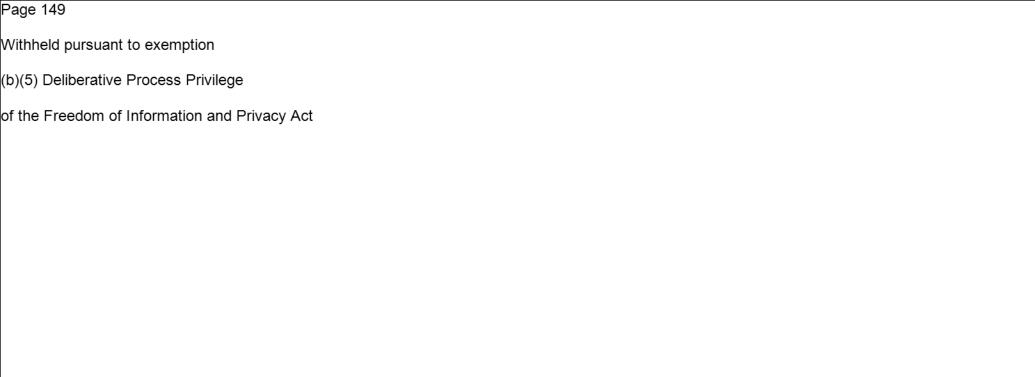


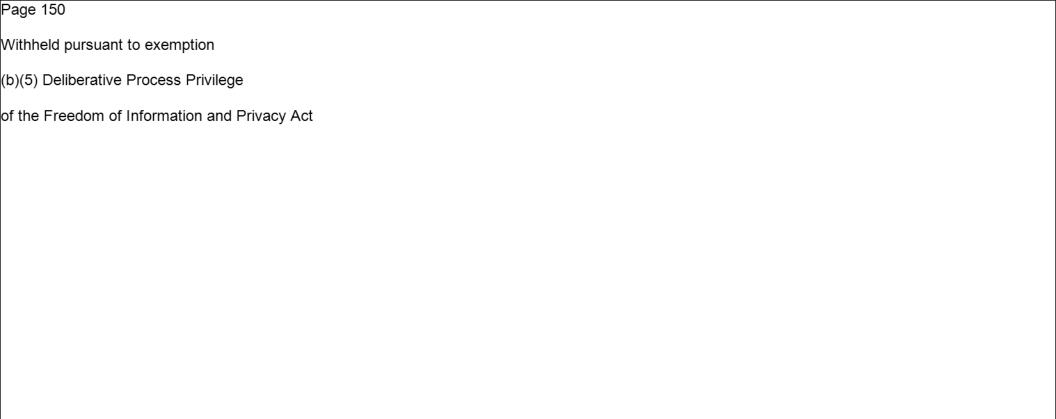


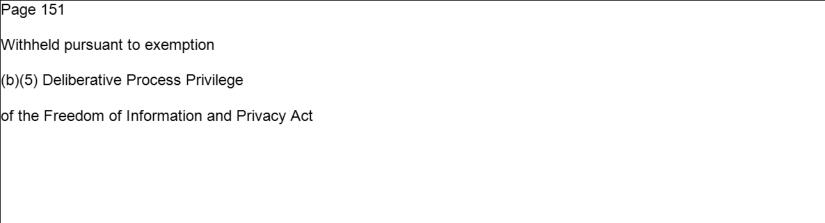


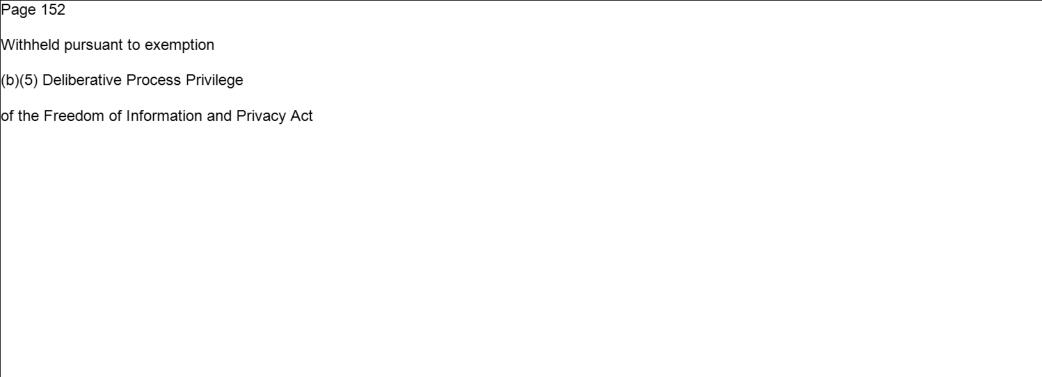


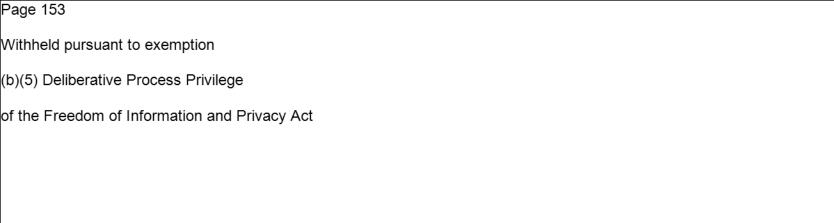


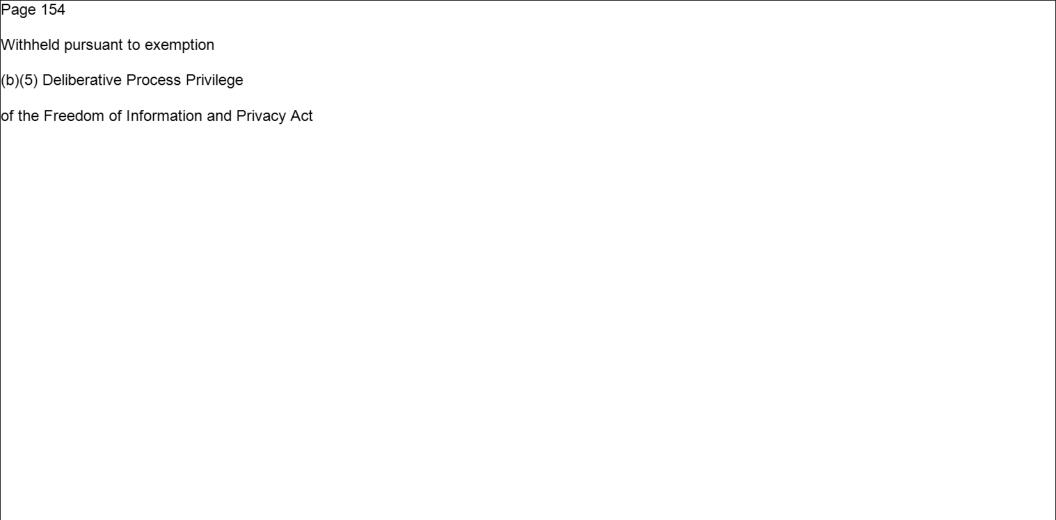


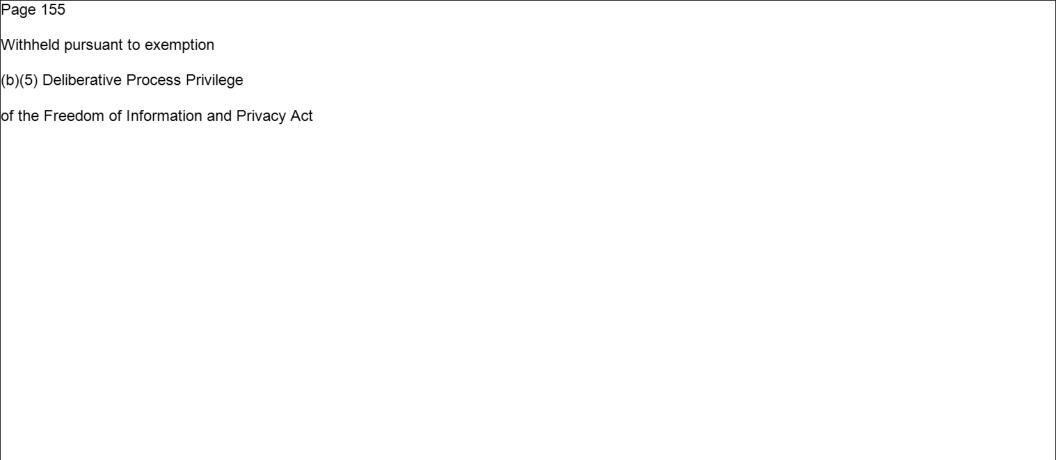


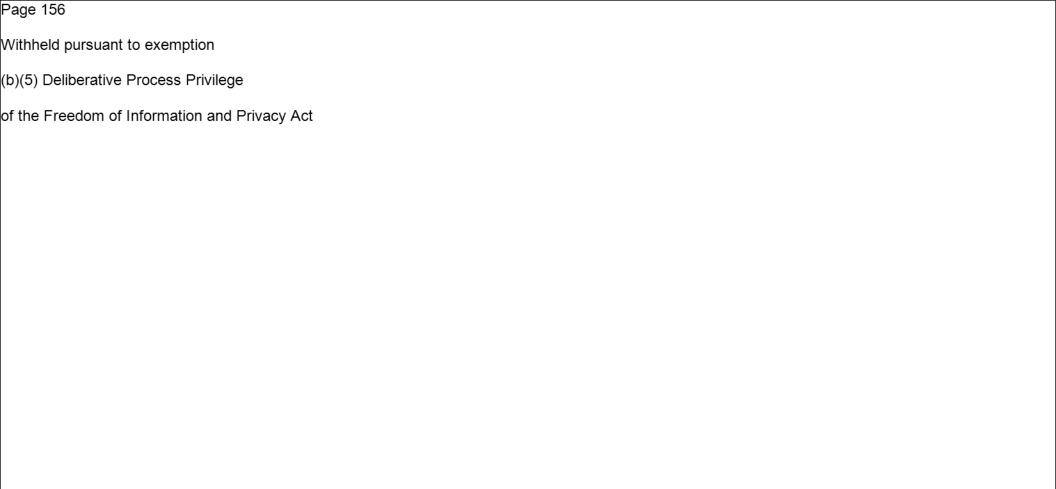




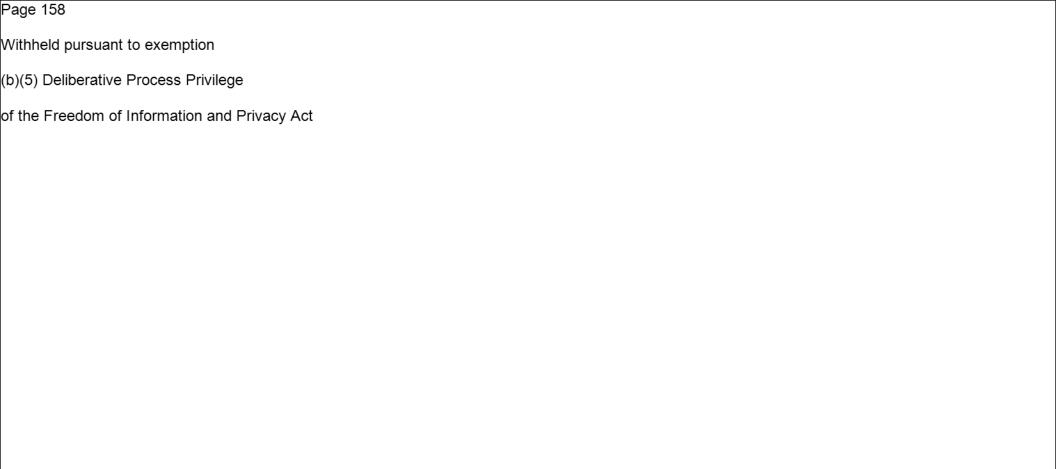




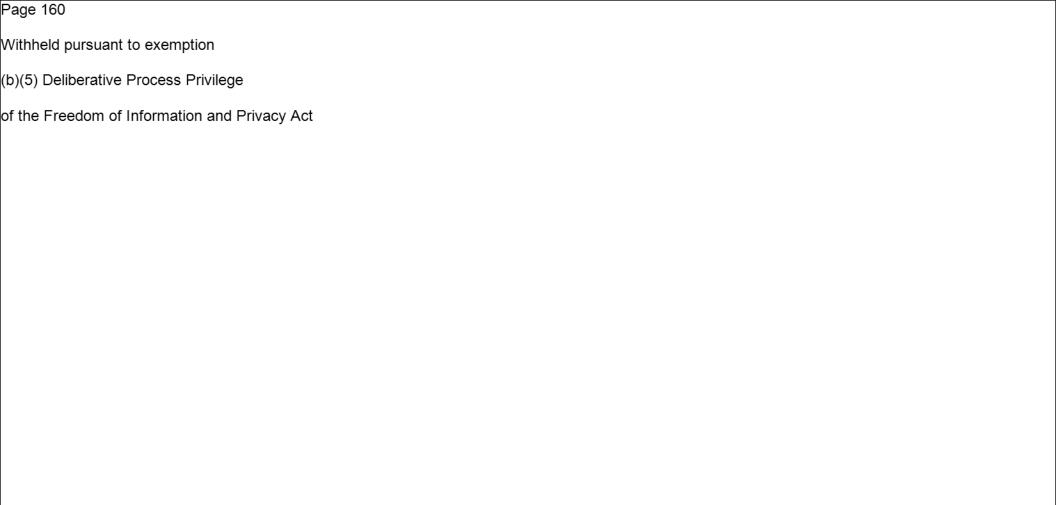


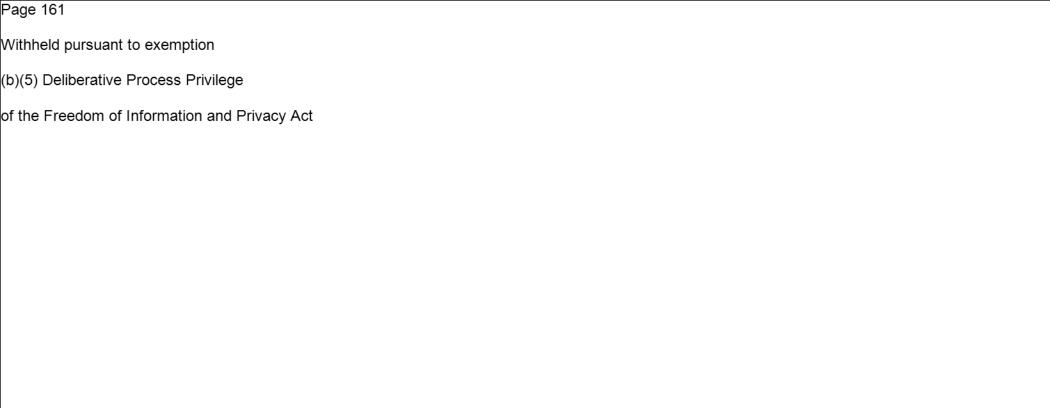




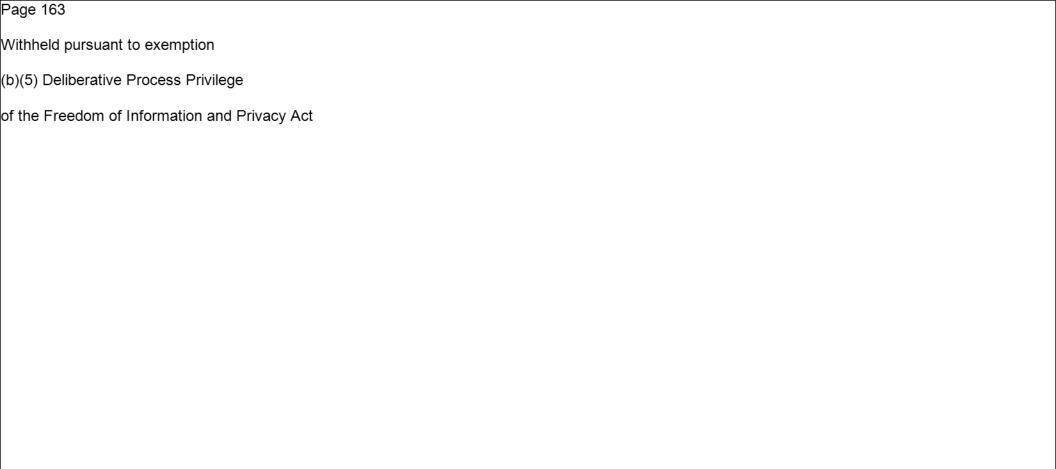


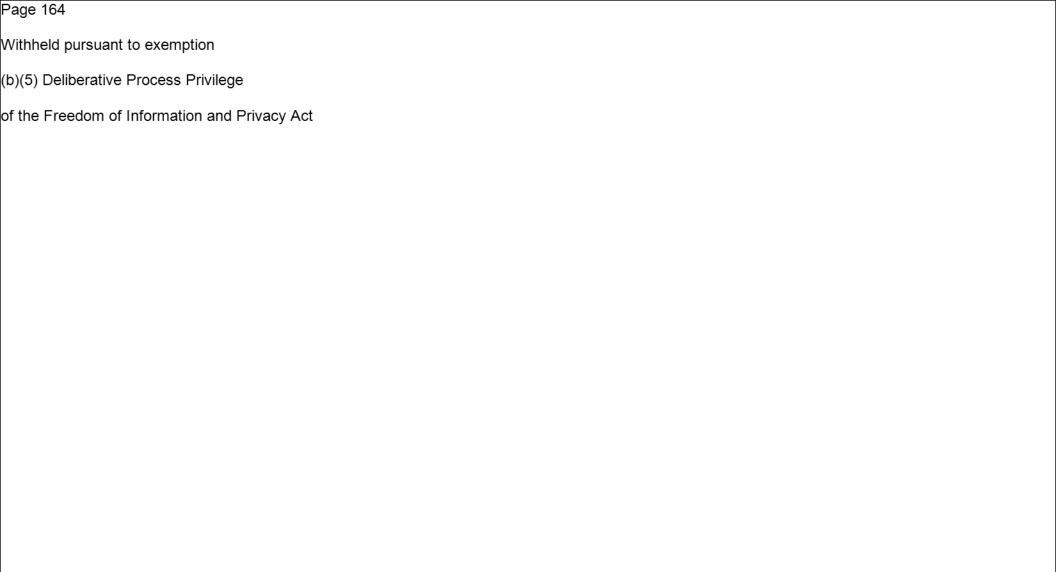


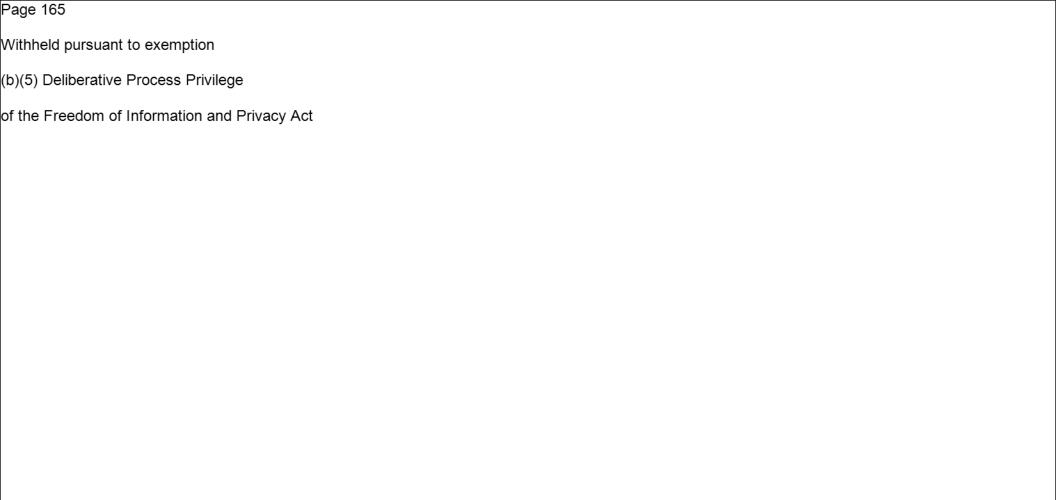


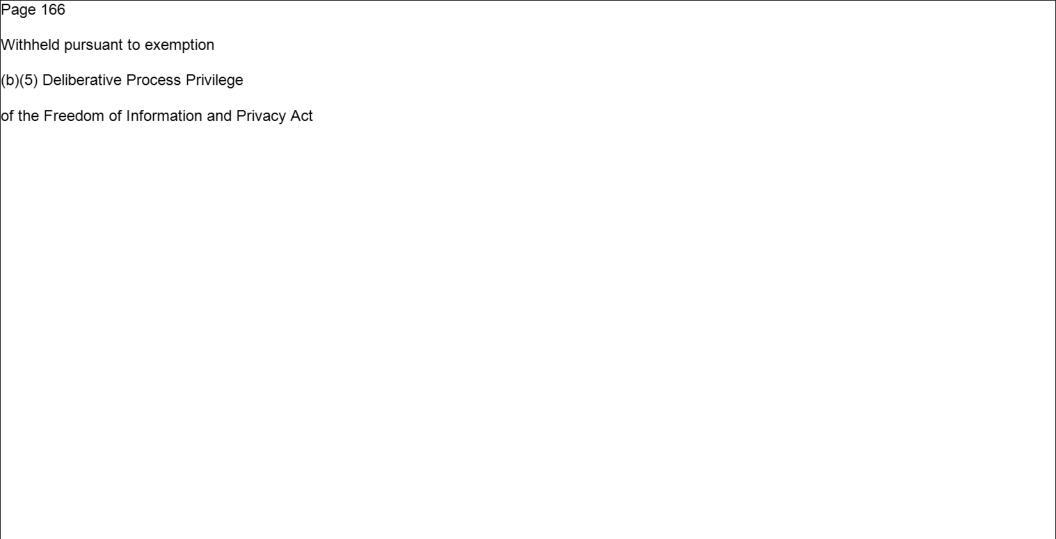


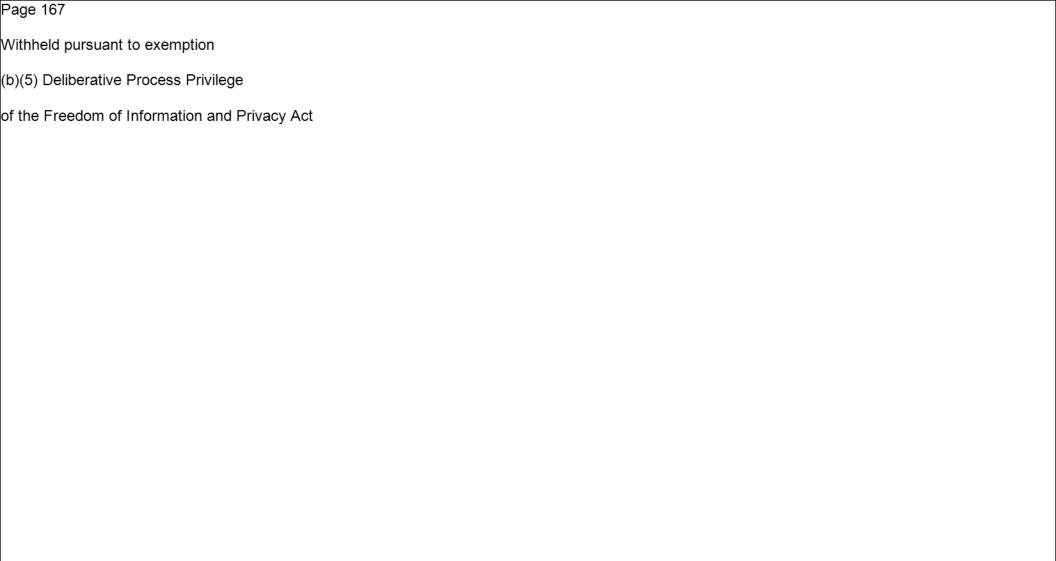


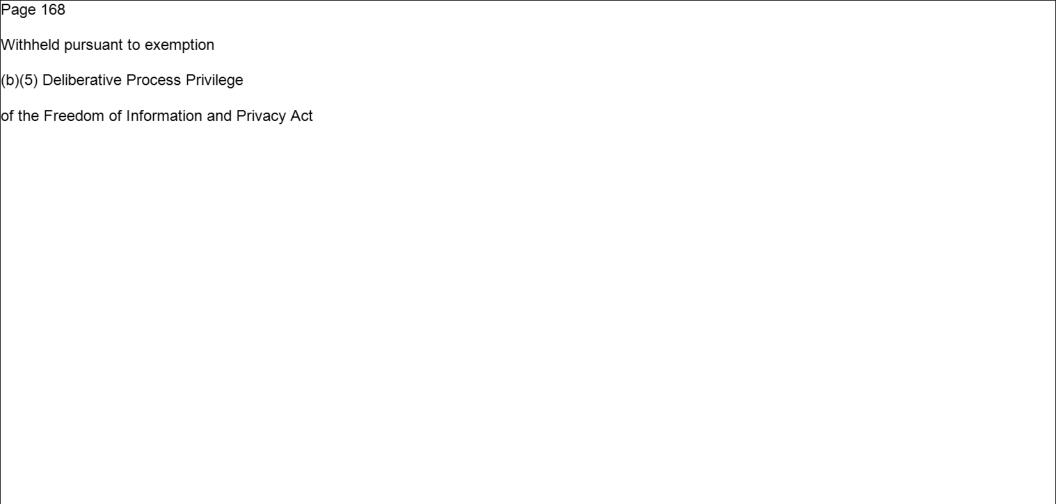






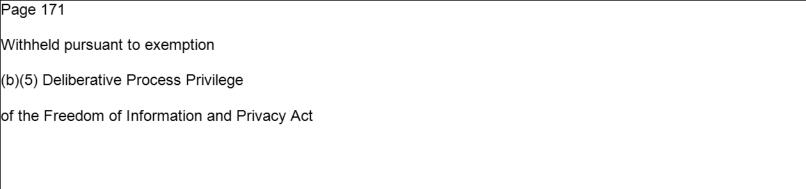


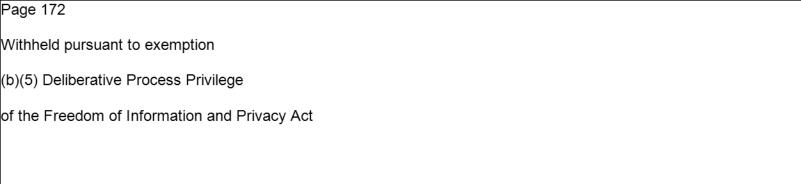


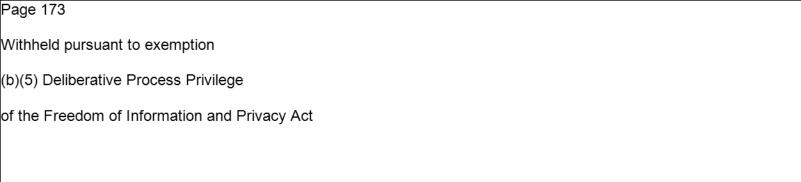


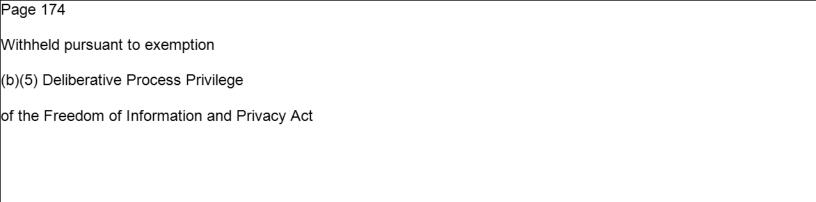


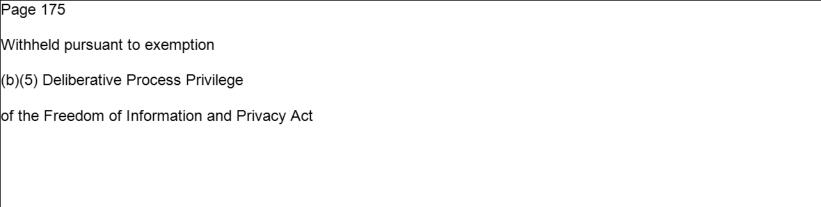






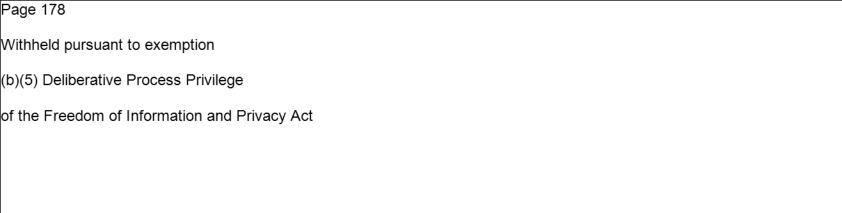


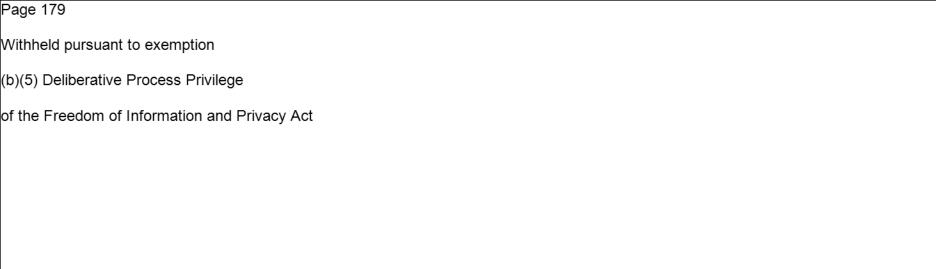


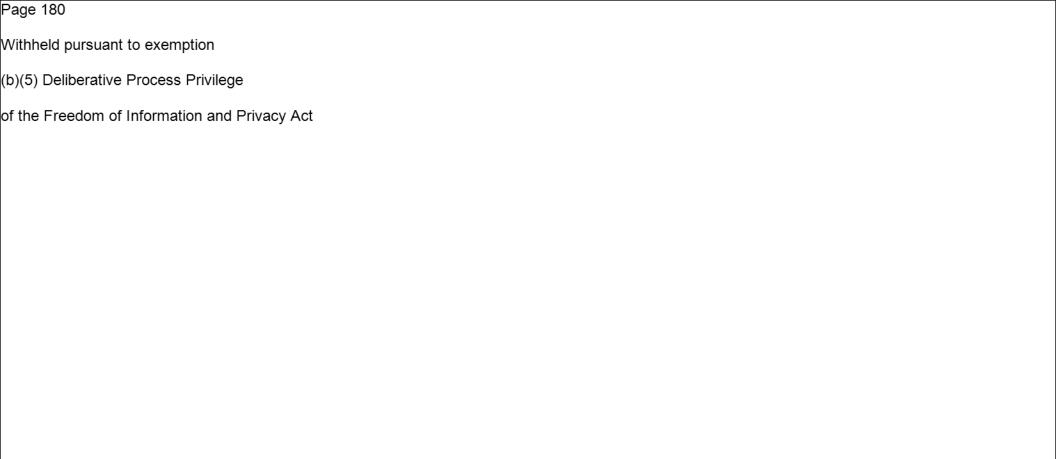




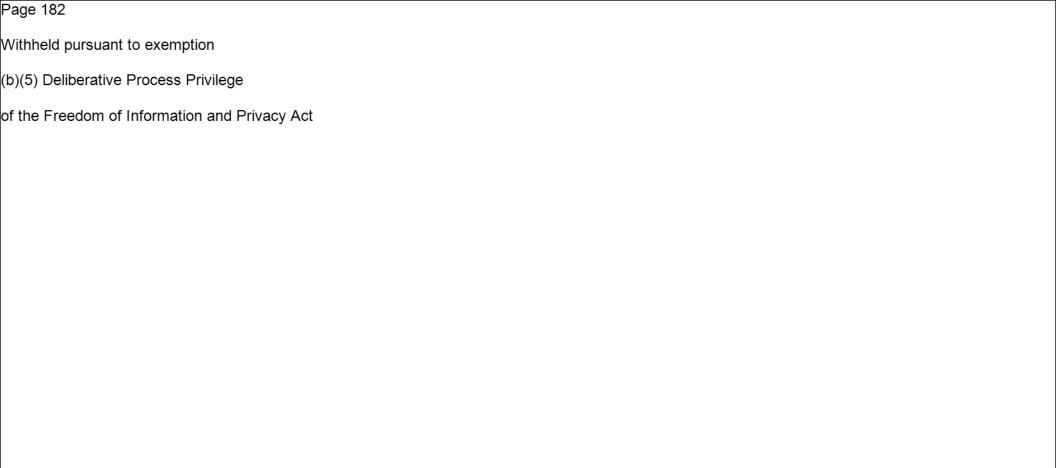


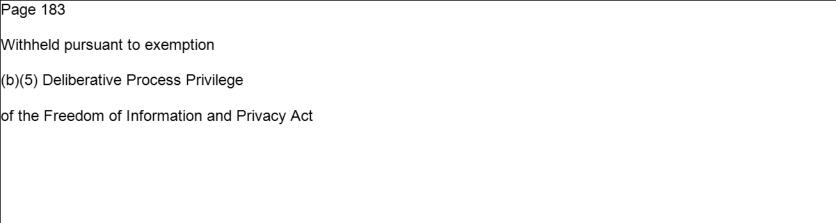




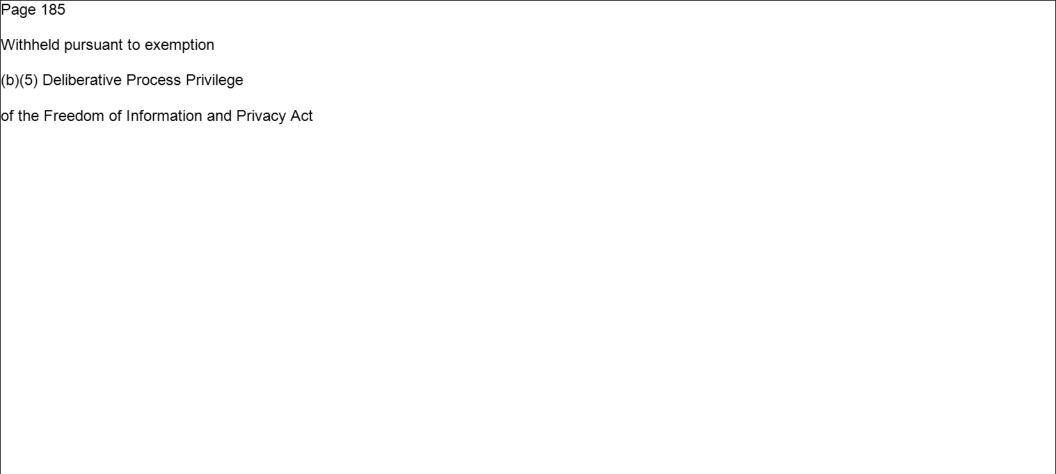


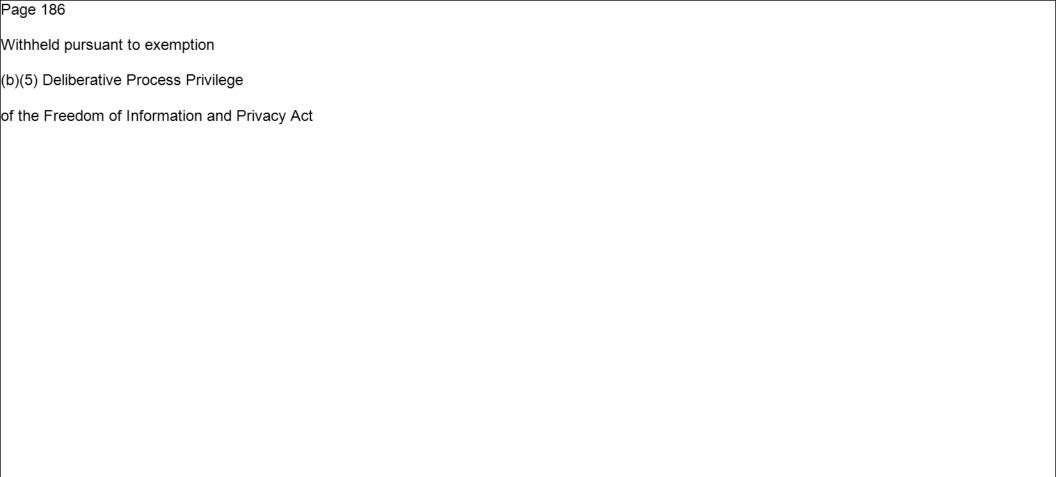




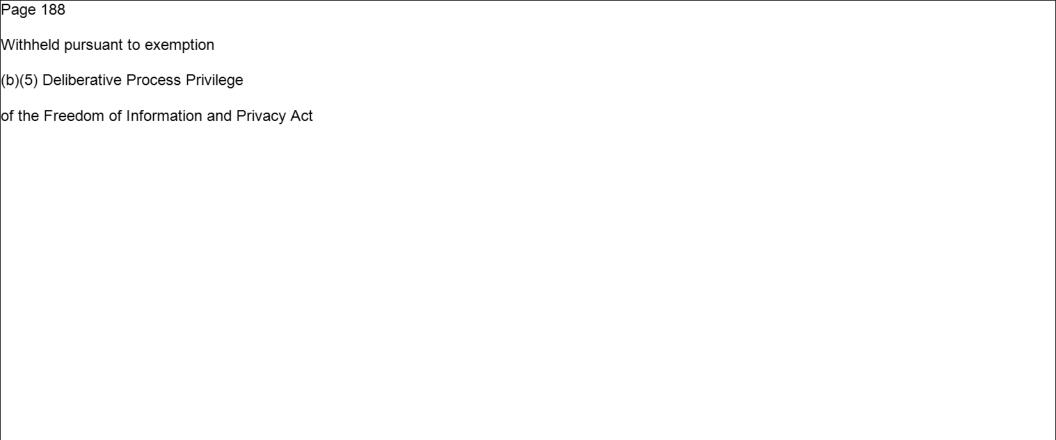


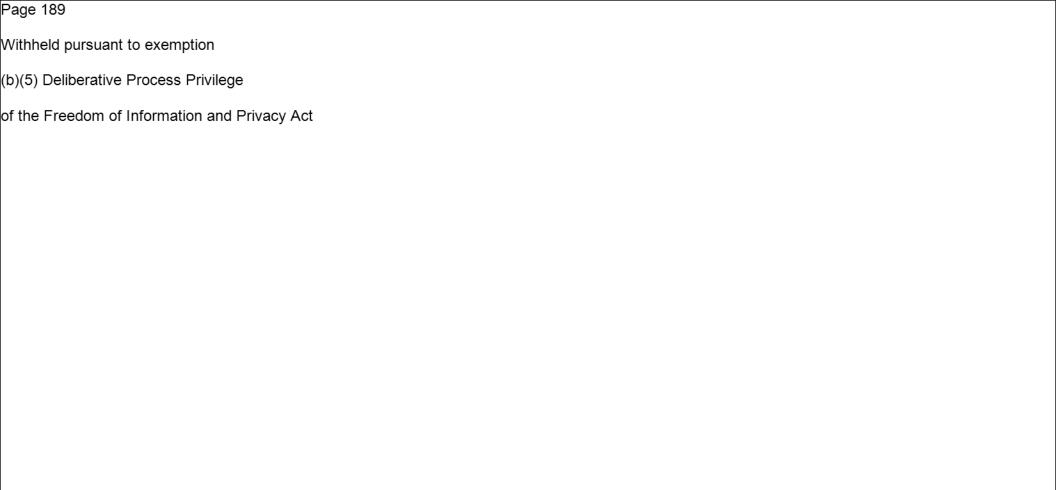


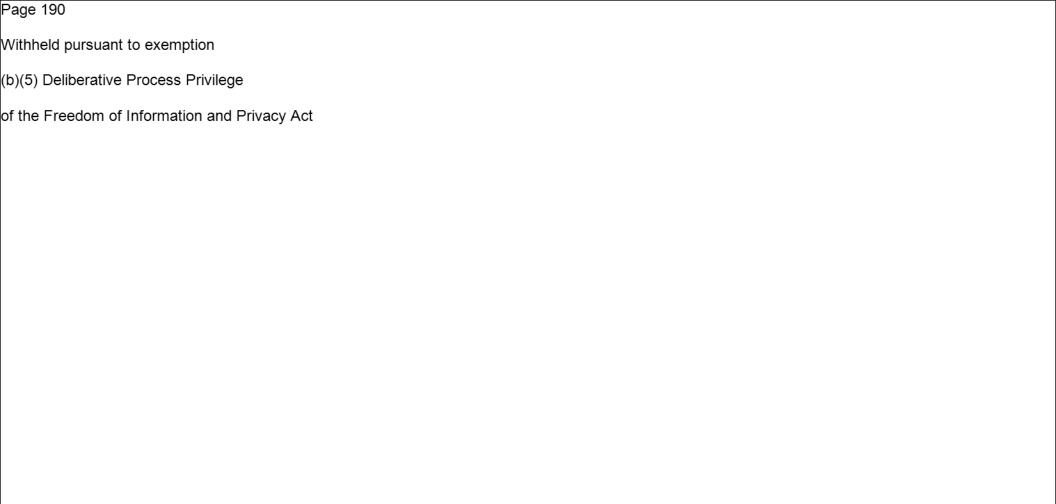


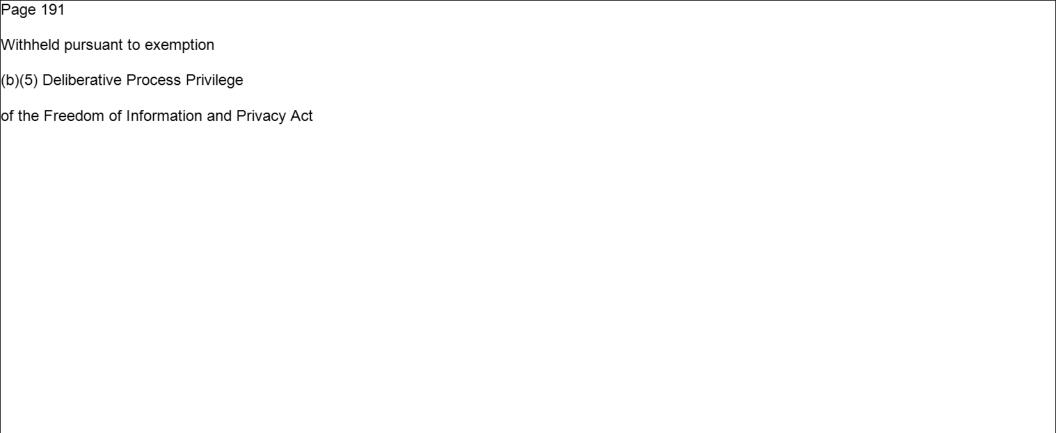




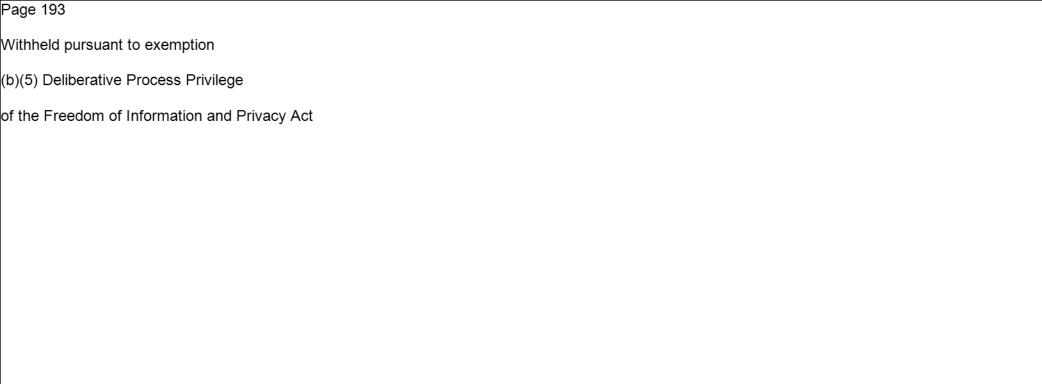


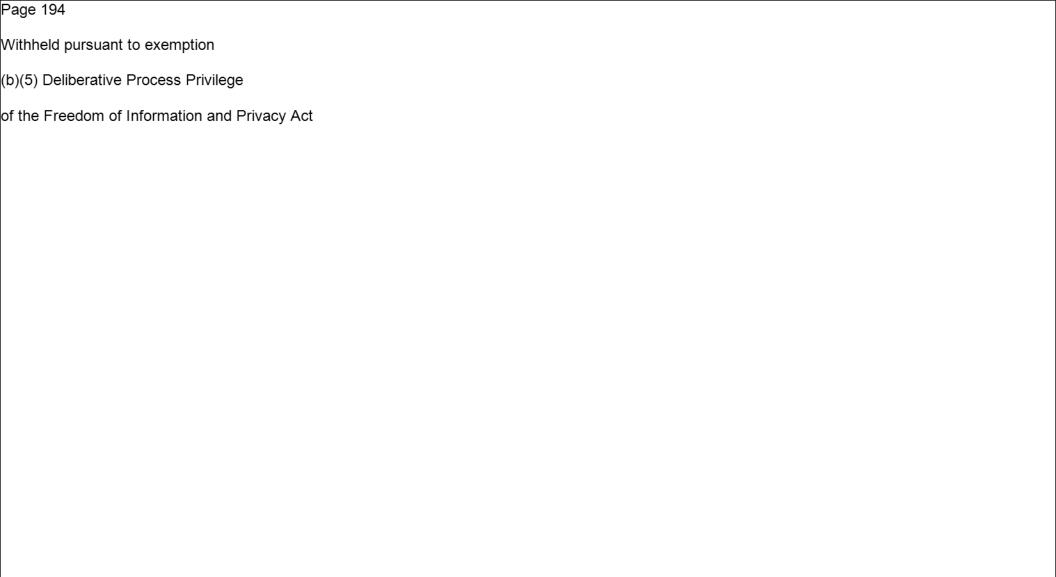


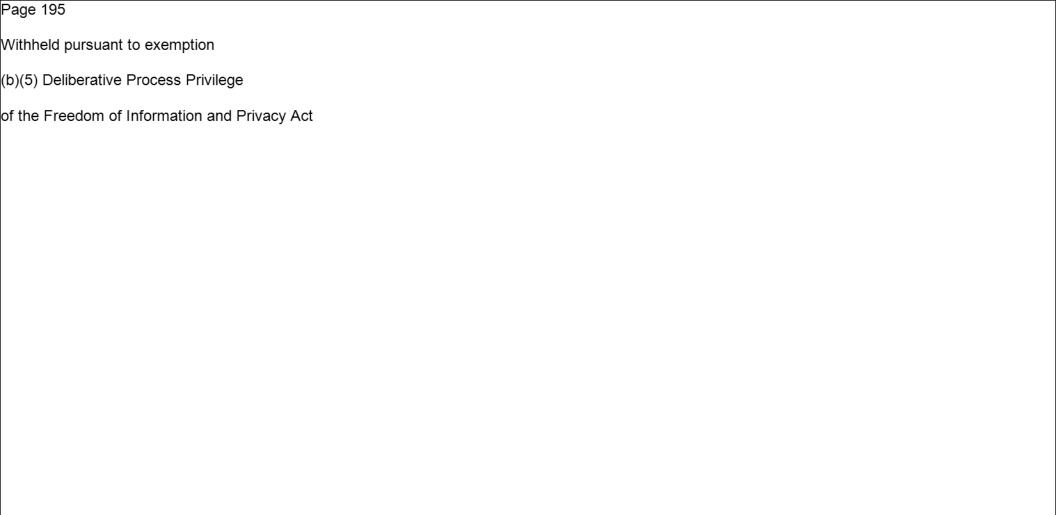


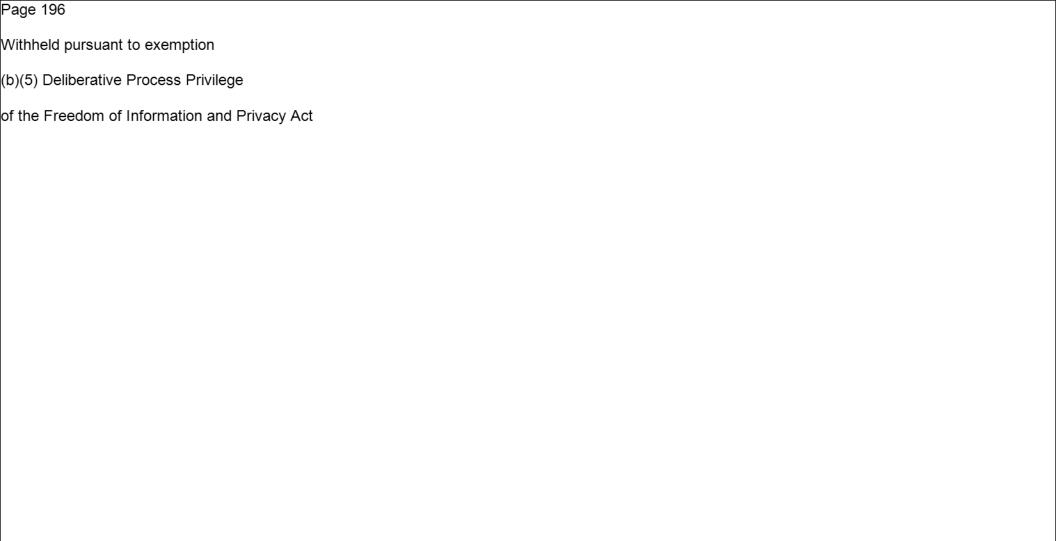


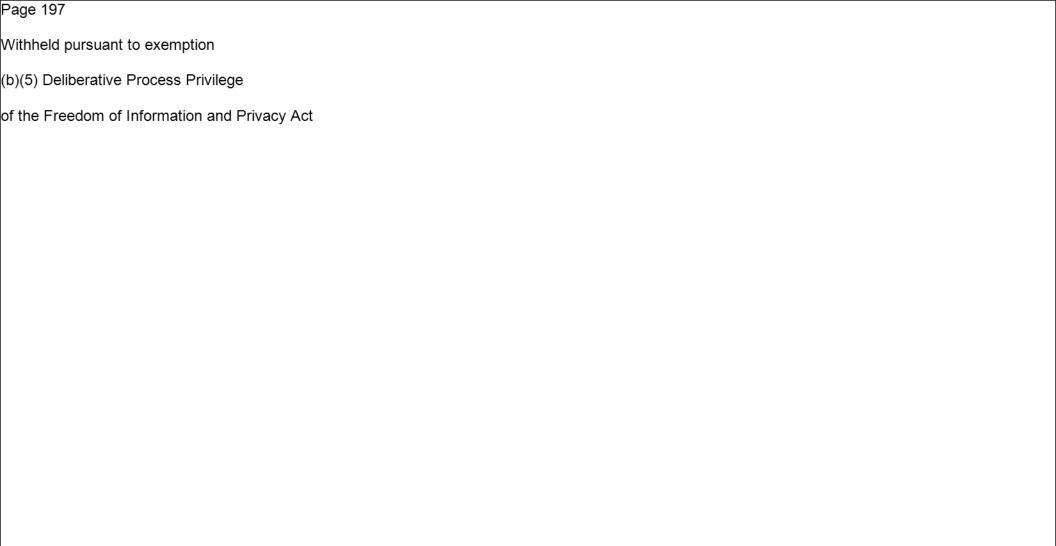


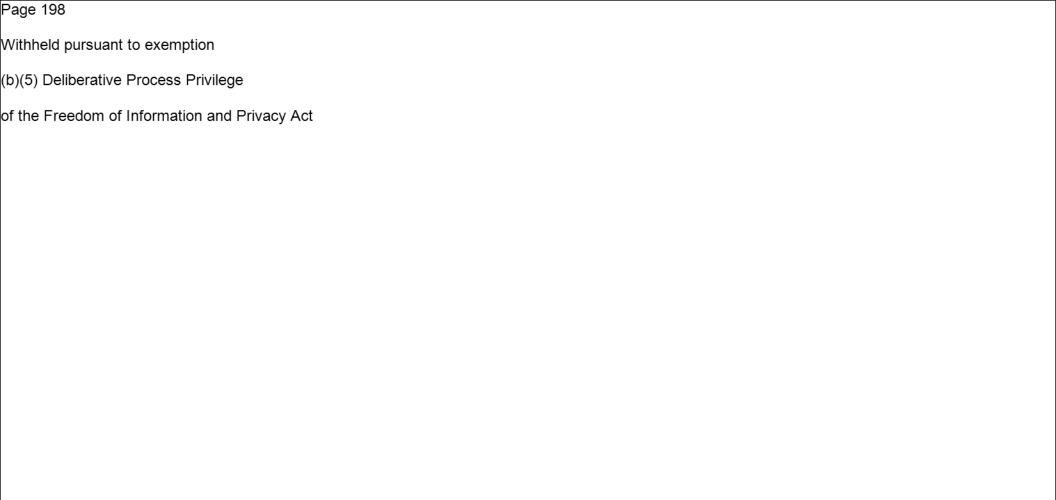




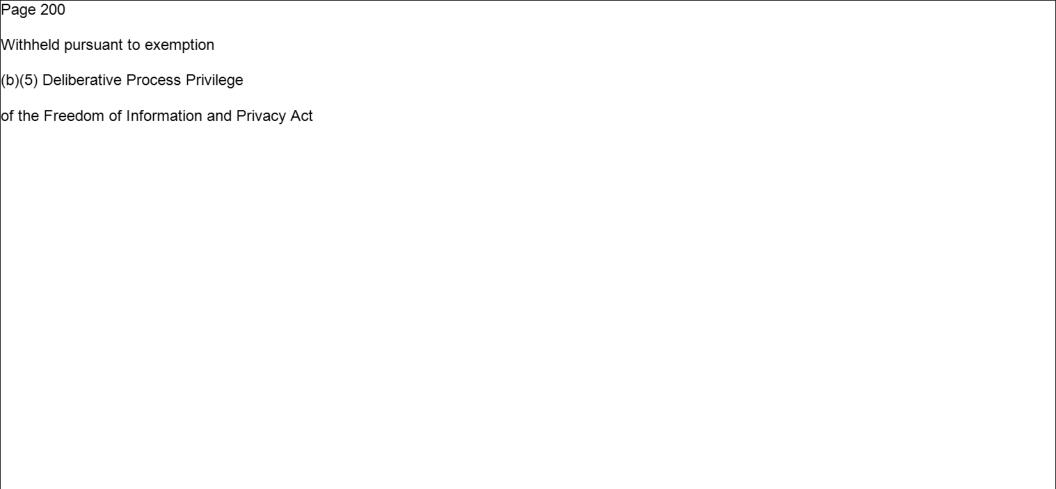


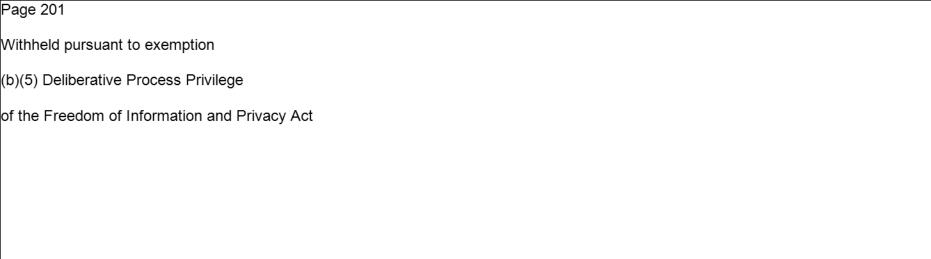


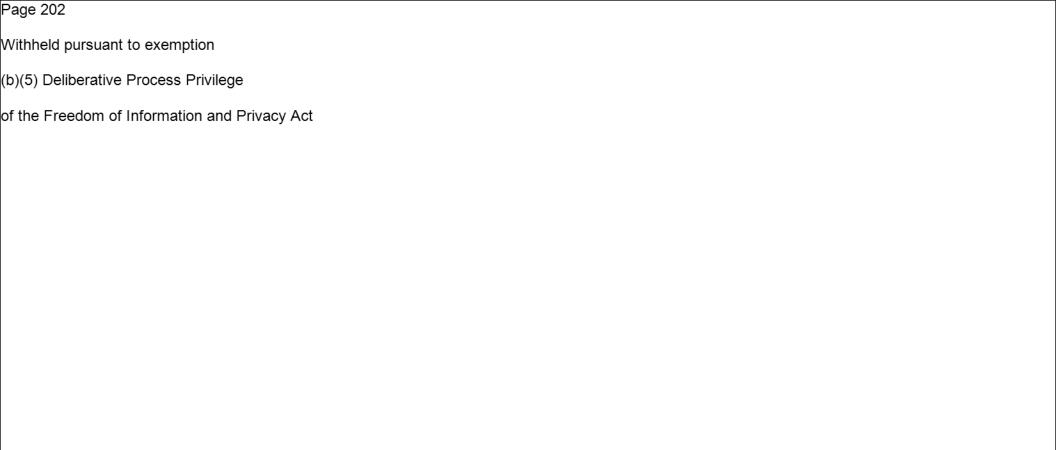




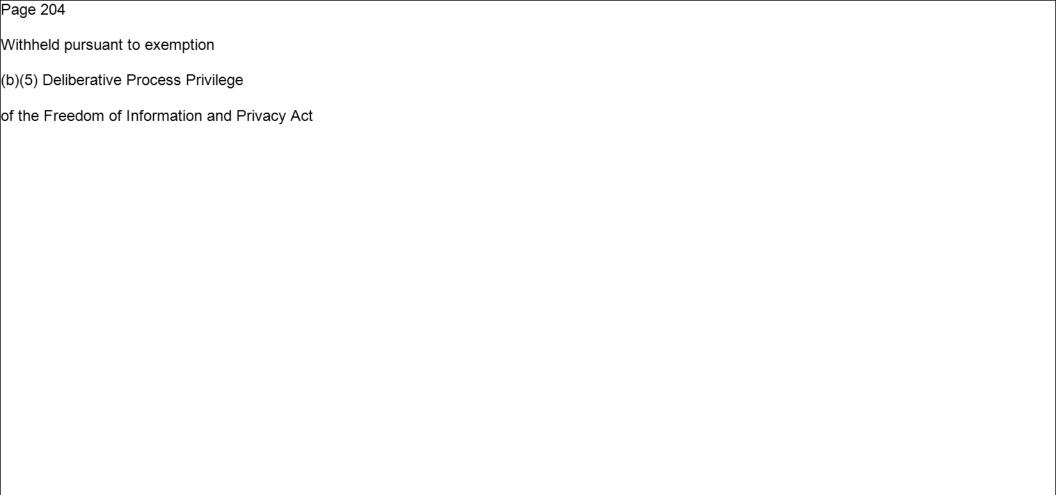


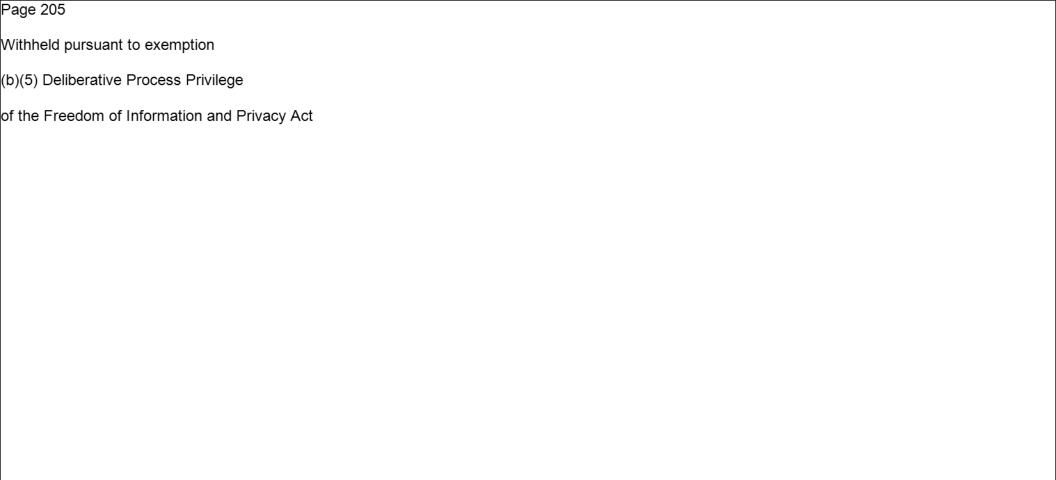




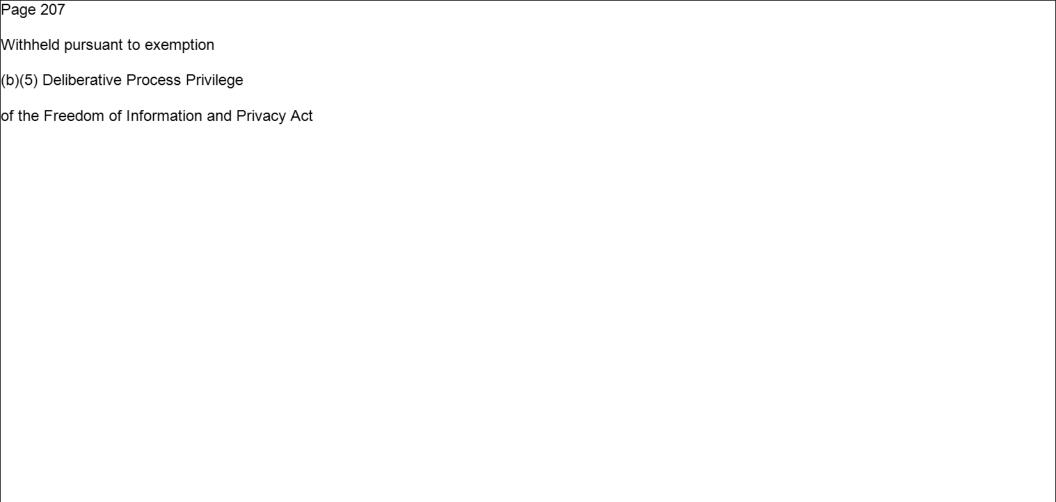


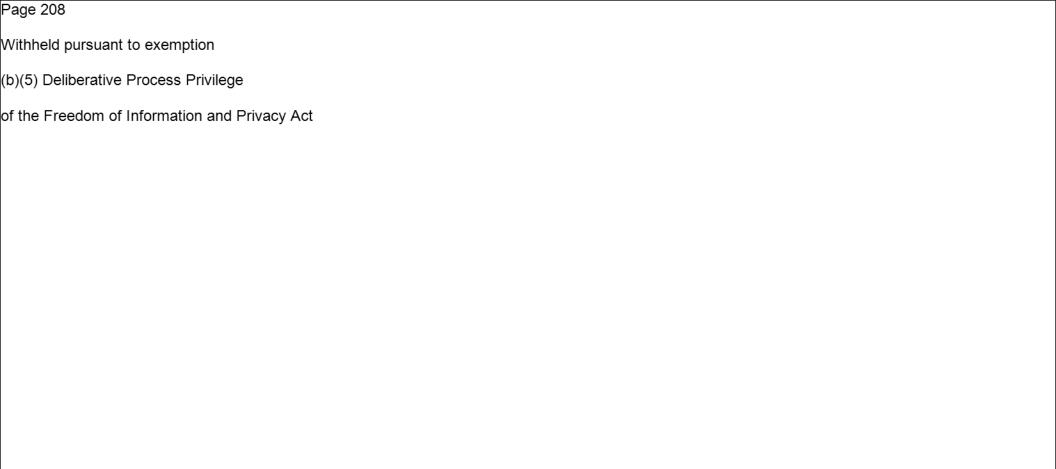


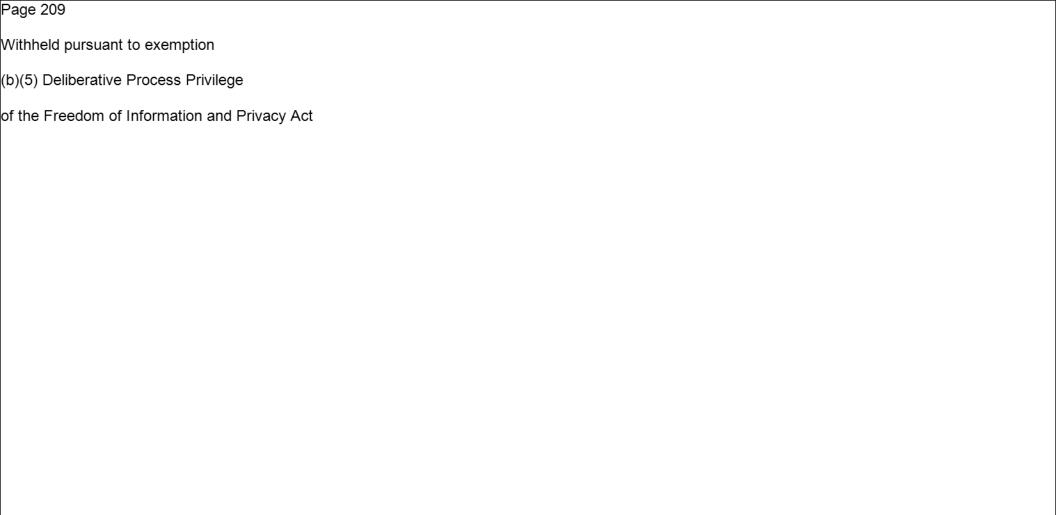






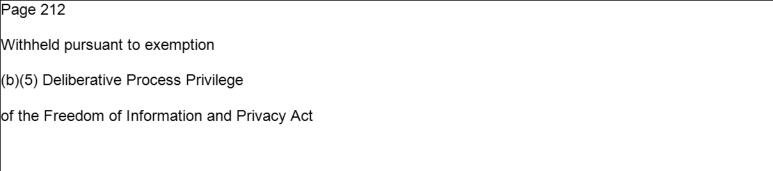




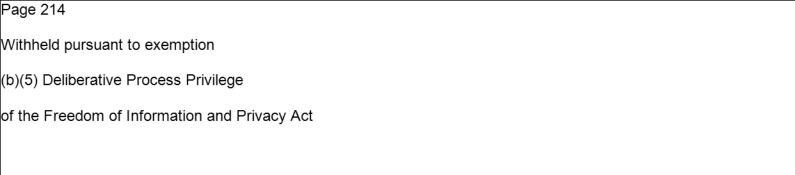


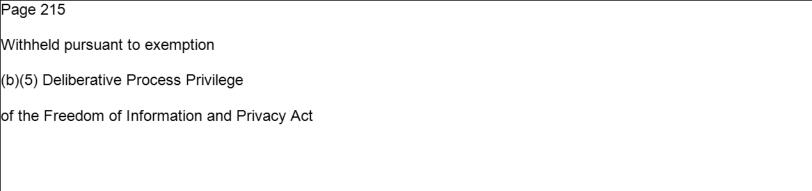


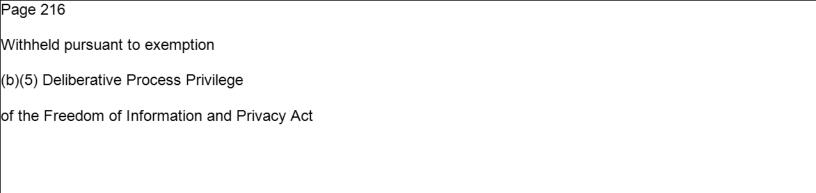


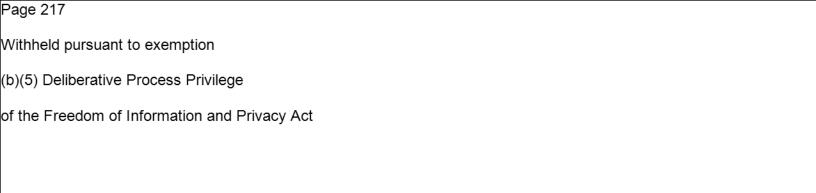


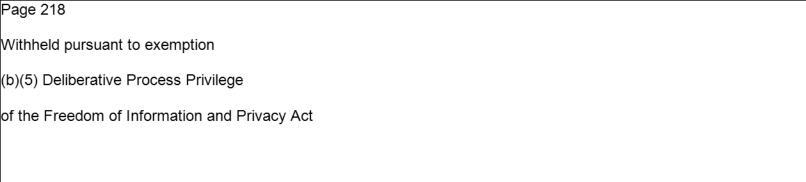


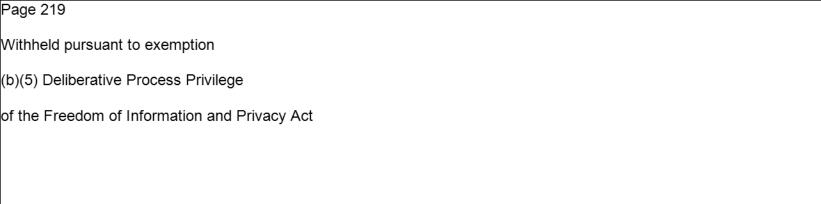


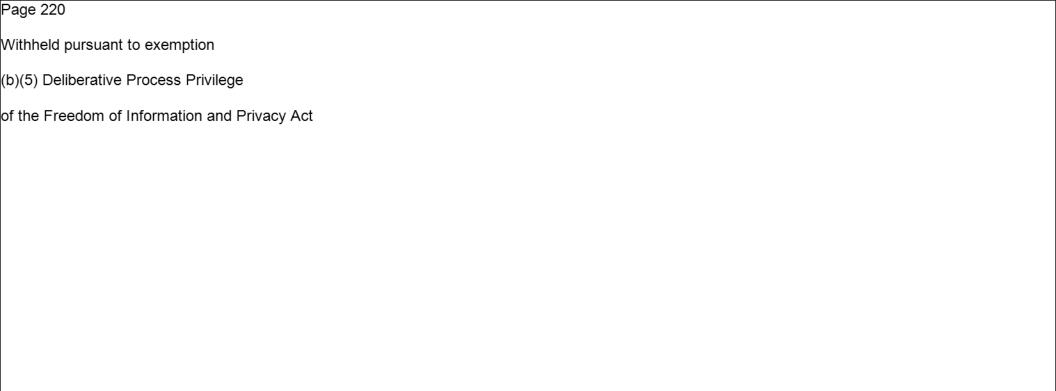


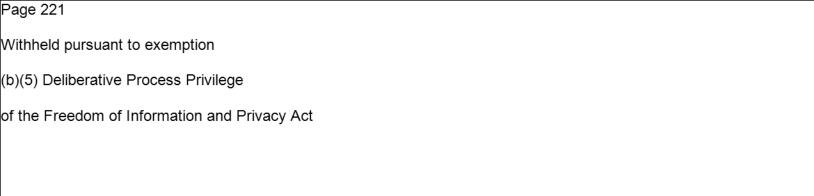




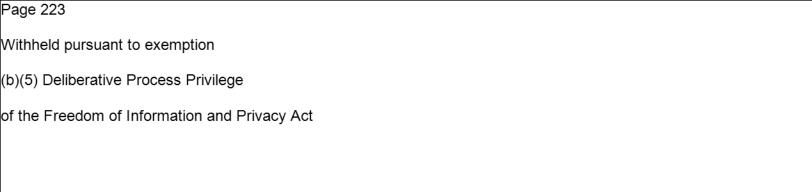


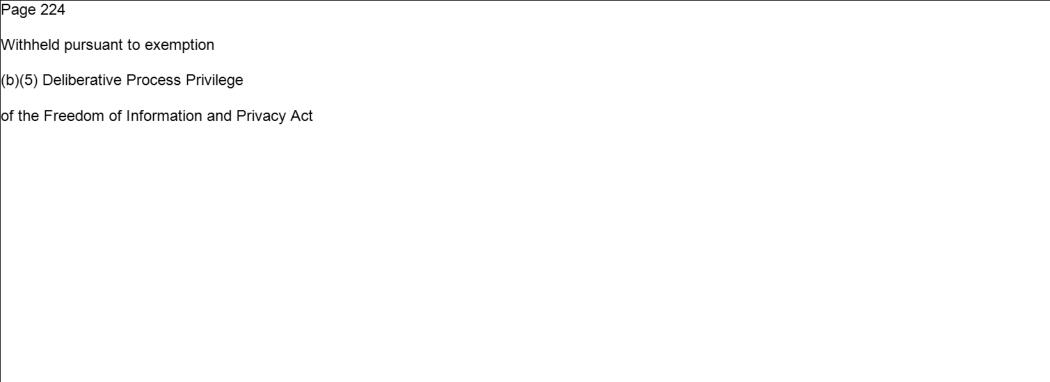






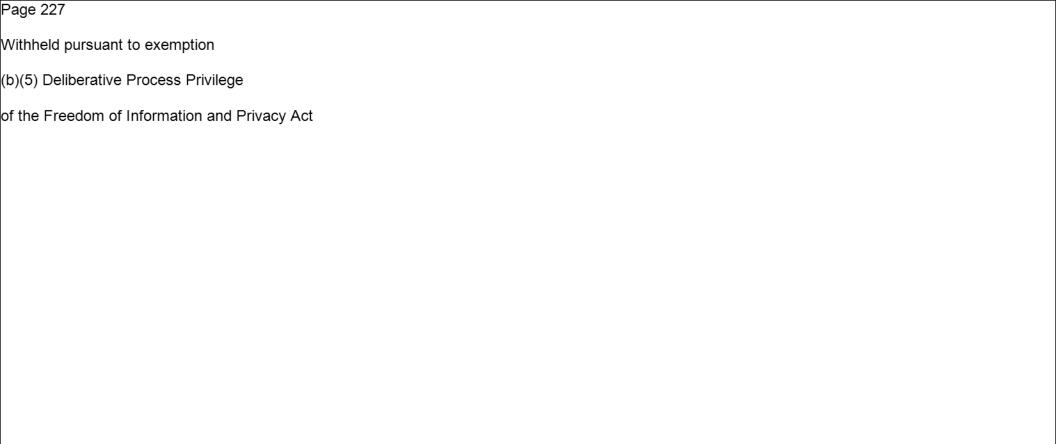


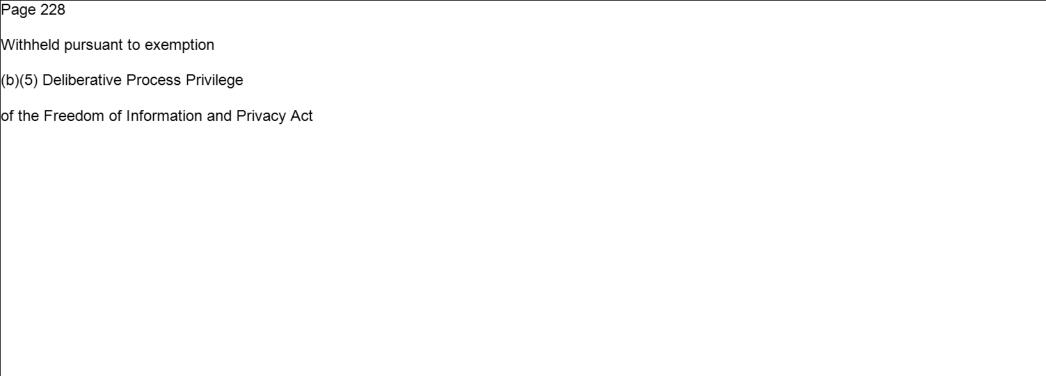


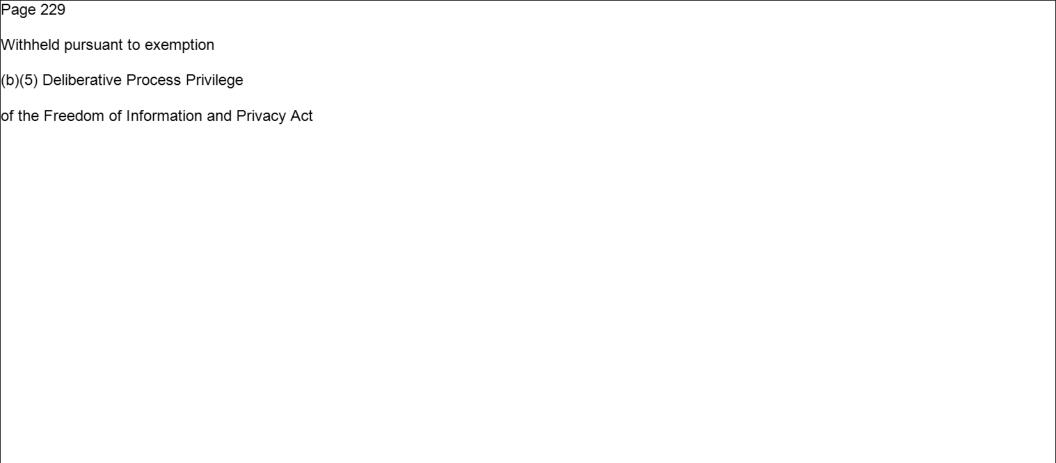




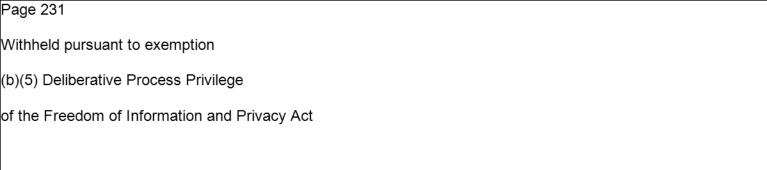


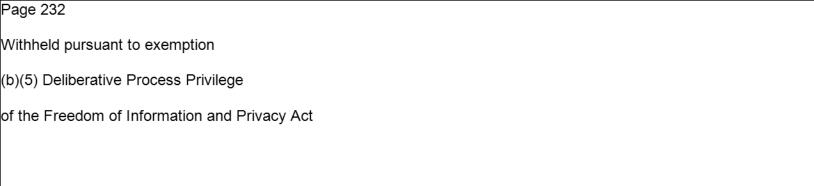


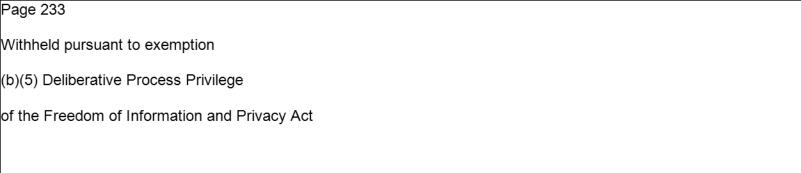




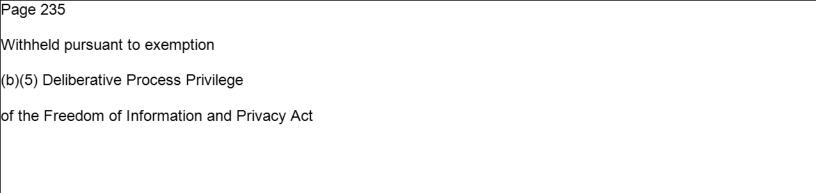


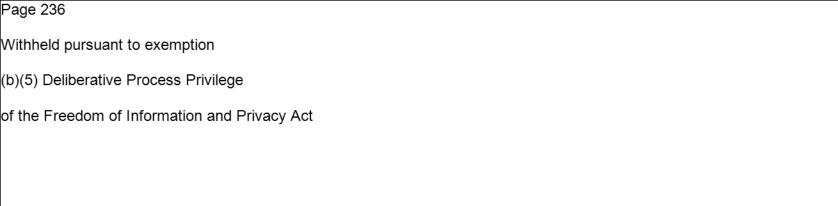


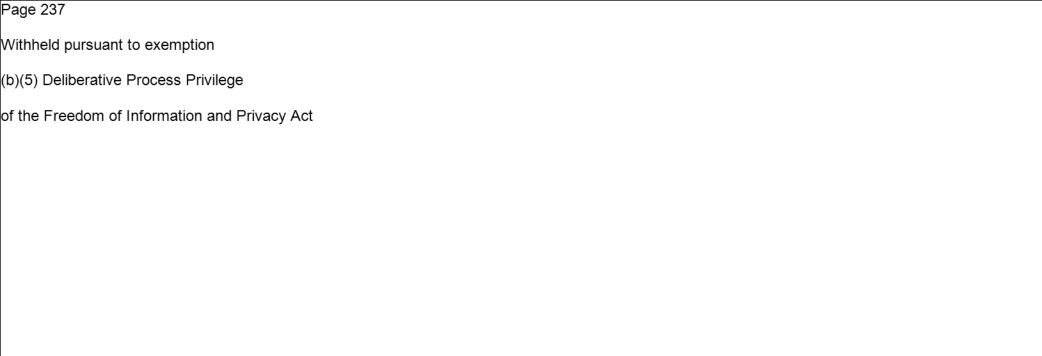


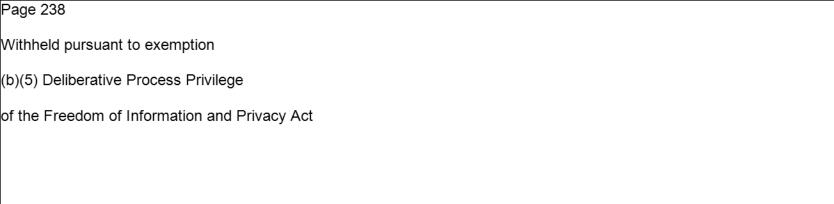


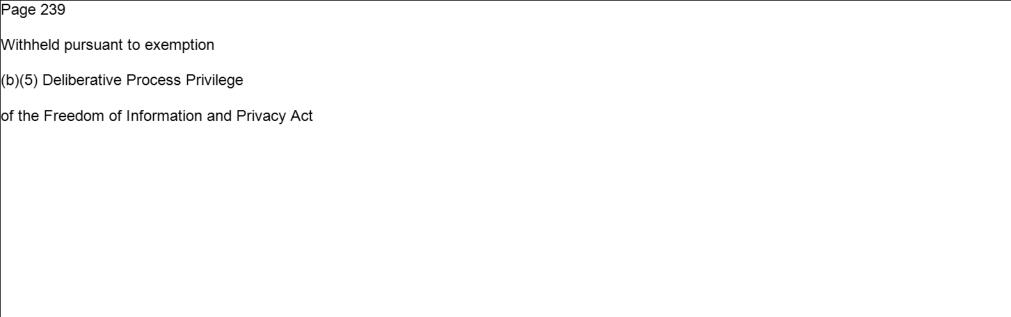


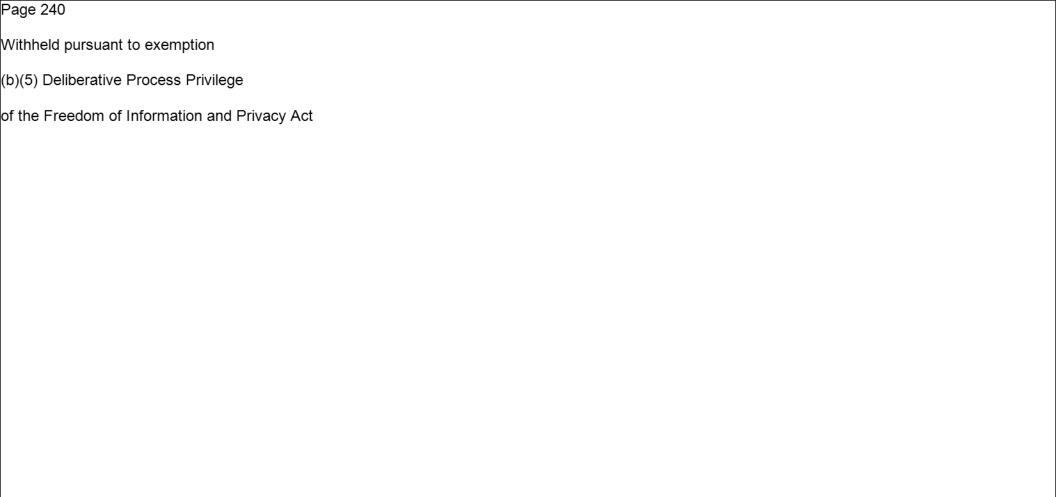


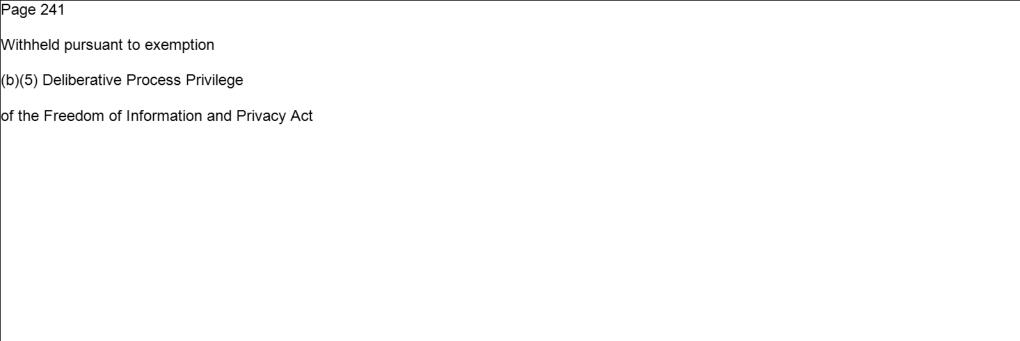


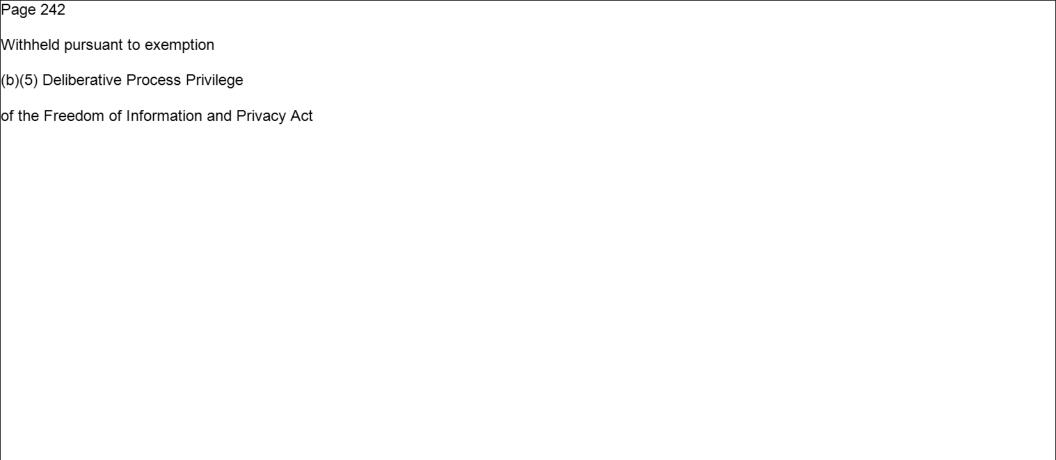


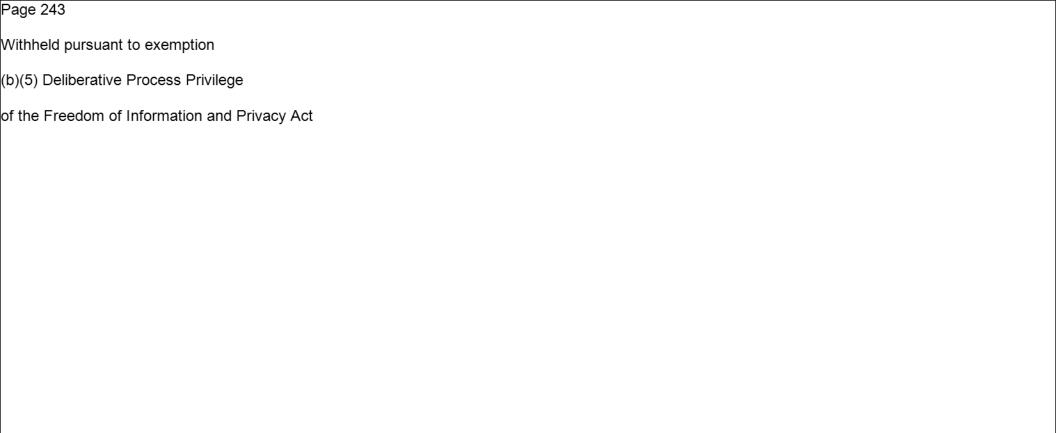


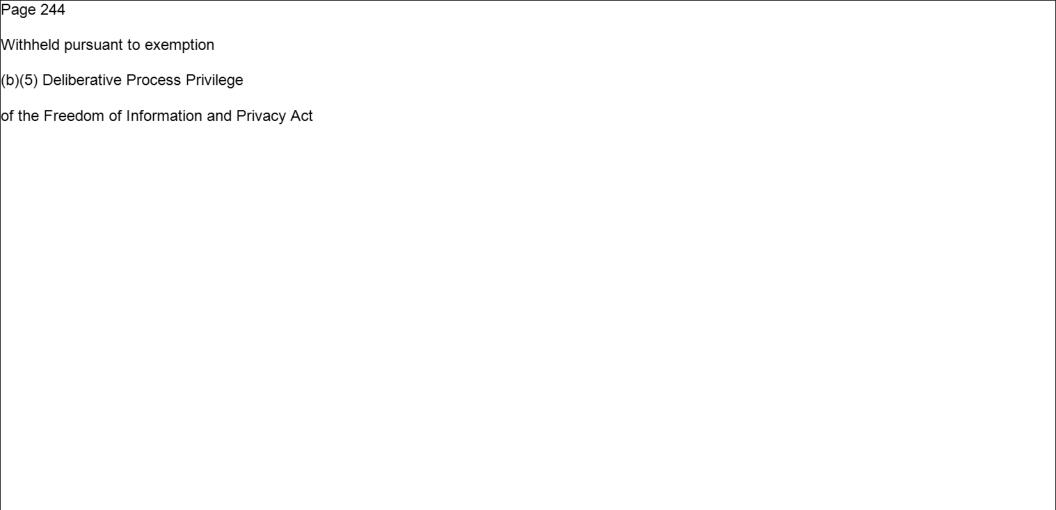


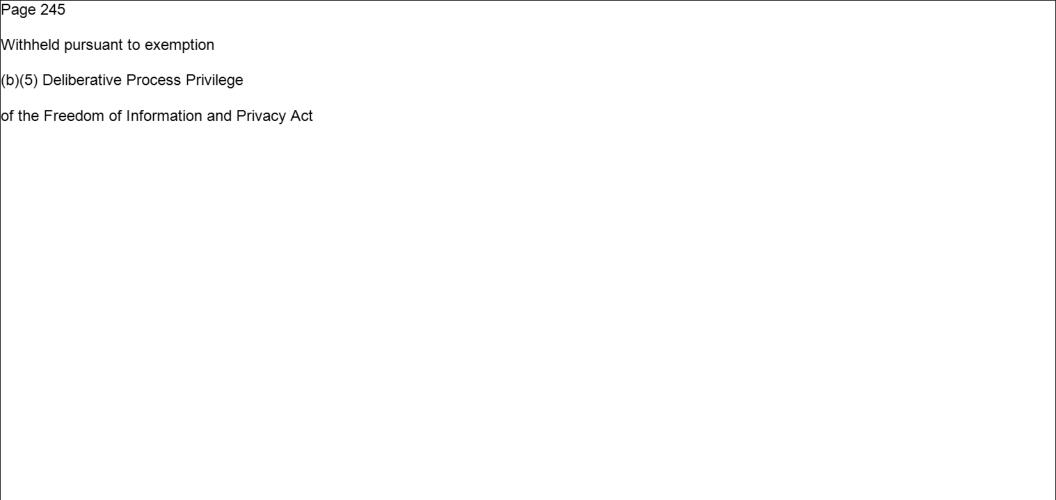




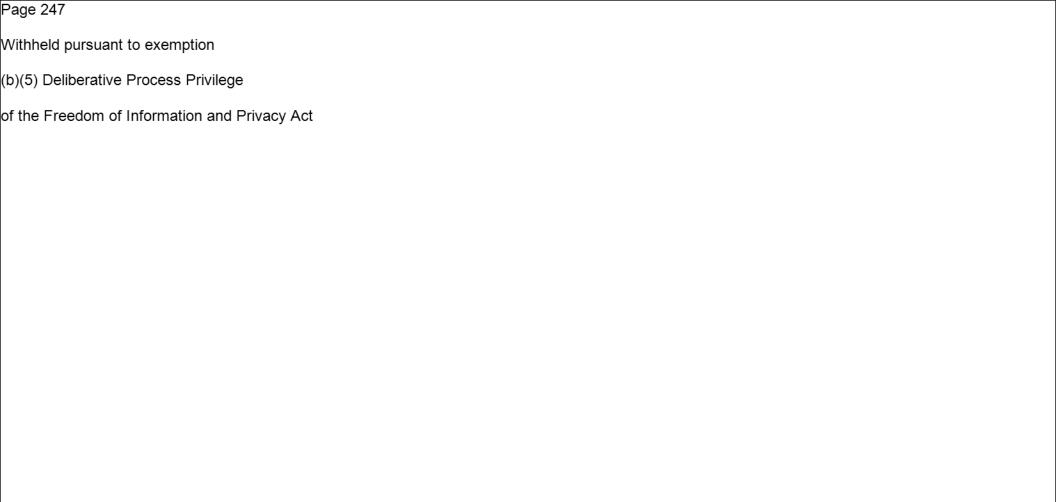




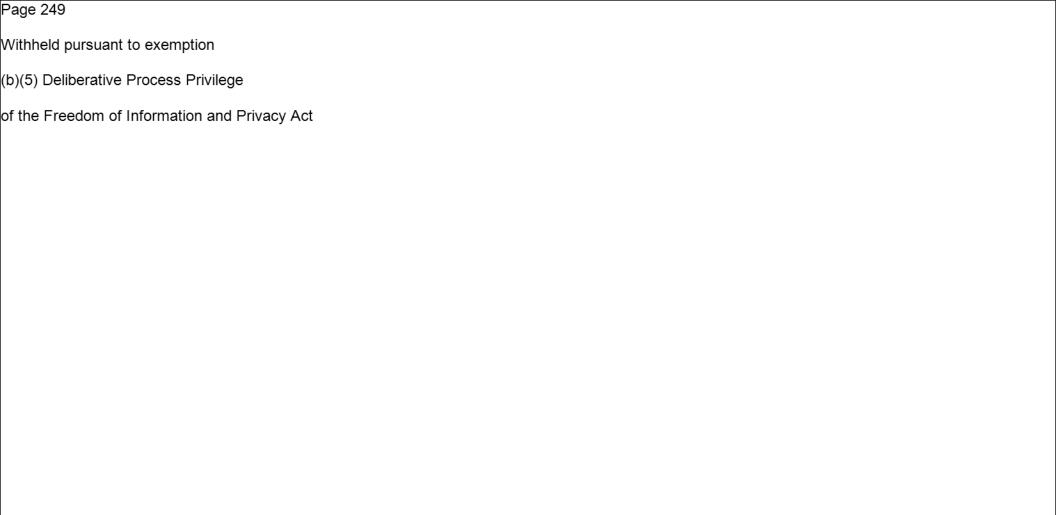




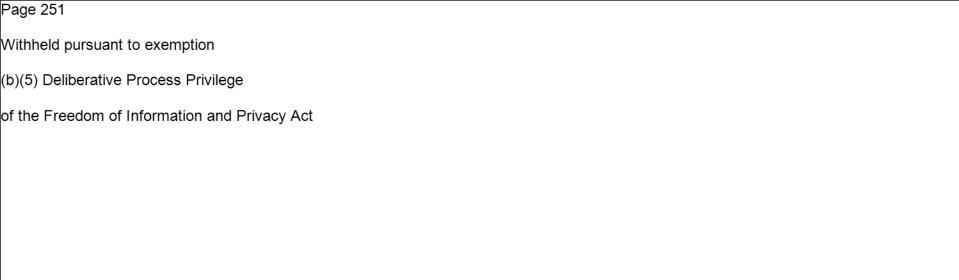


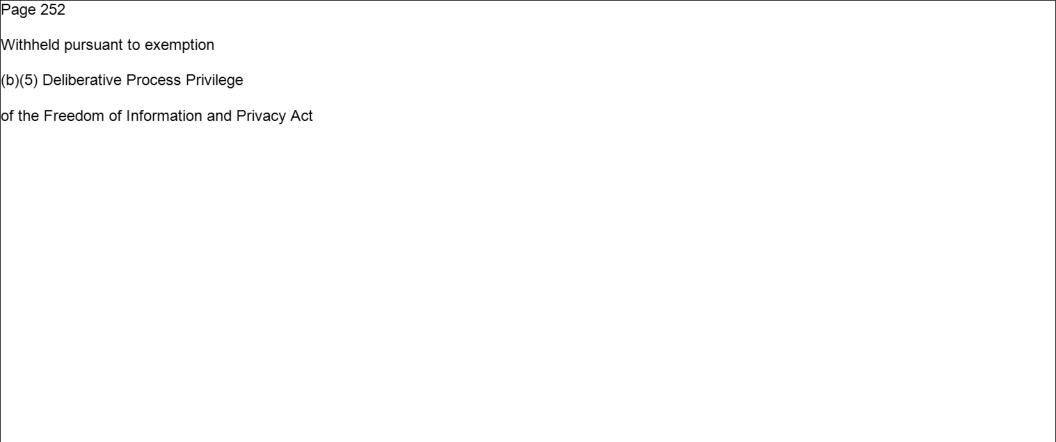




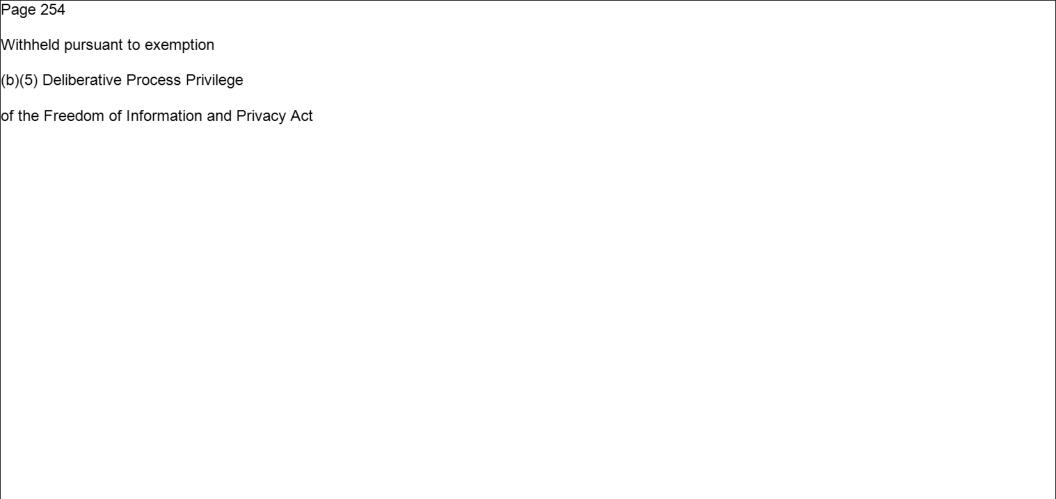






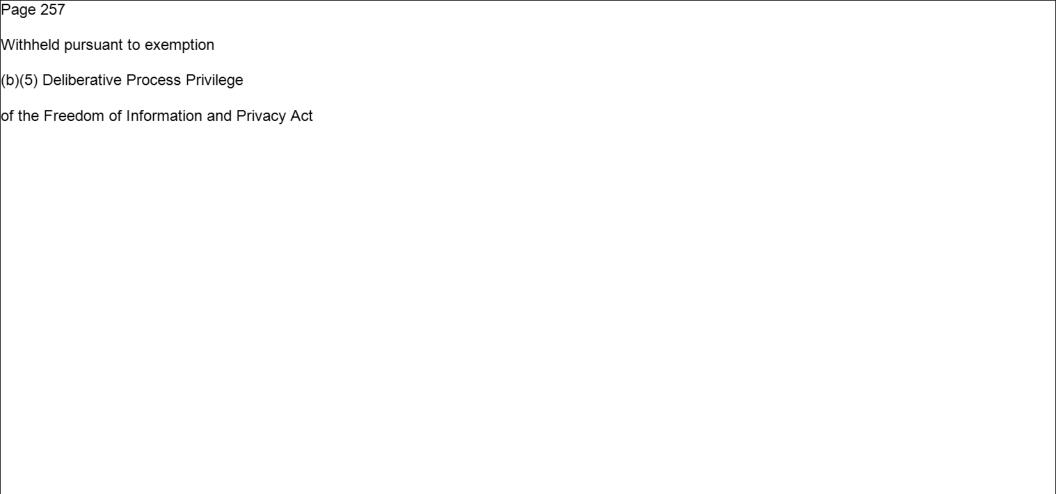


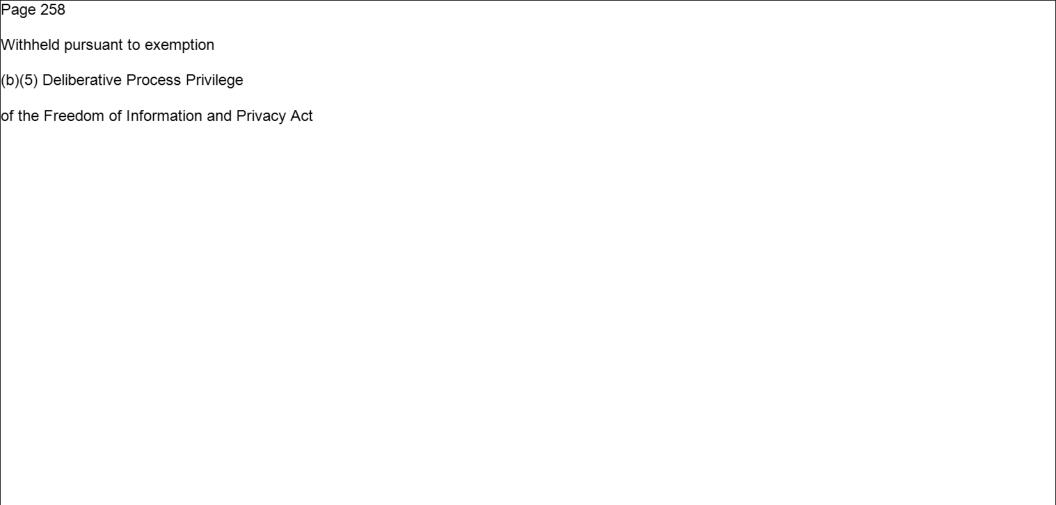




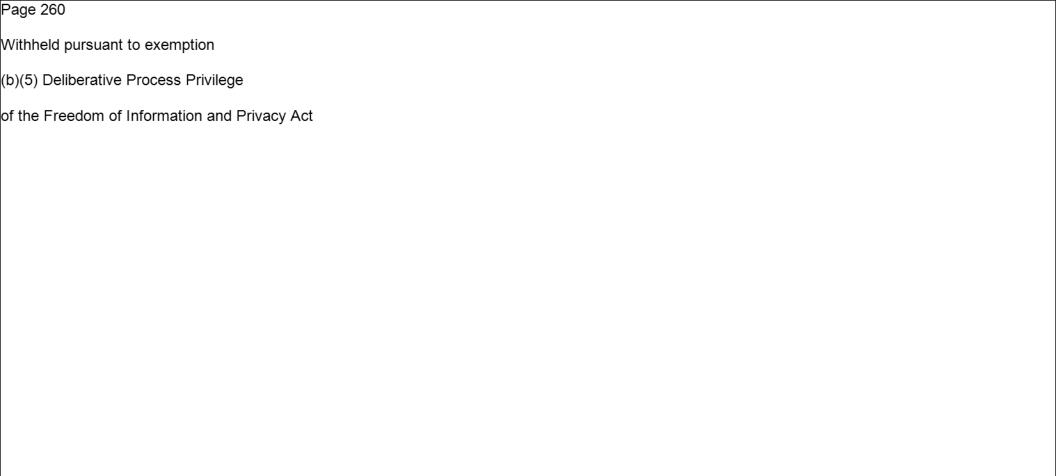


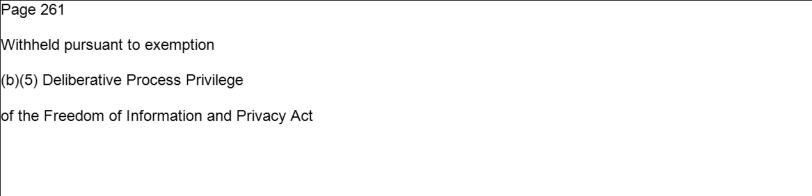


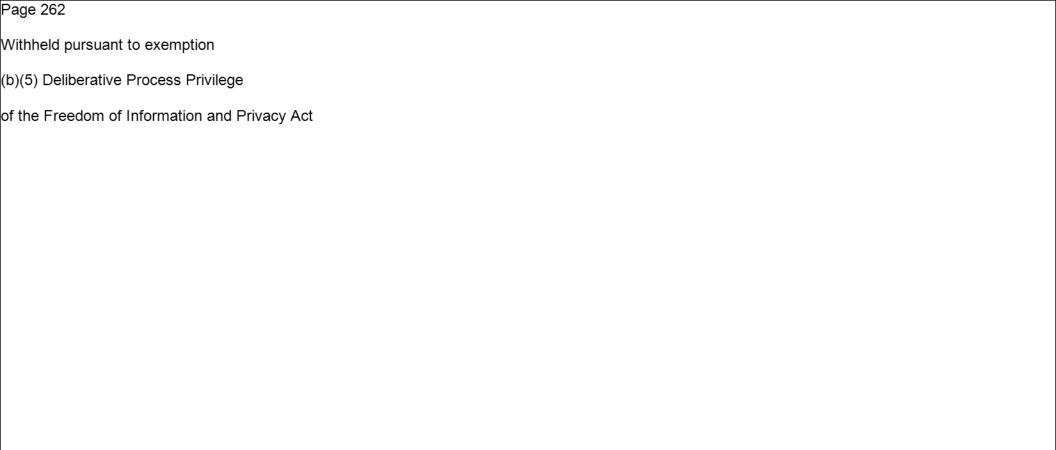






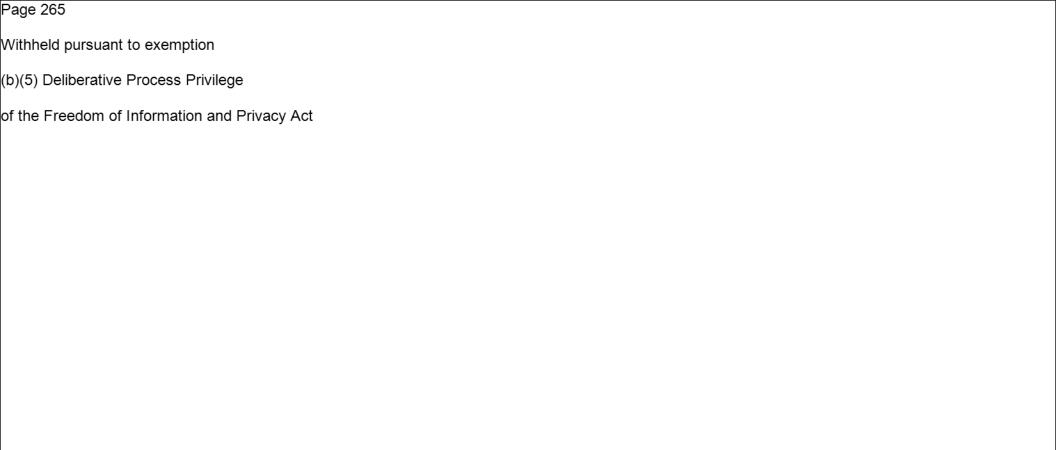


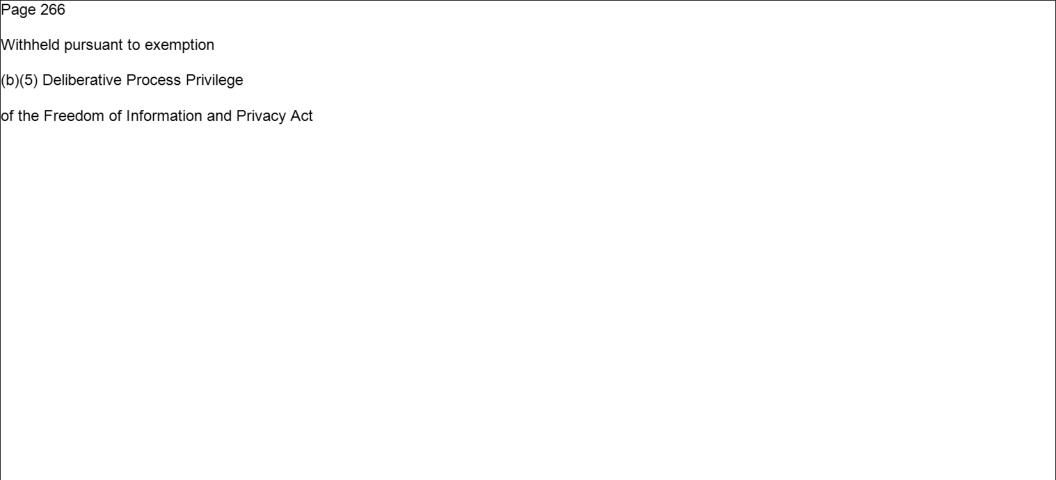






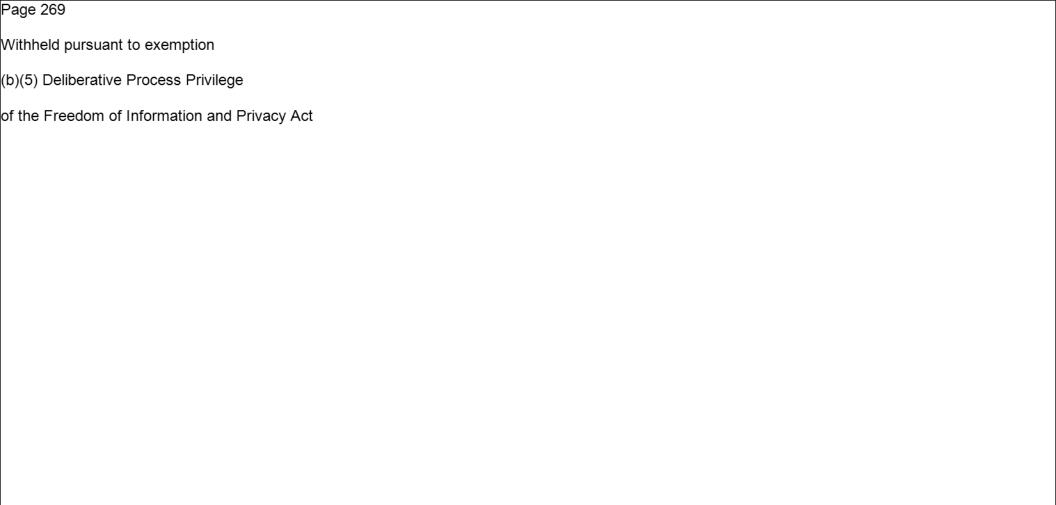


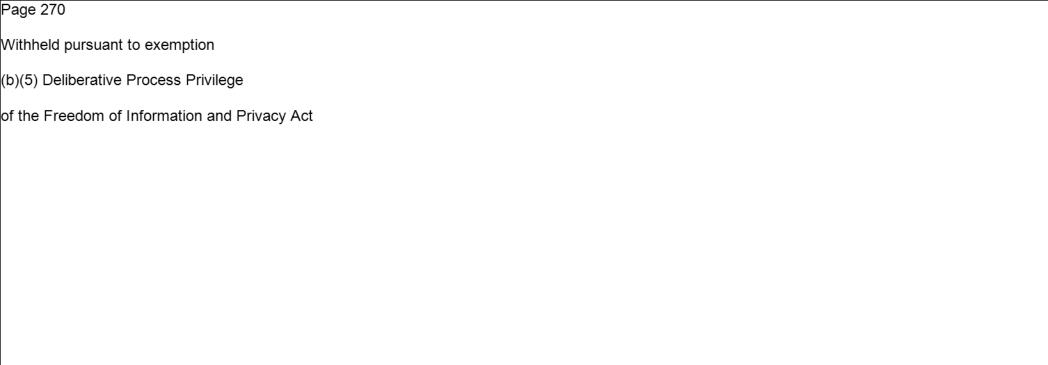


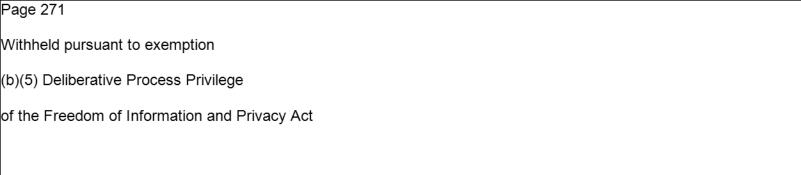


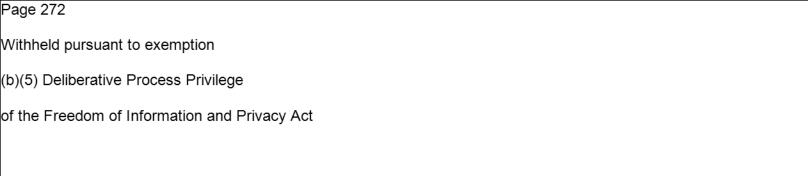


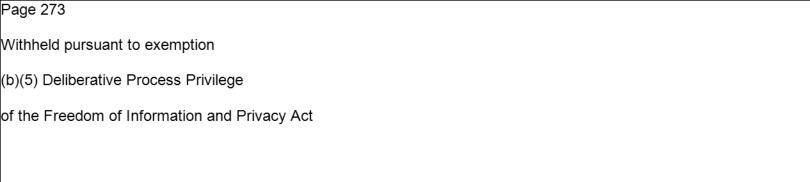


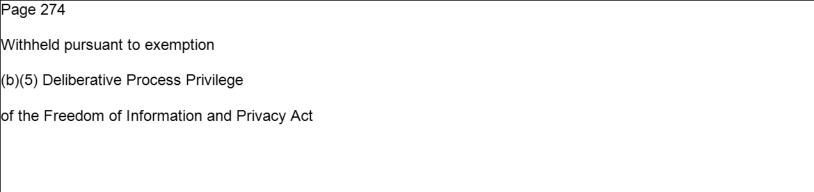


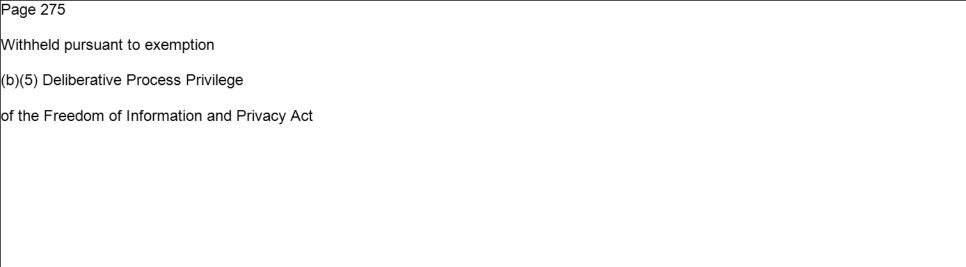






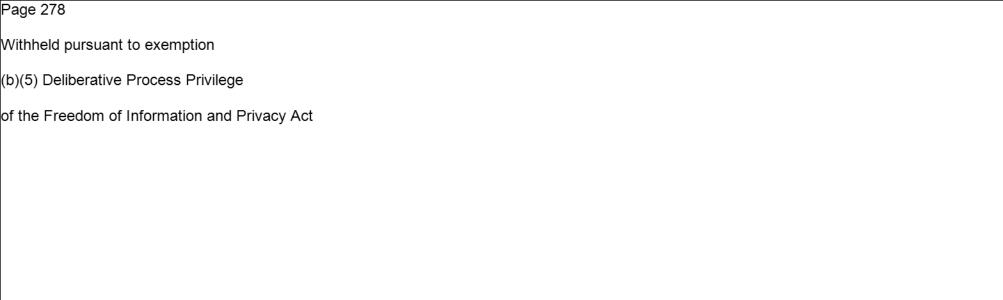


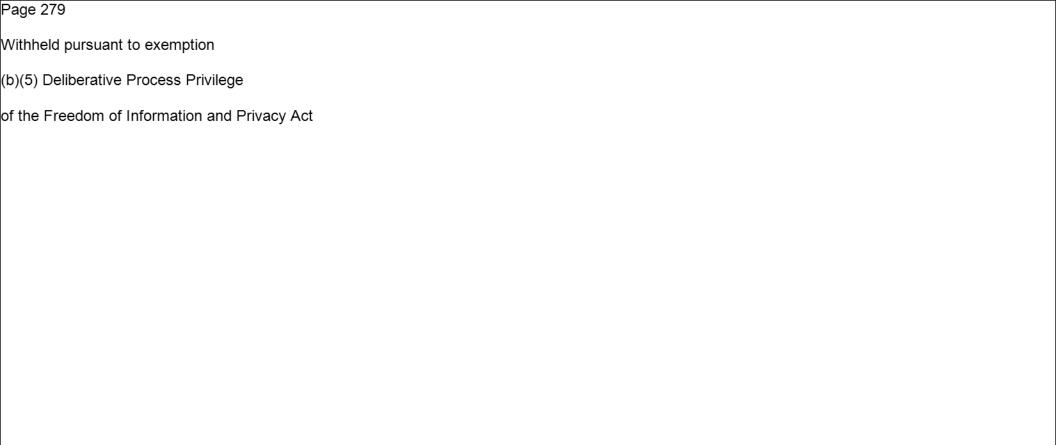




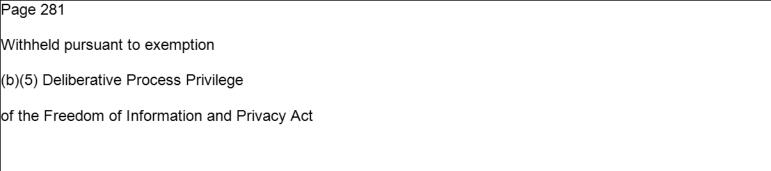


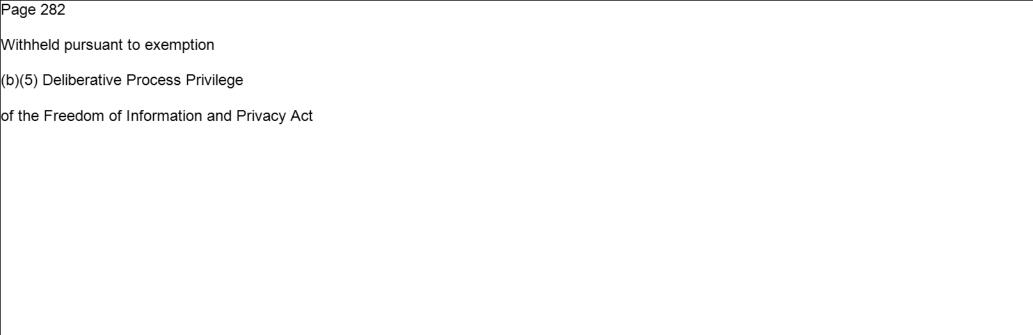




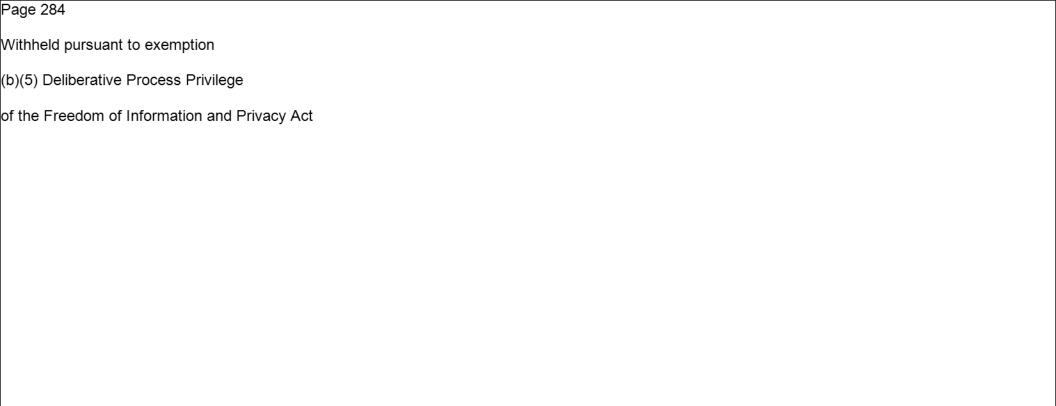


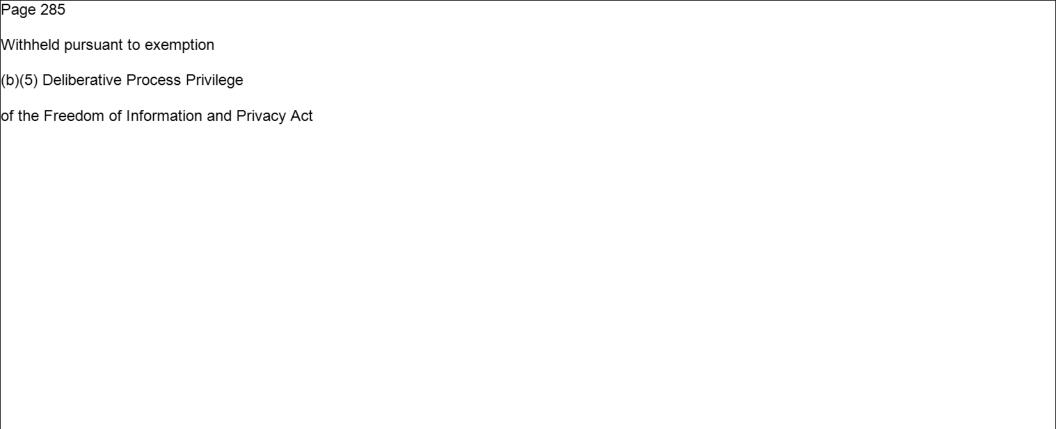


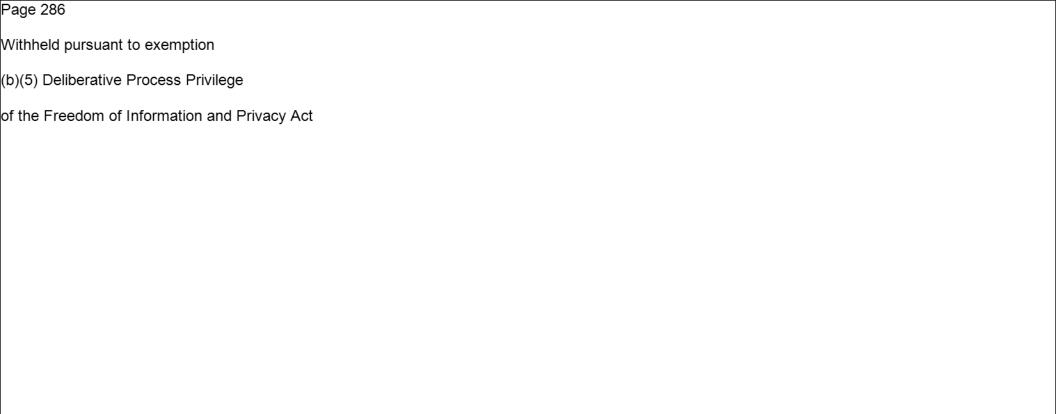




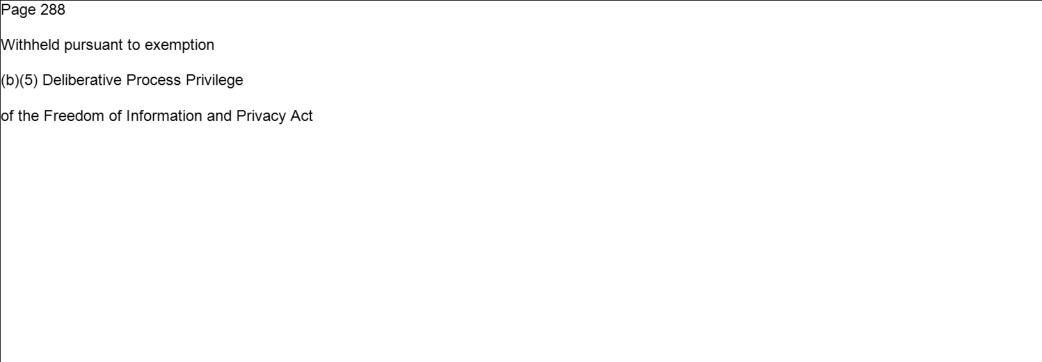


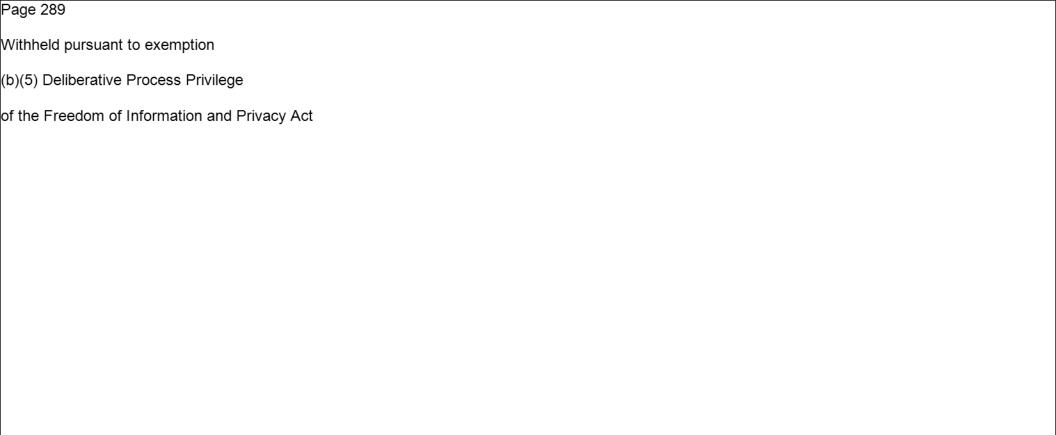


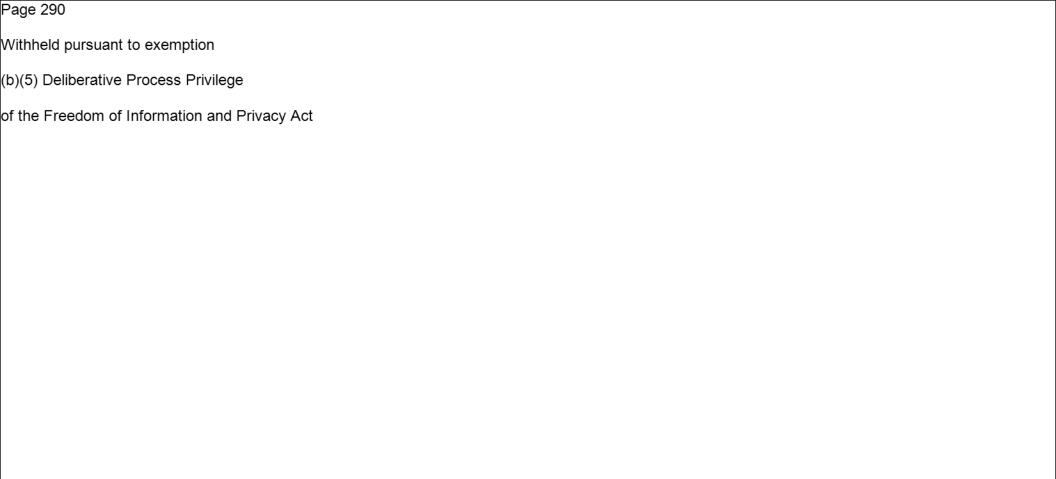


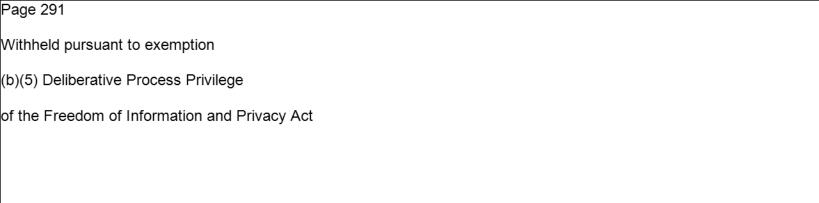


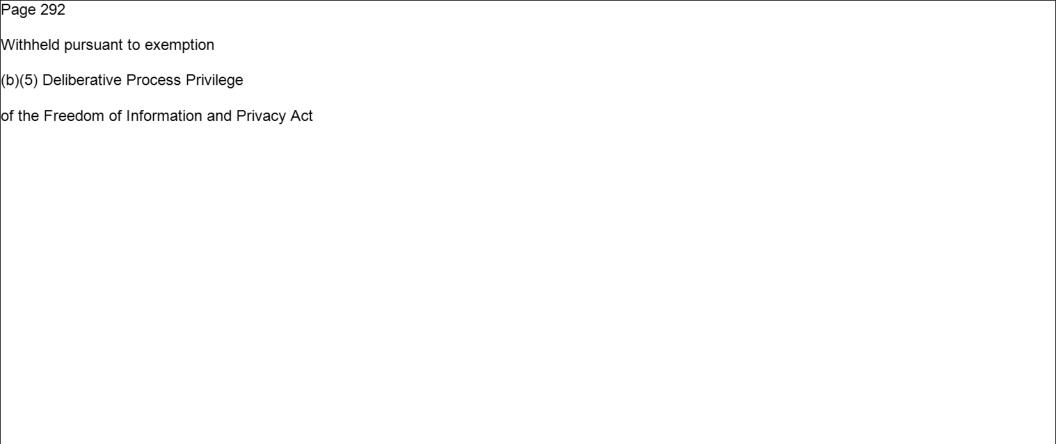




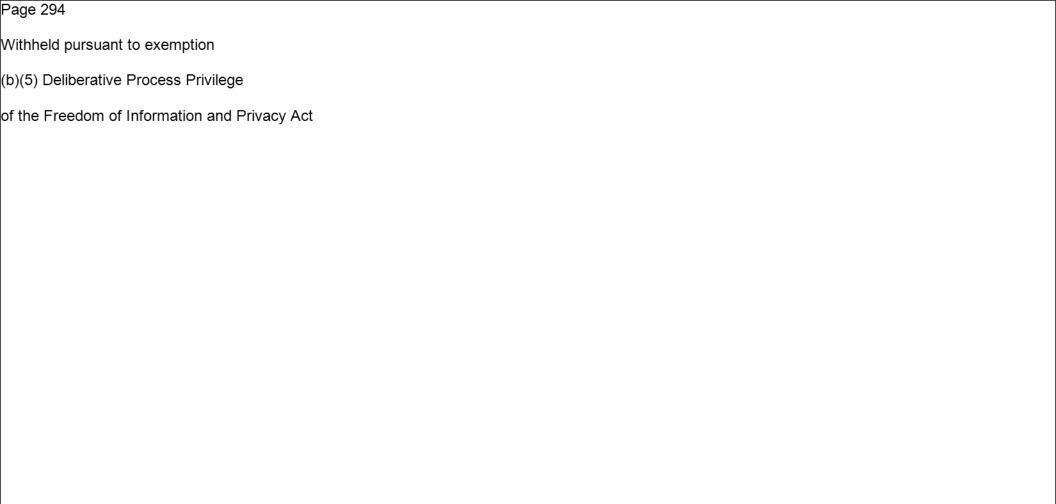


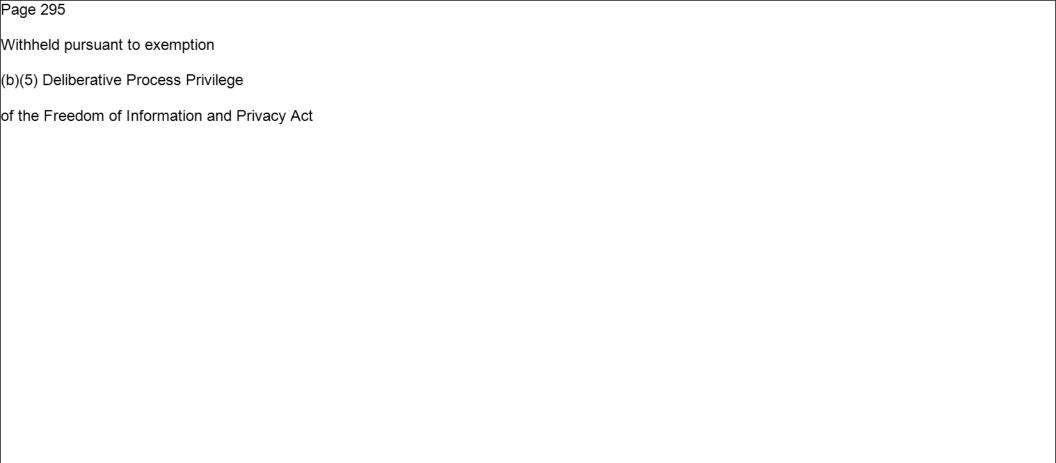


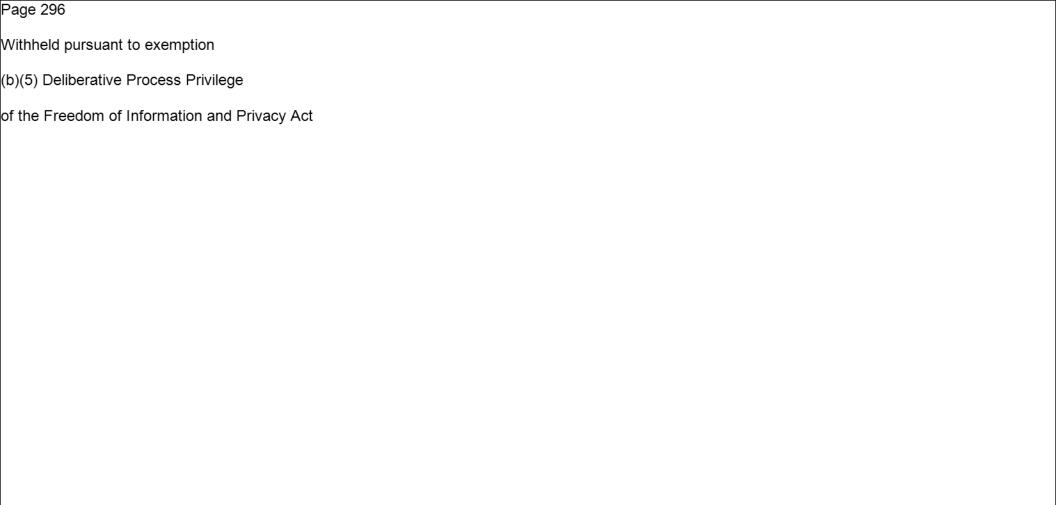




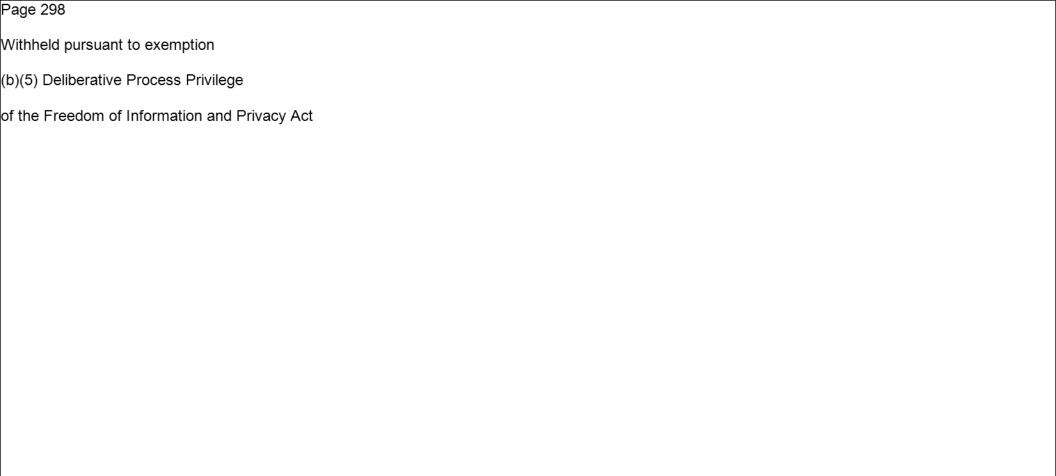




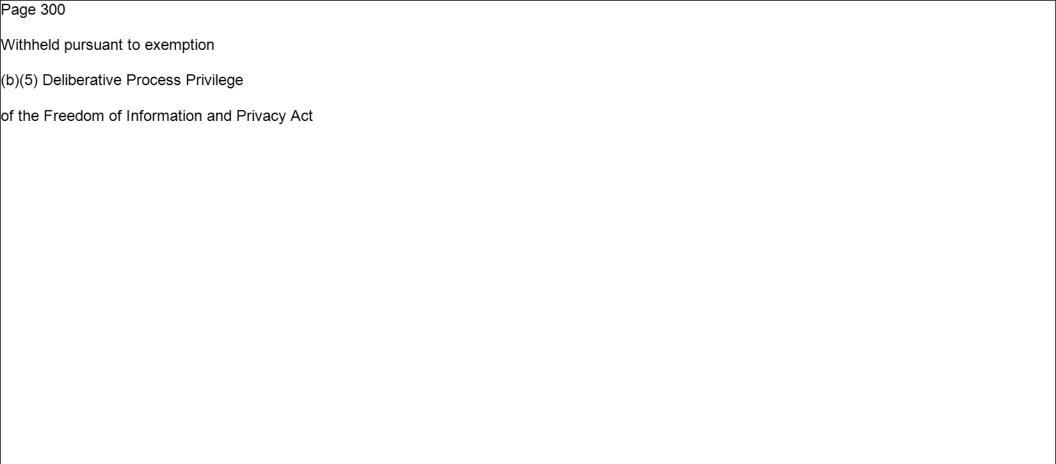


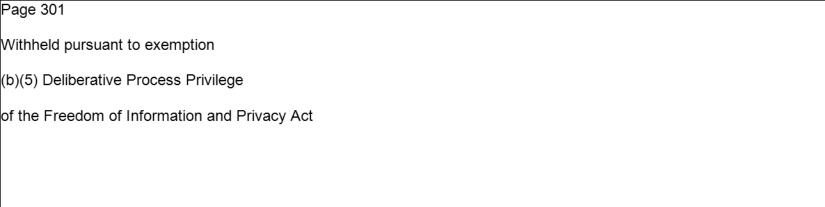


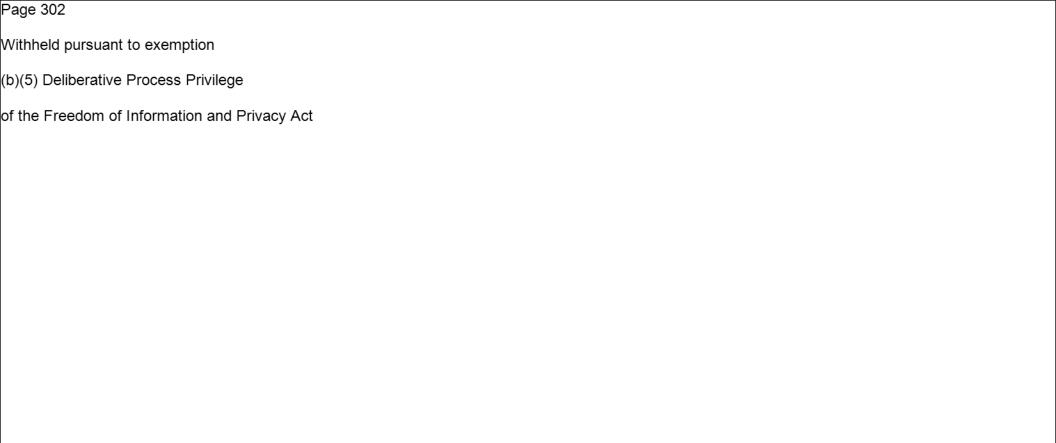


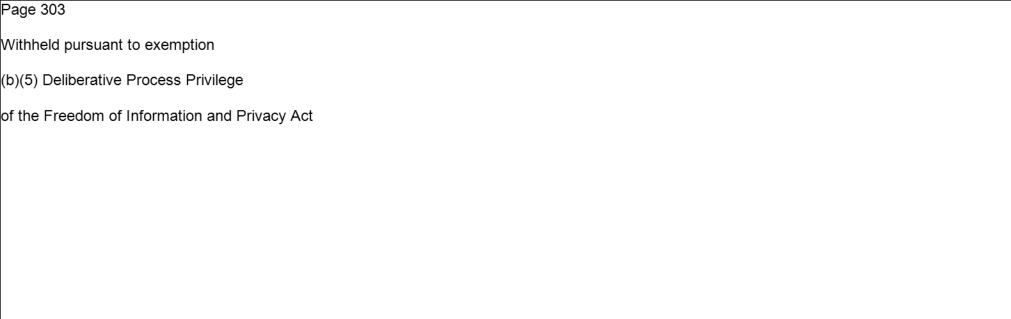


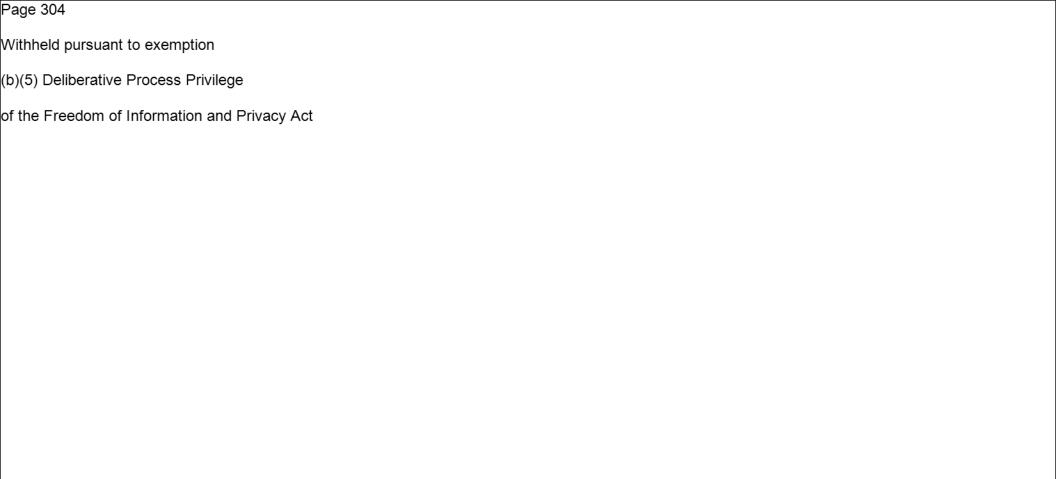


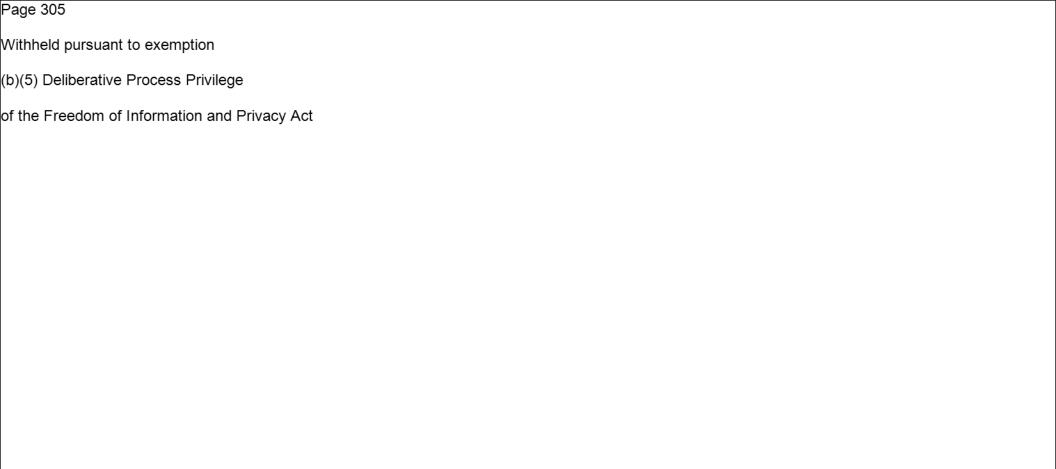


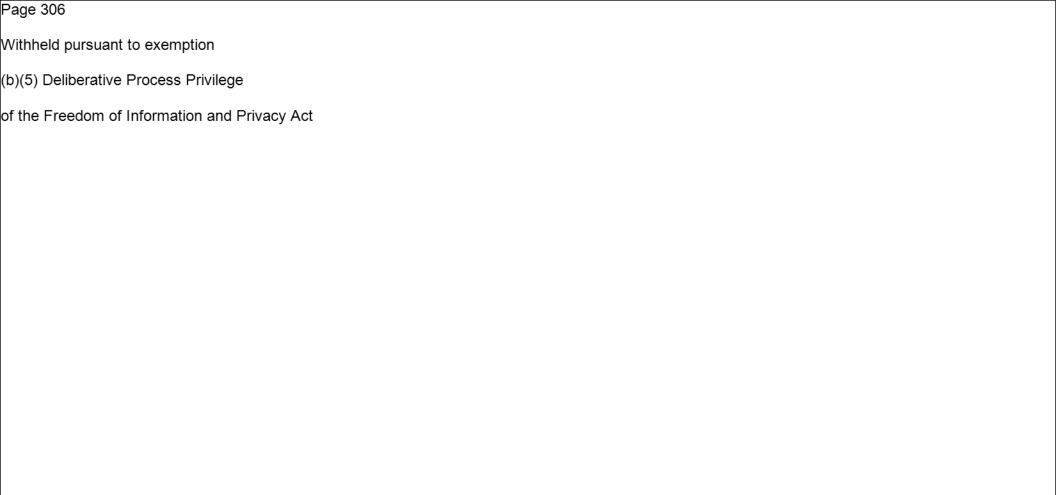


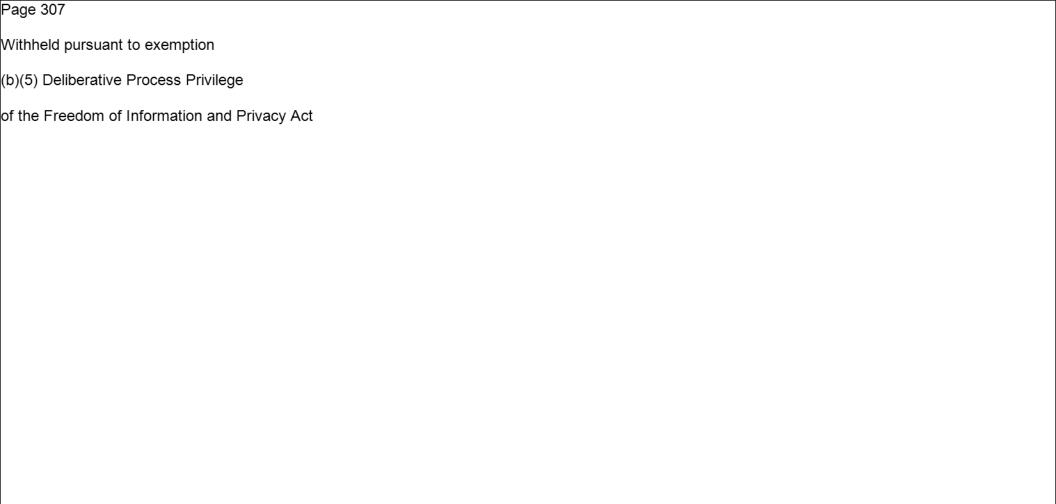


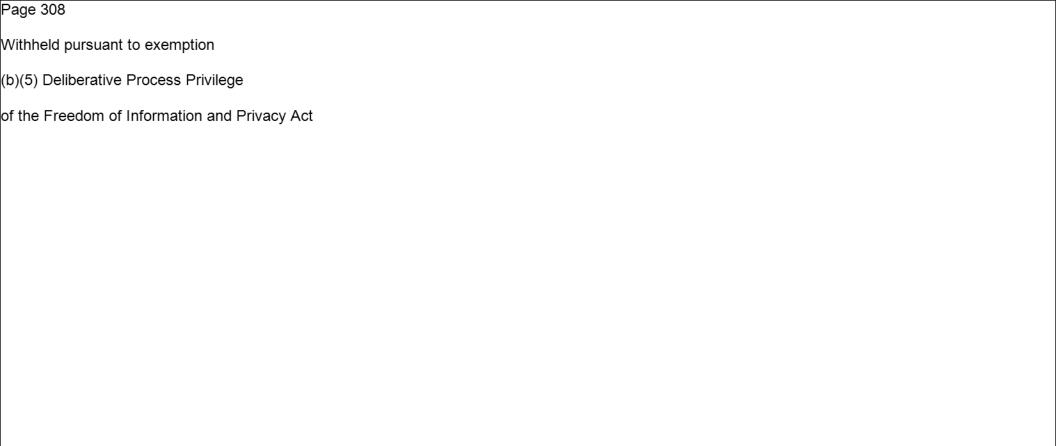


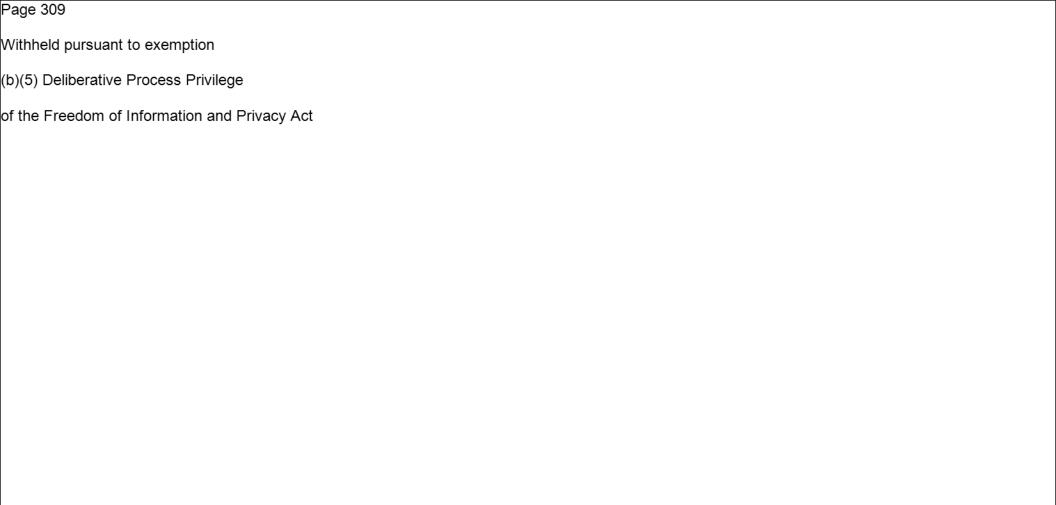


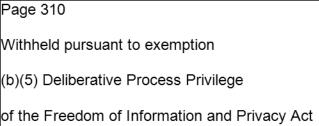


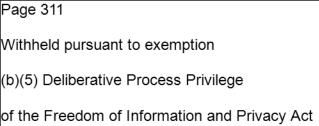


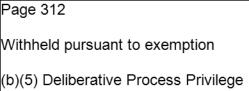




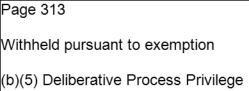




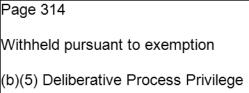




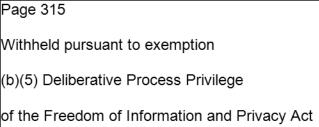
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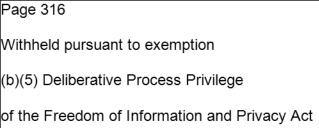


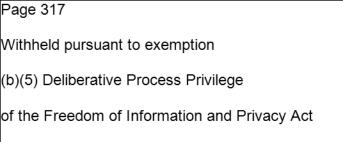
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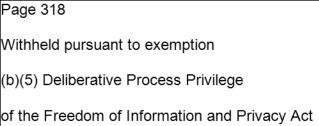


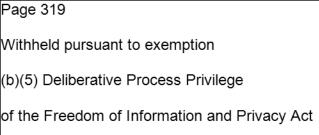
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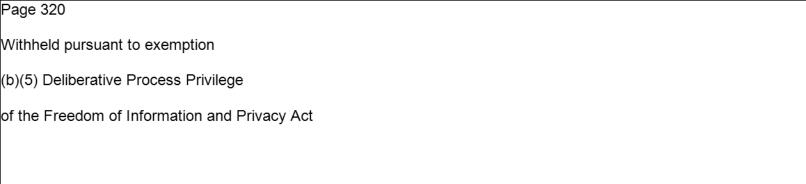


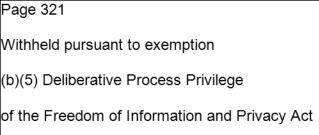




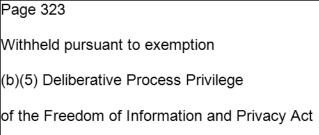


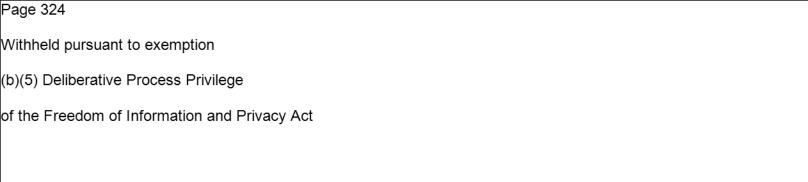


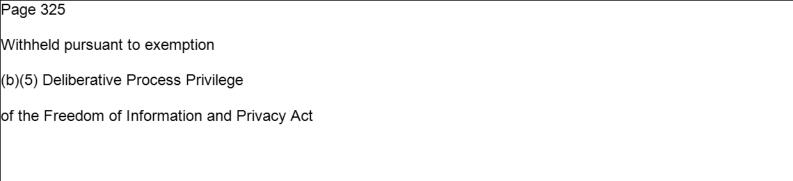




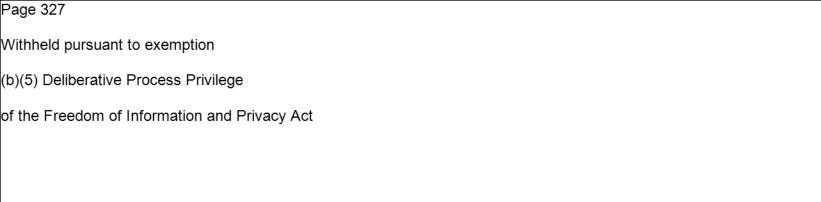


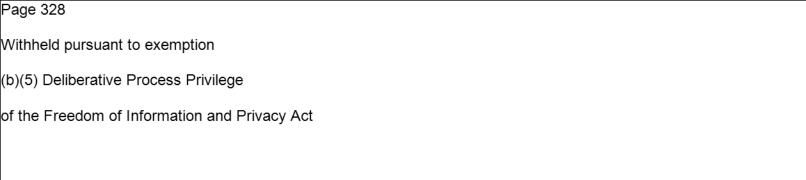


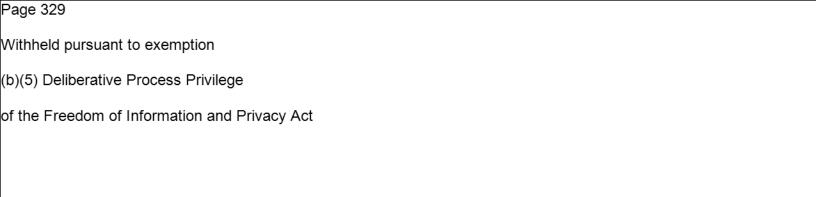


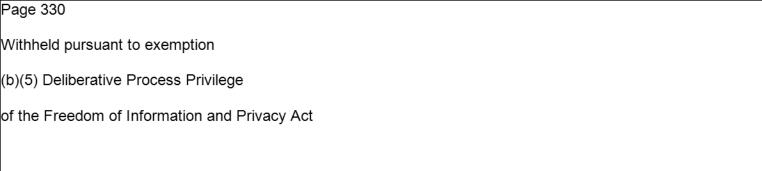


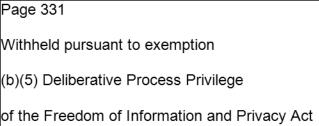


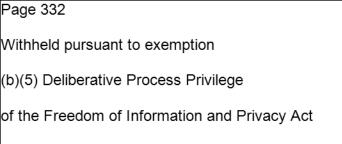


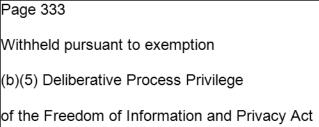


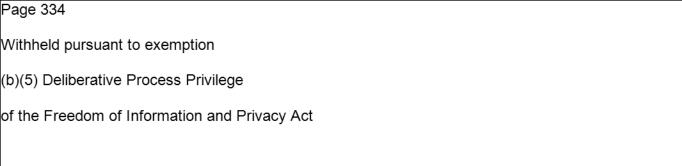






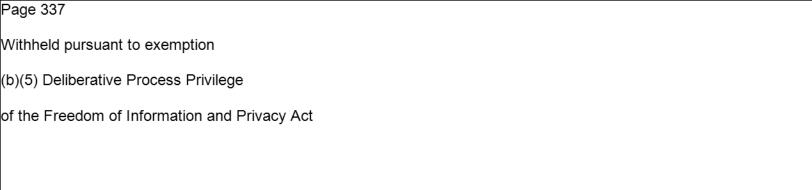


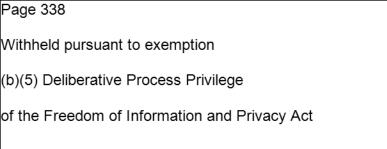


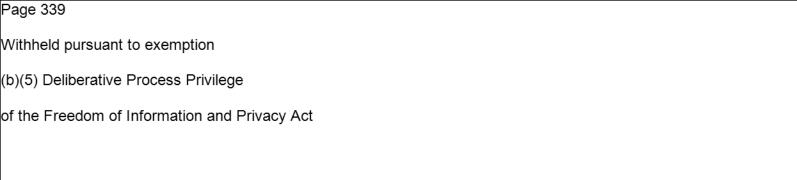


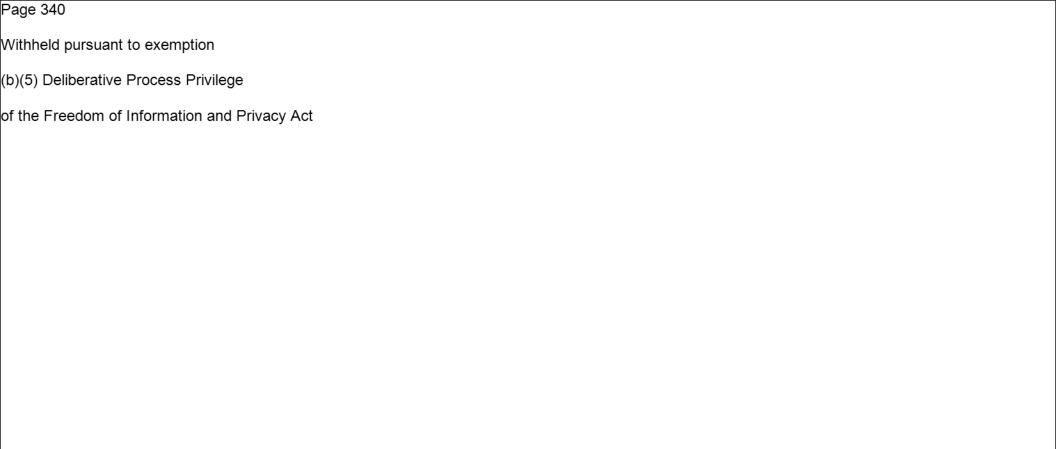


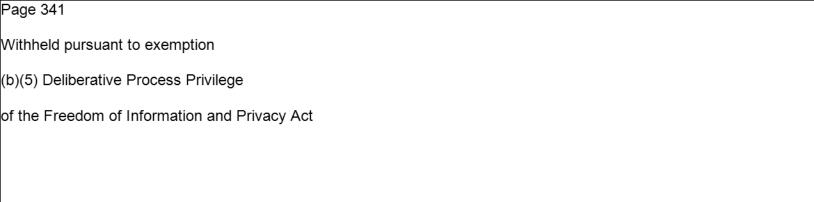


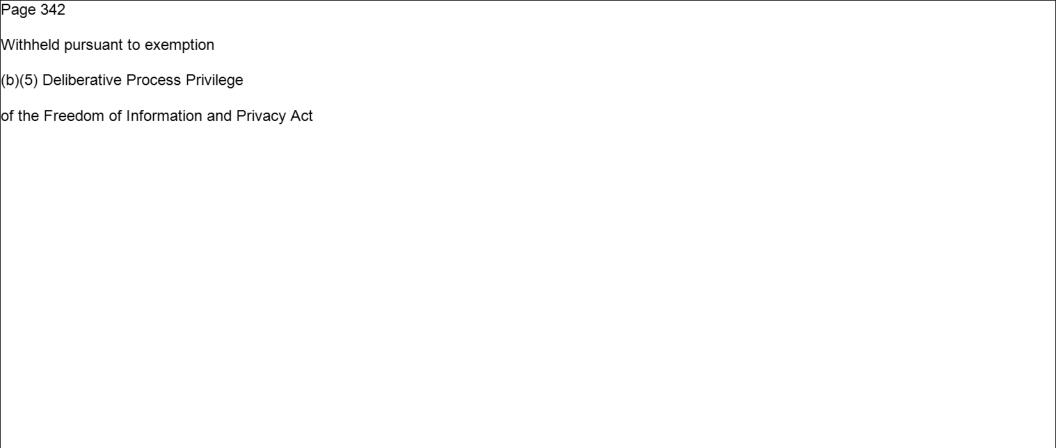


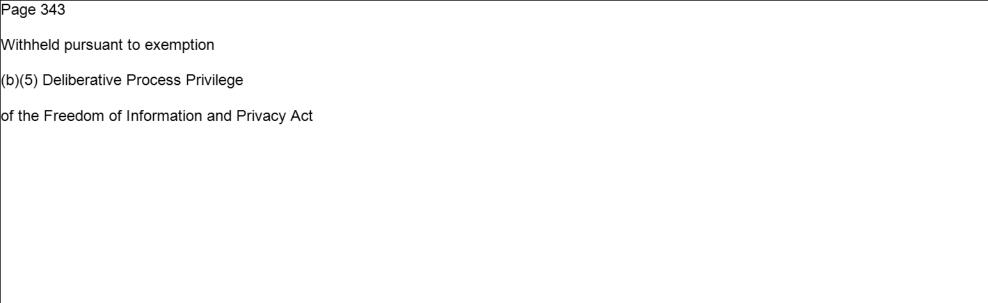




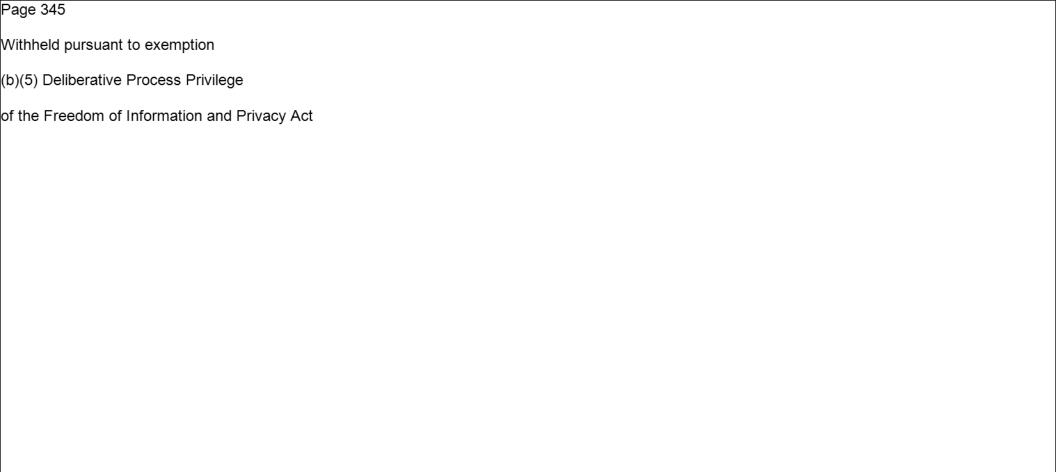


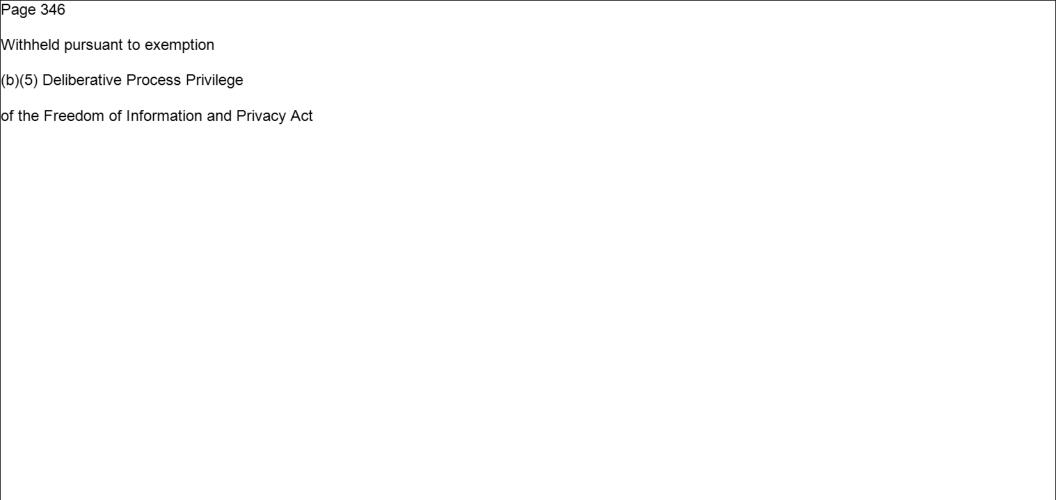


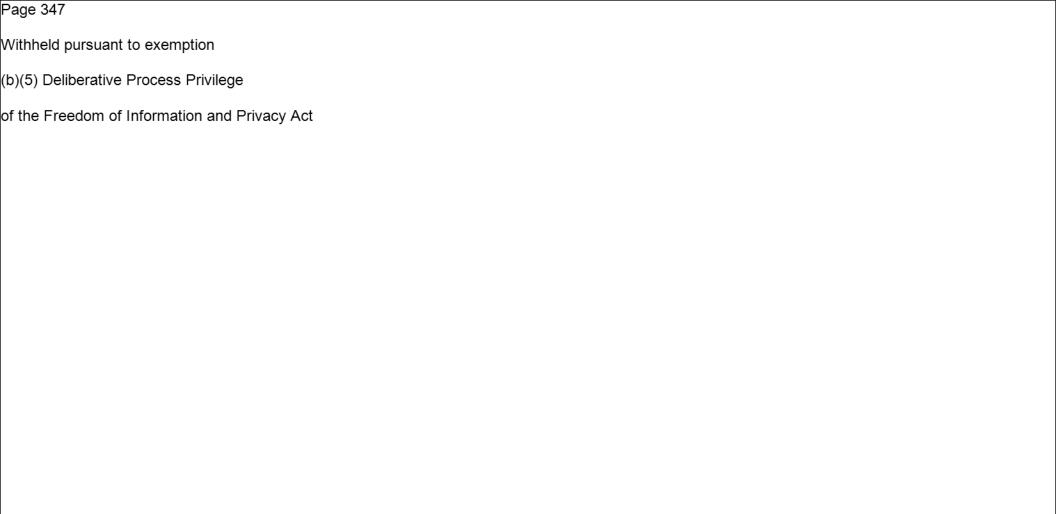






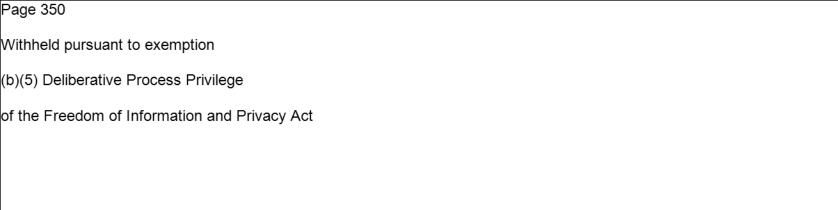




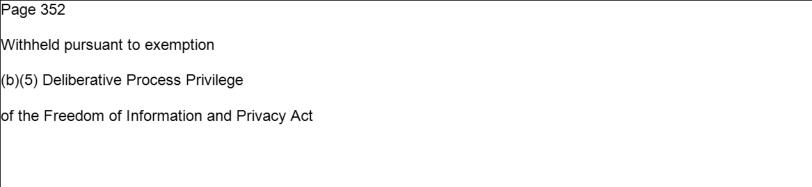










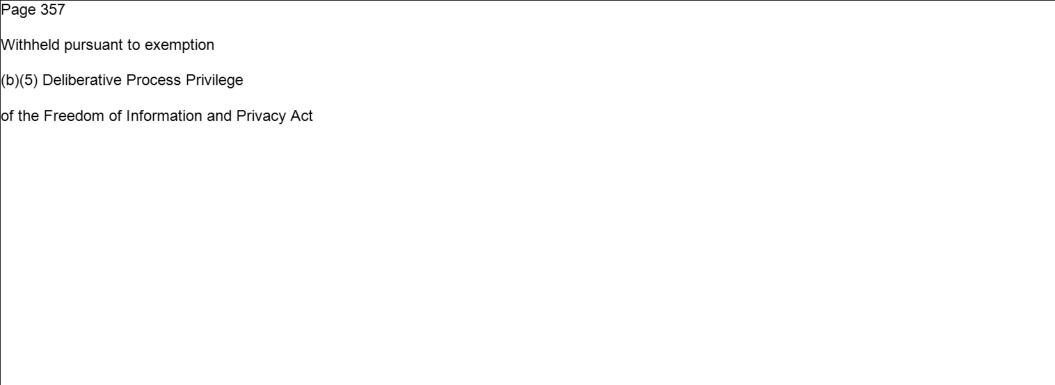


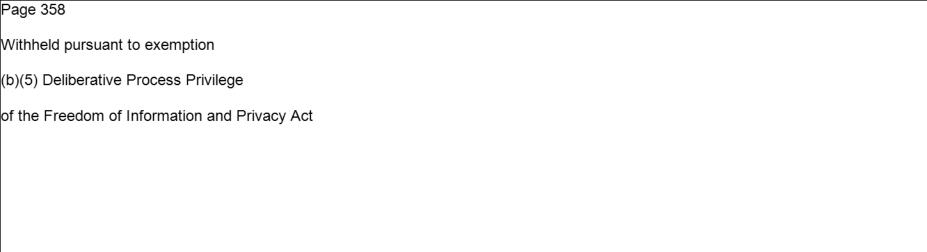


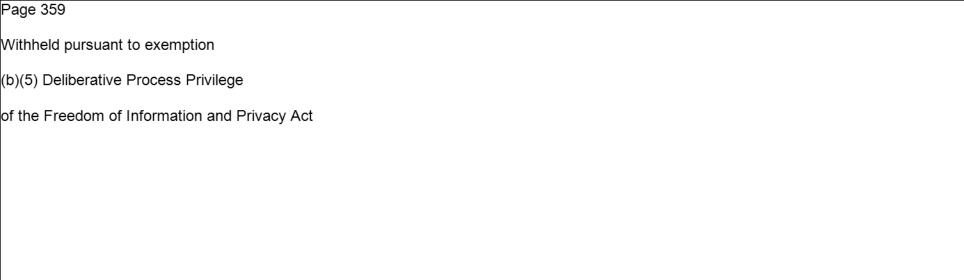






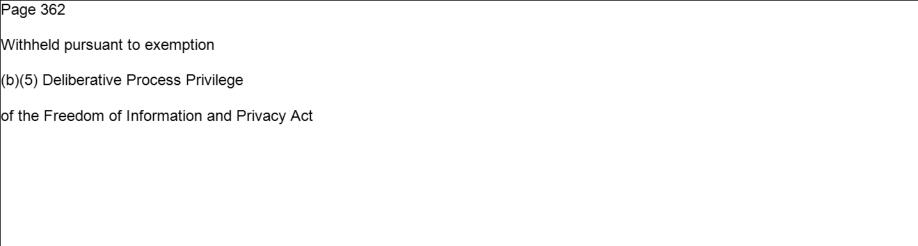


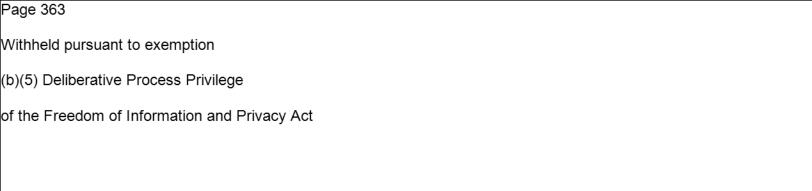


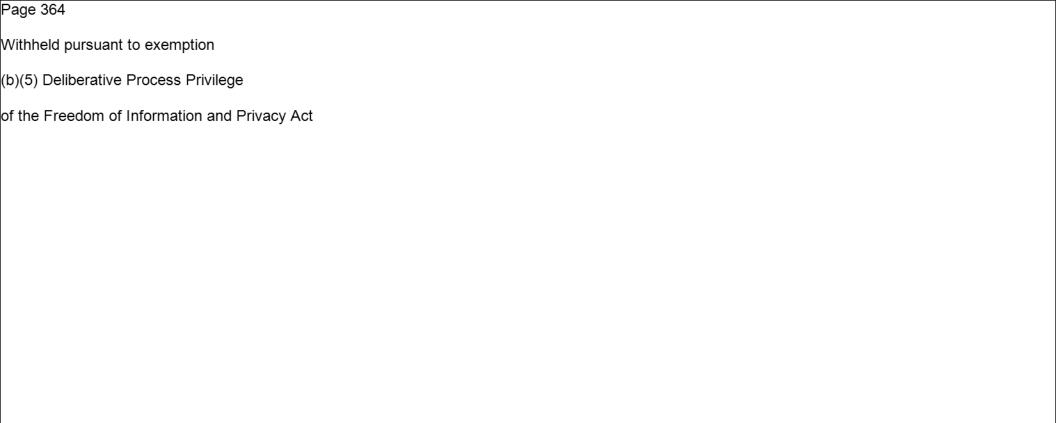


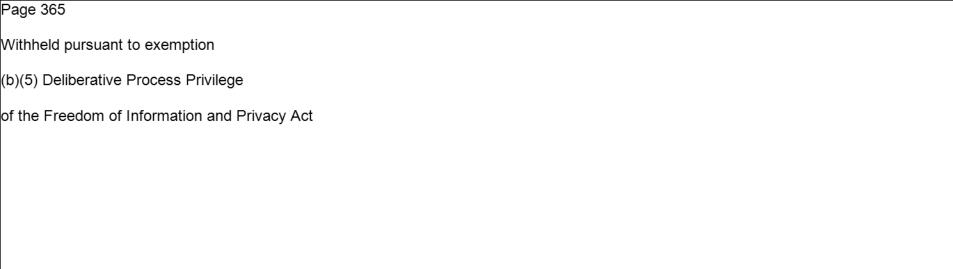


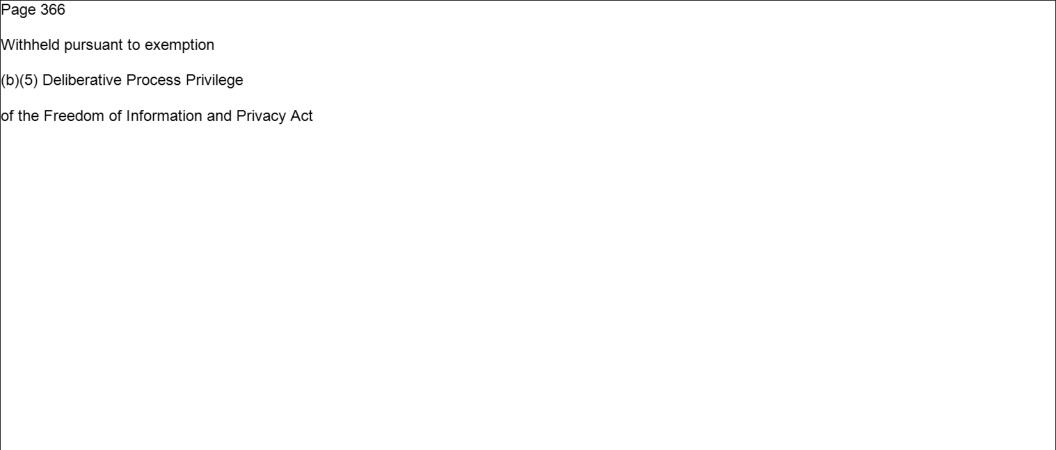


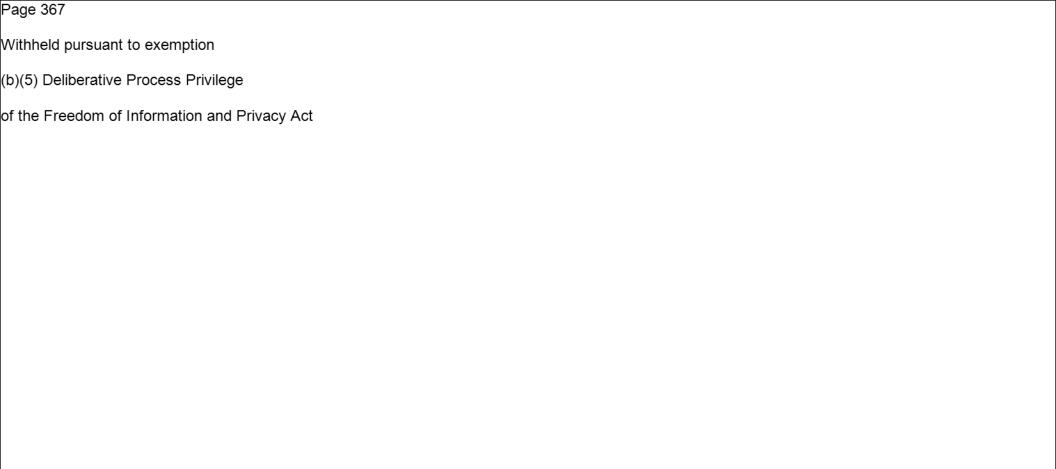


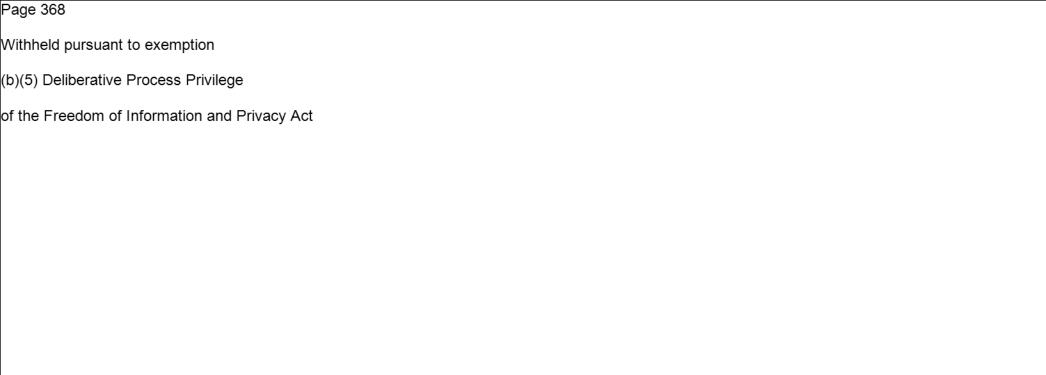


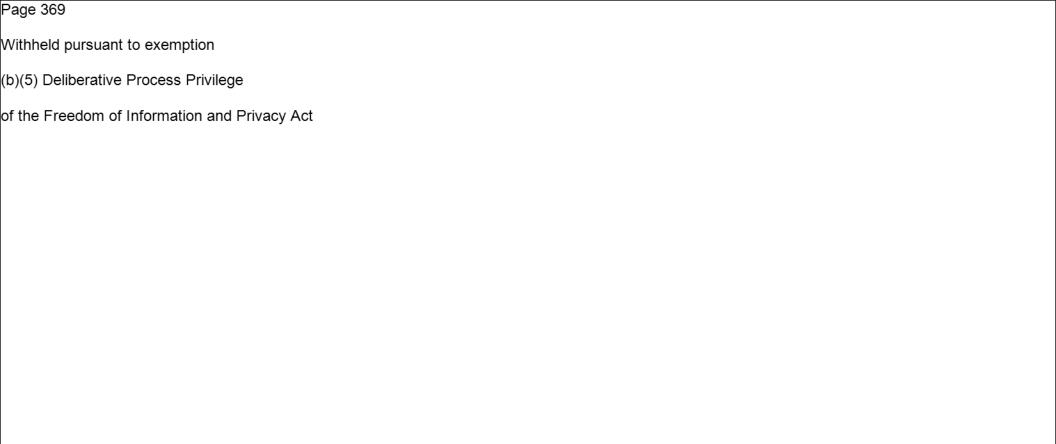


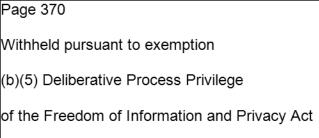


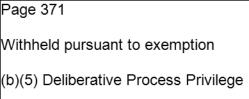




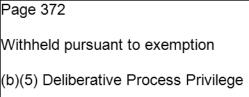






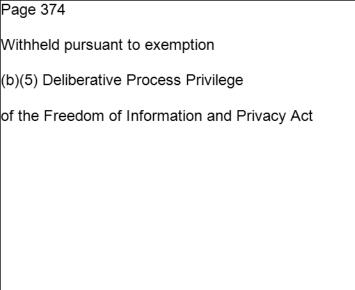


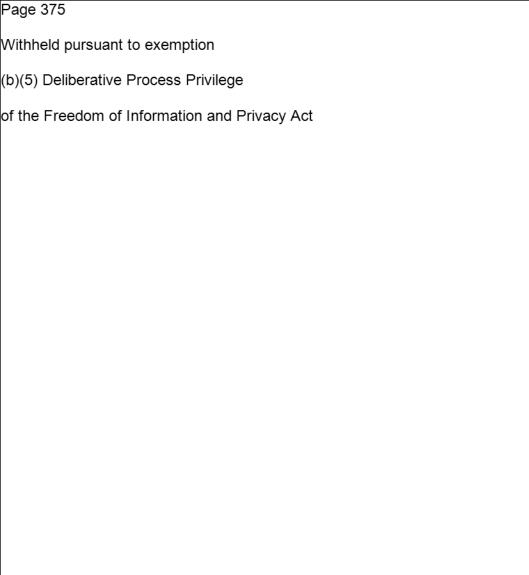
of the Freedom of Information and Privacy Act



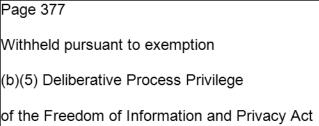
of the Freedom of Information and Privacy Act

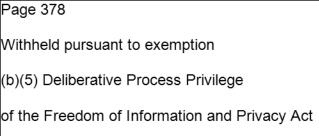
Page 373
Withheld pursuant to exemption
(b)(5) Deliberative Process Privilege
of the Freedom of Information and Privacy Act



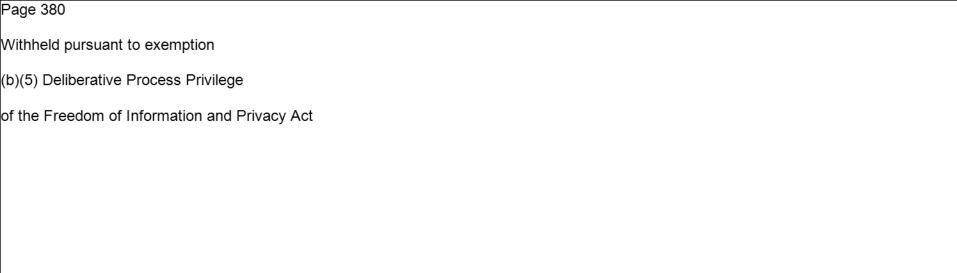






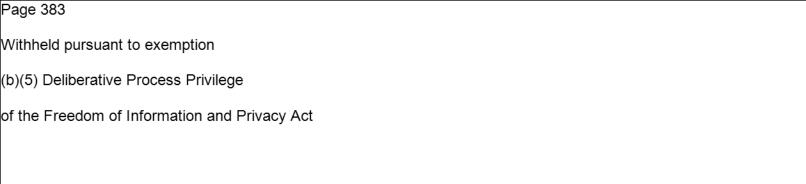






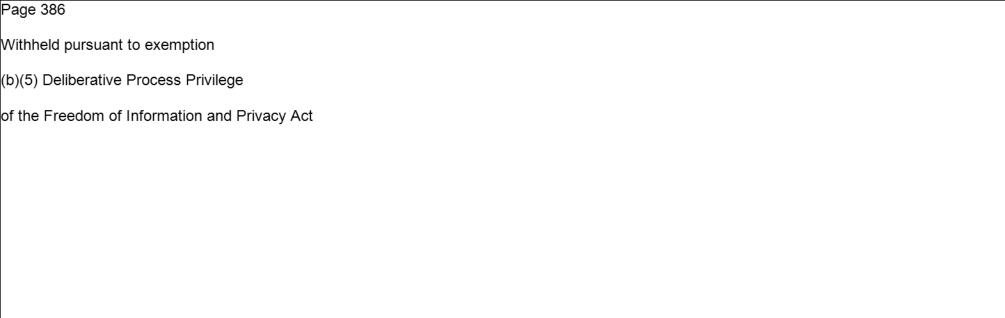






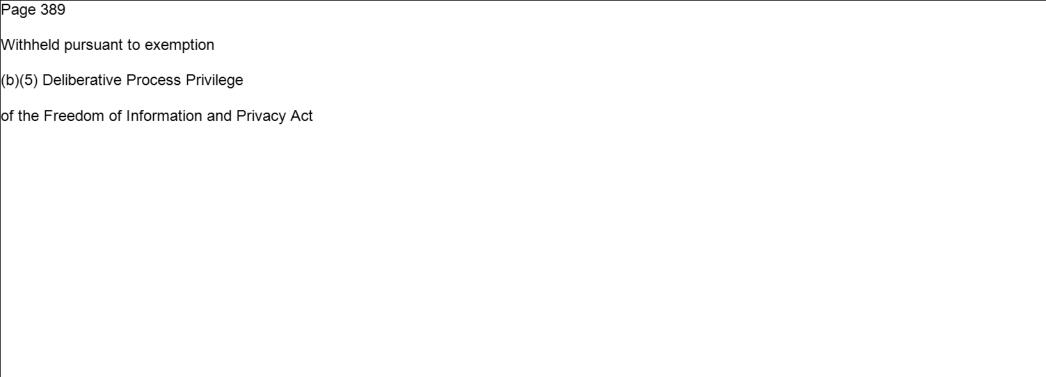




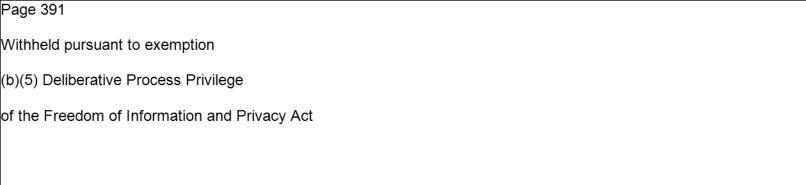




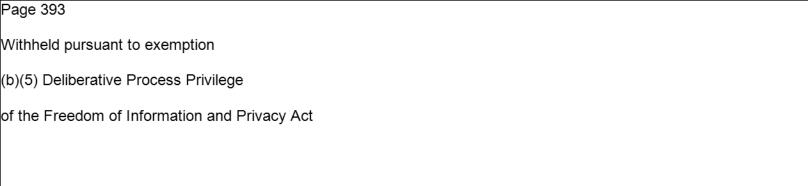




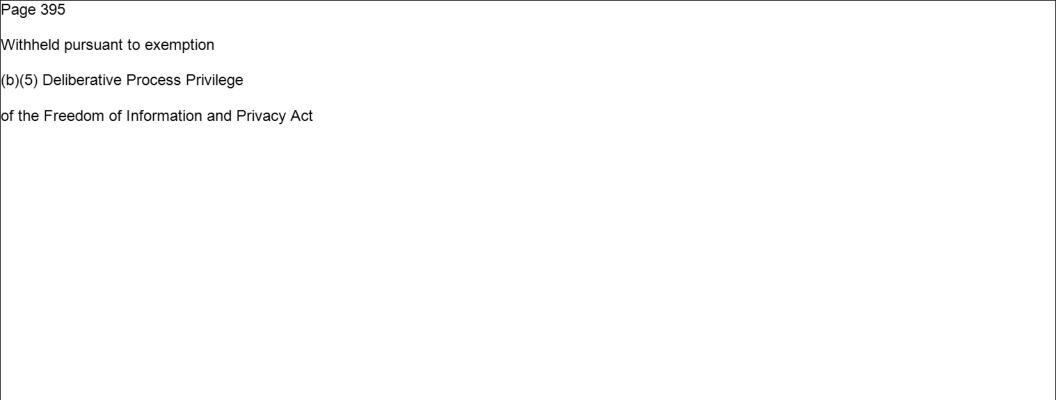


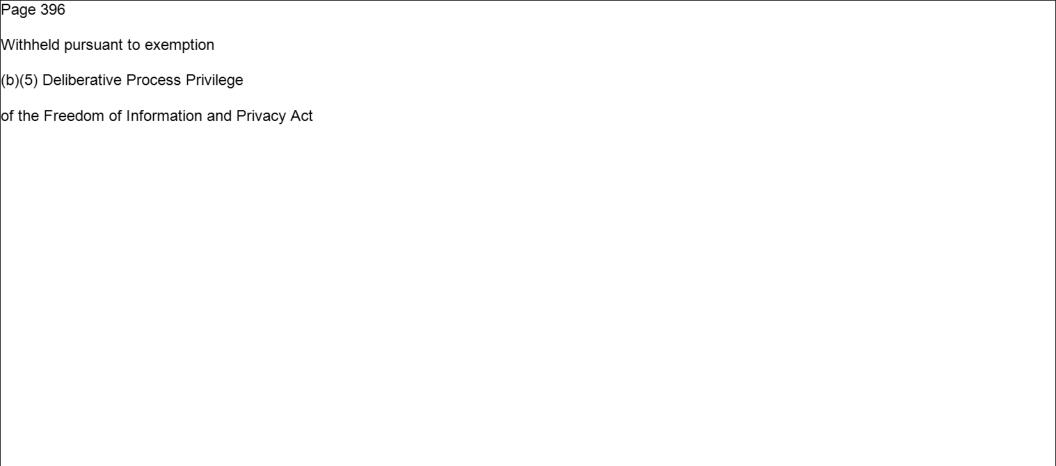


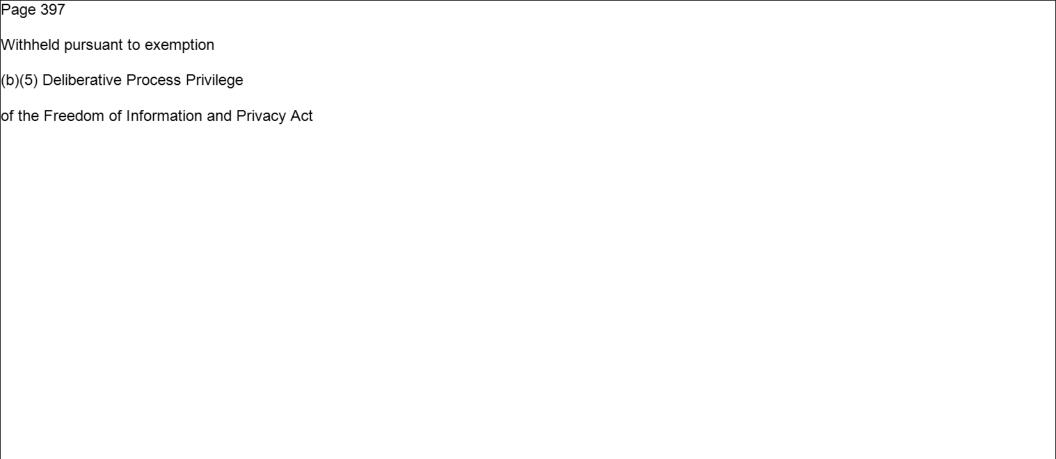


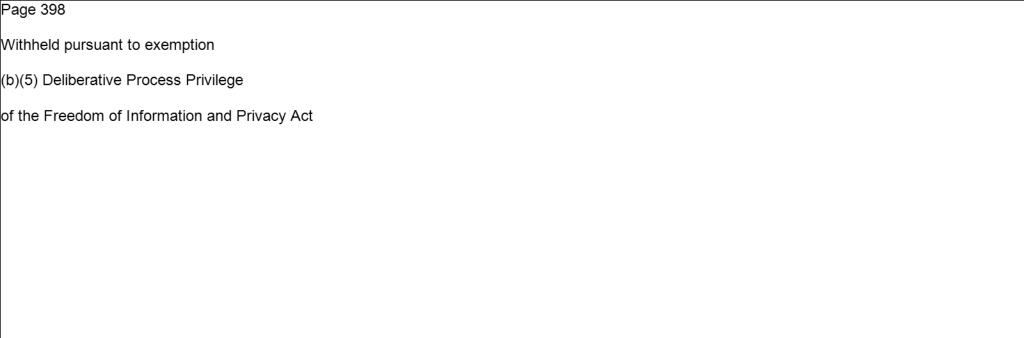




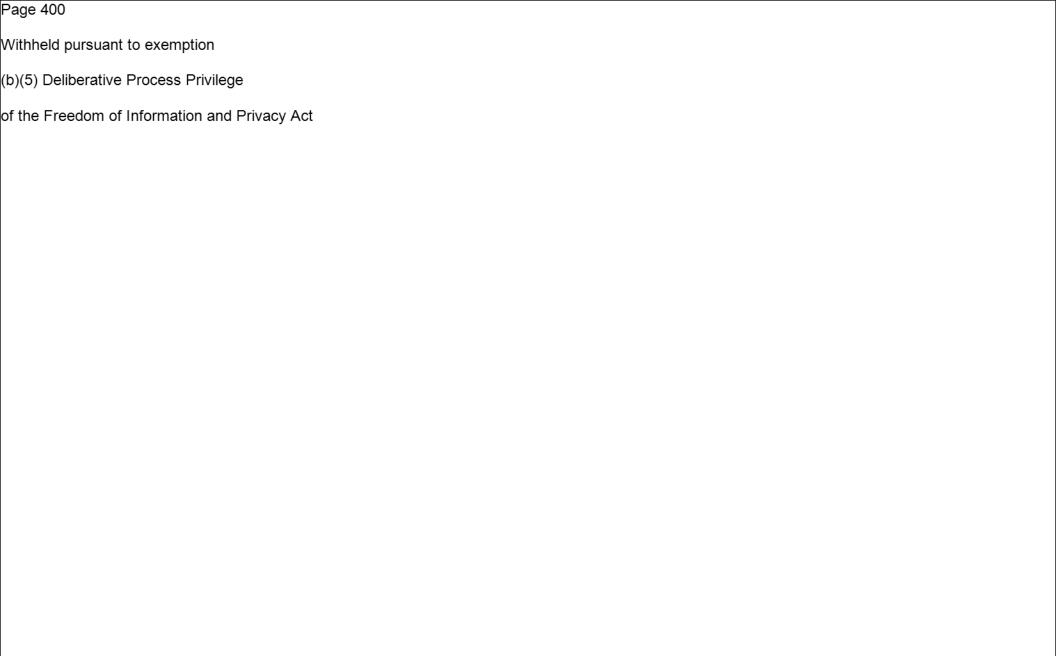


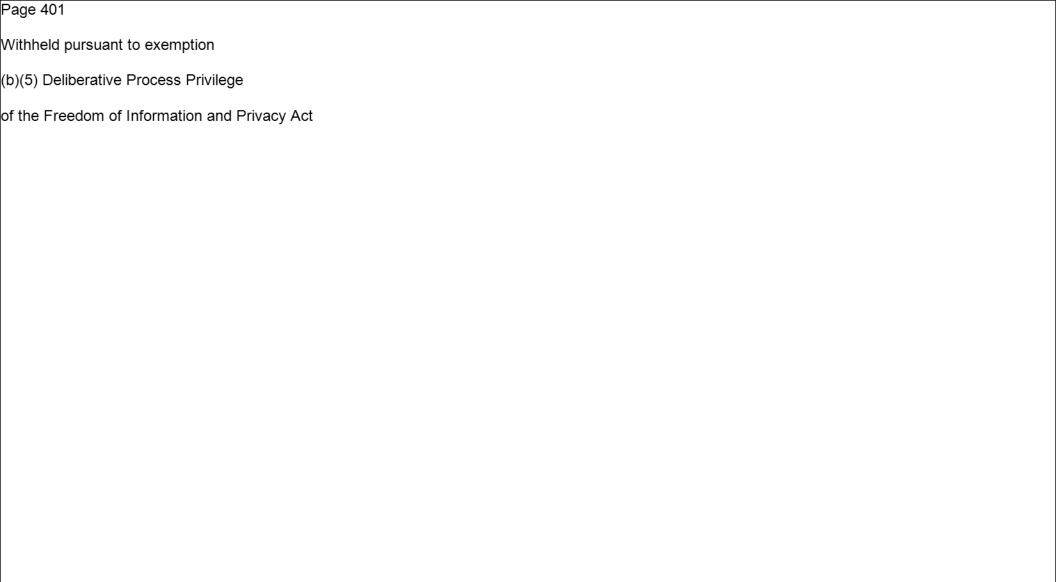


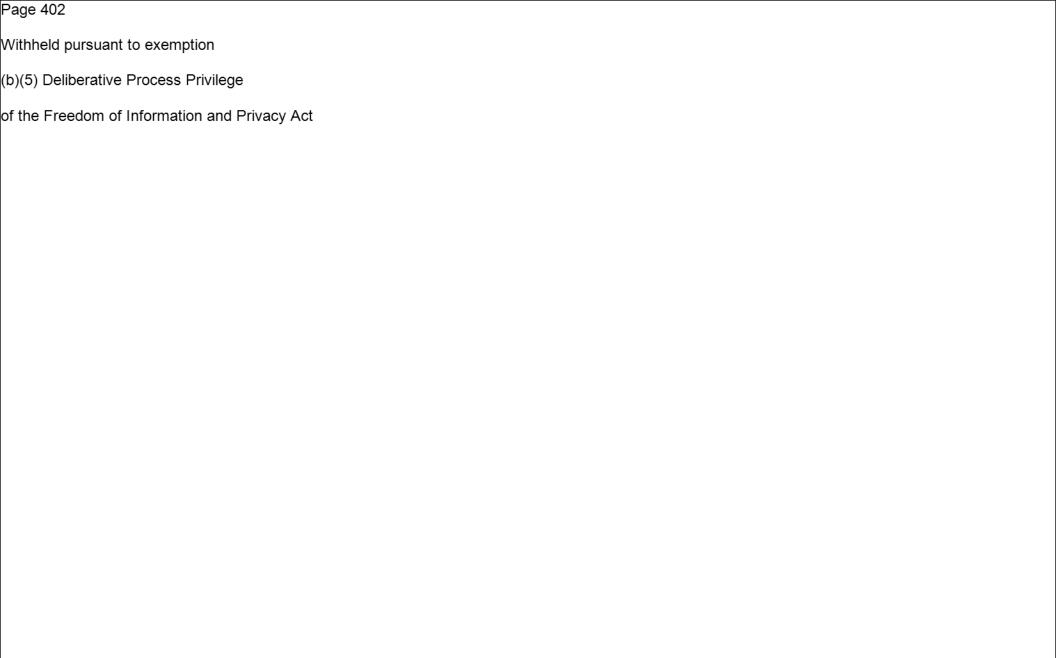




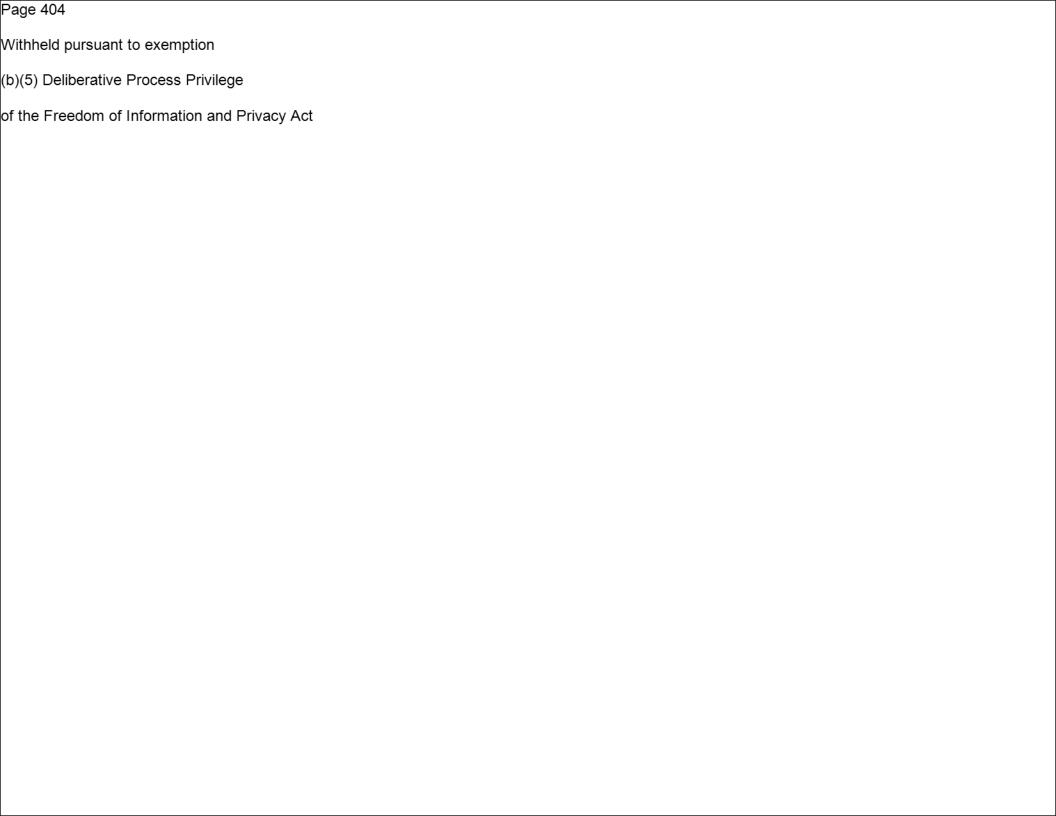


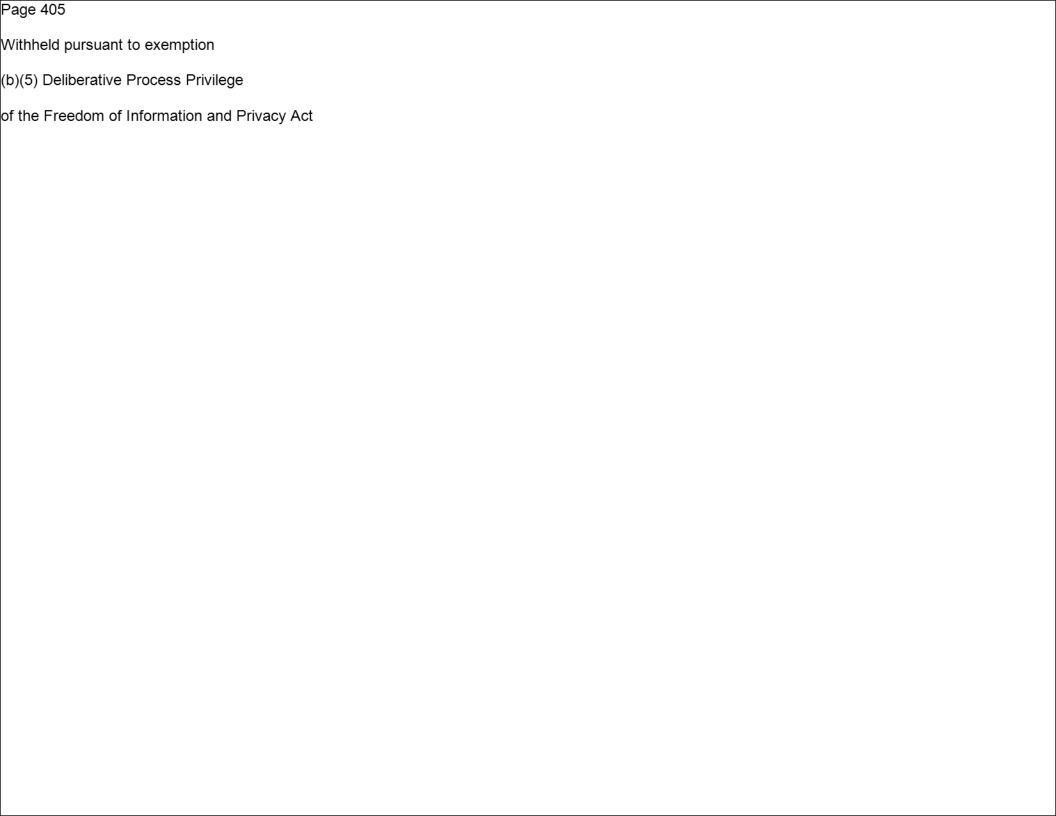


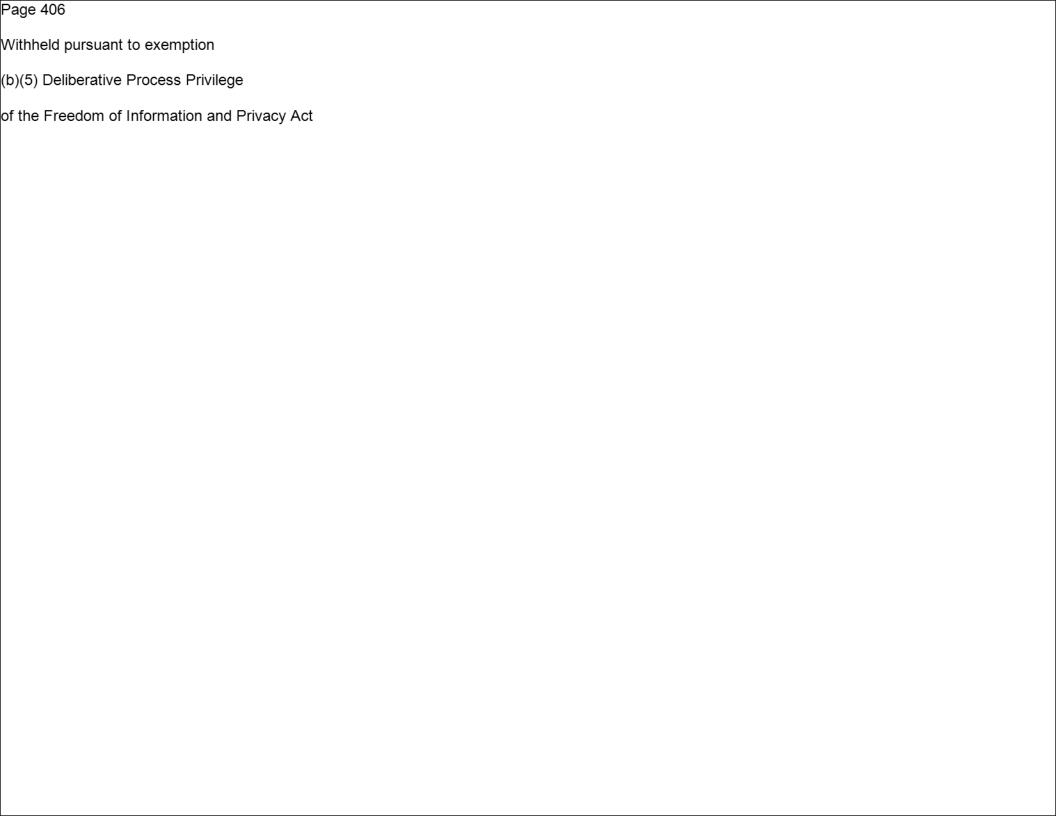


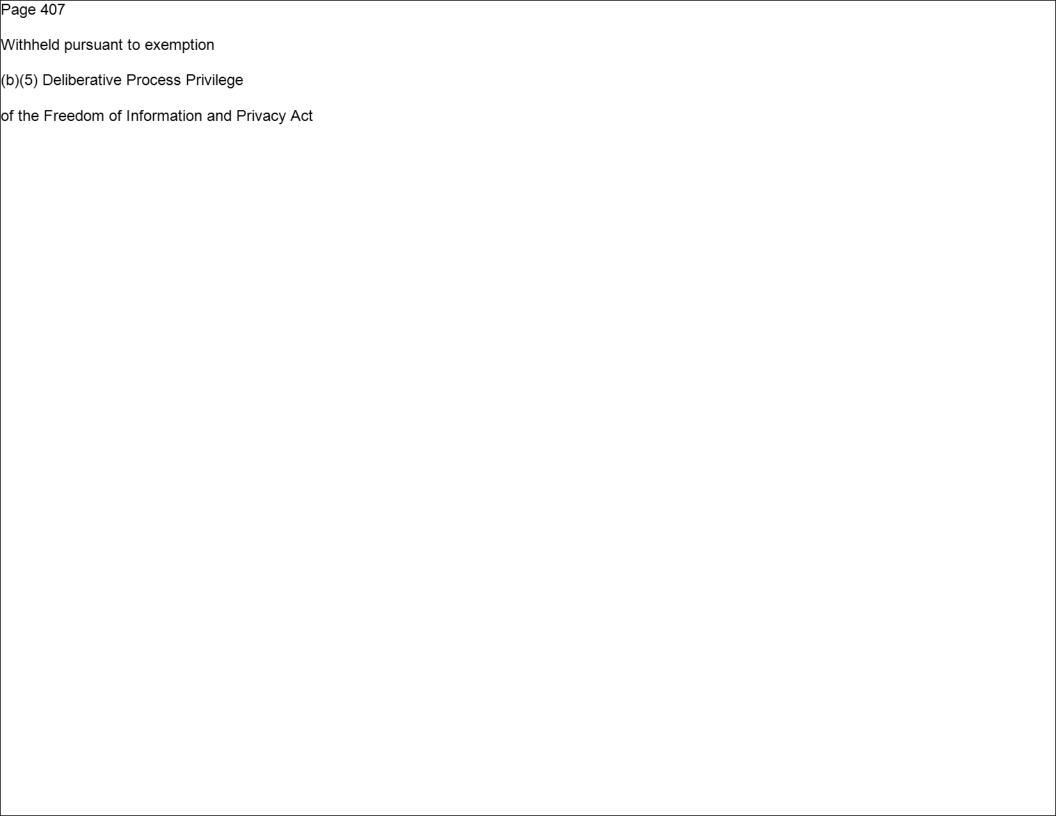


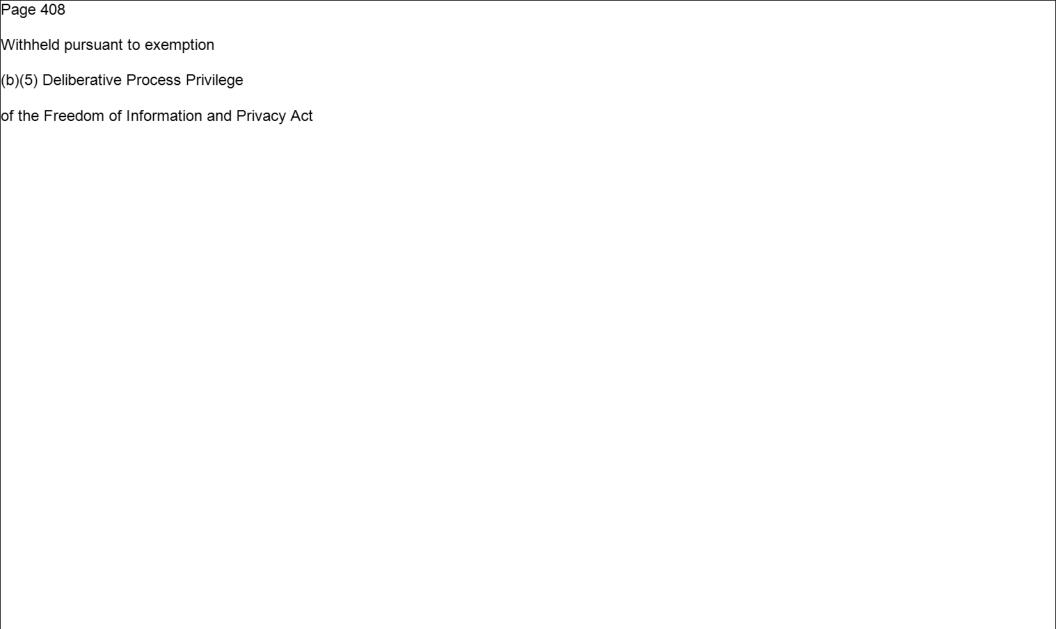


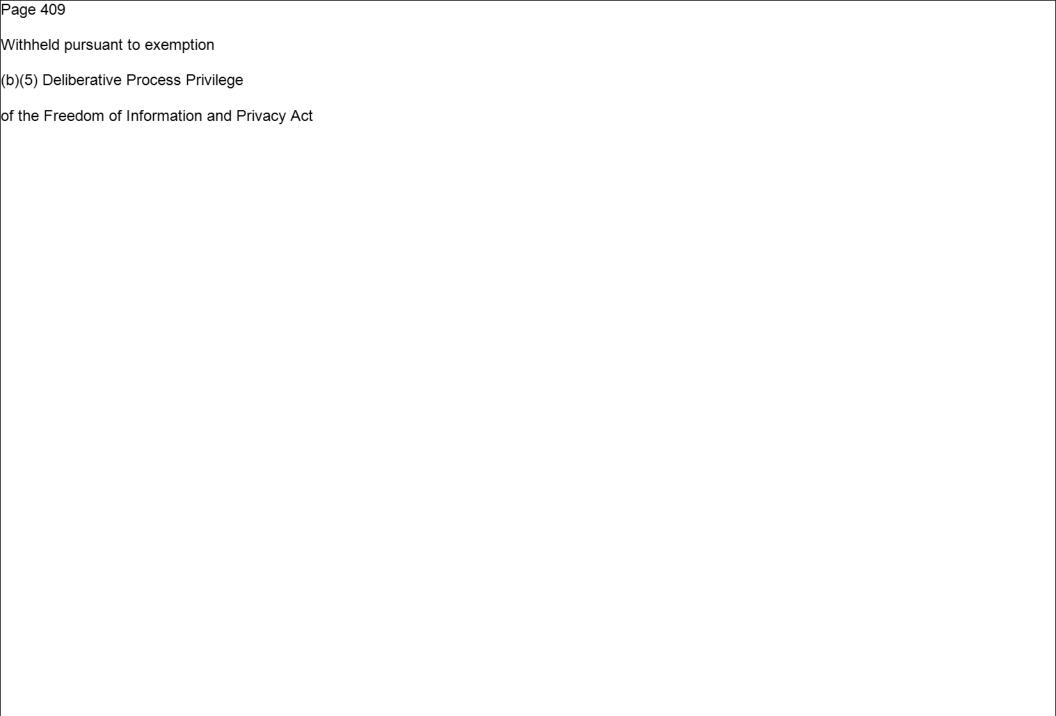


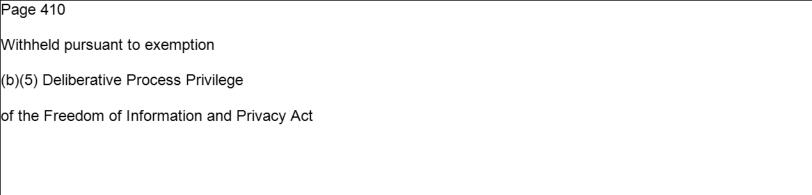


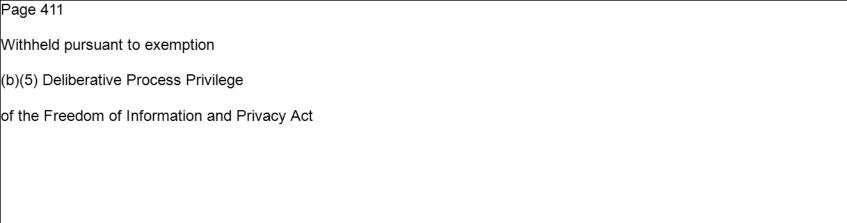




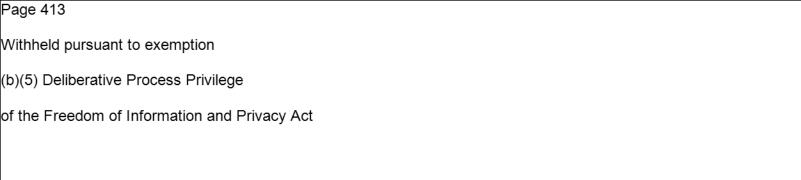


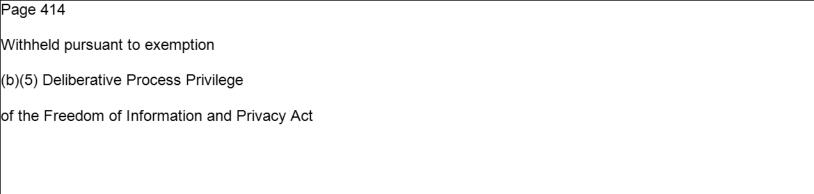


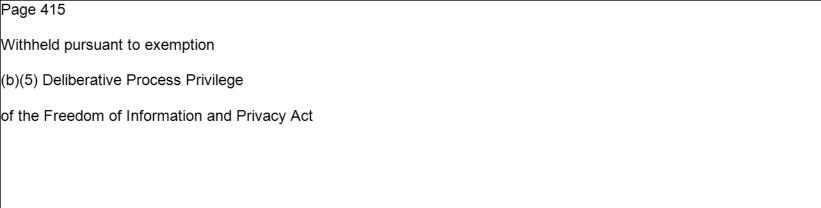


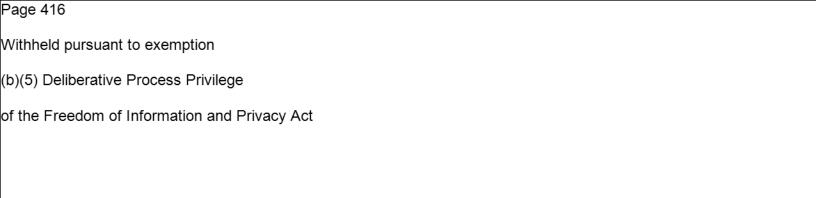


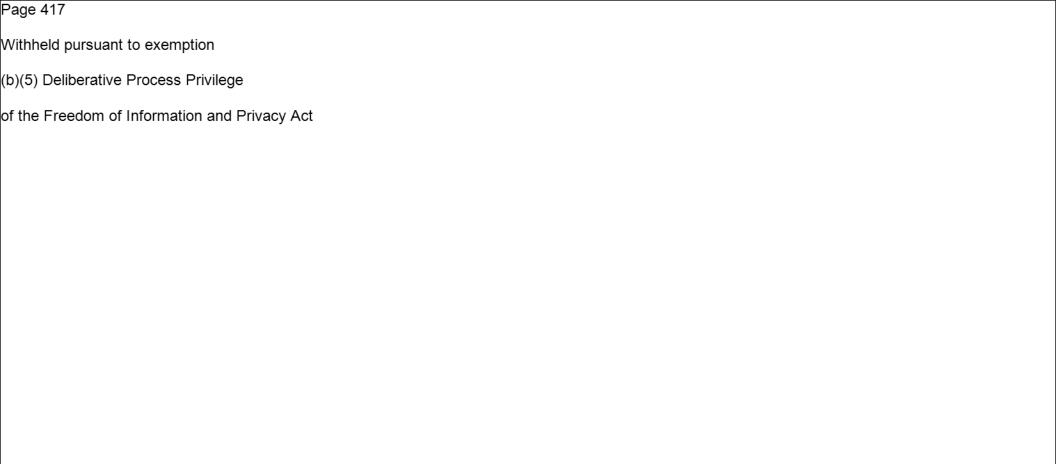


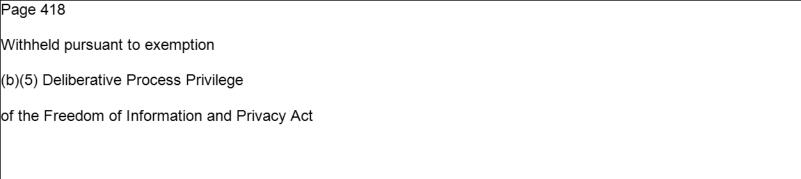


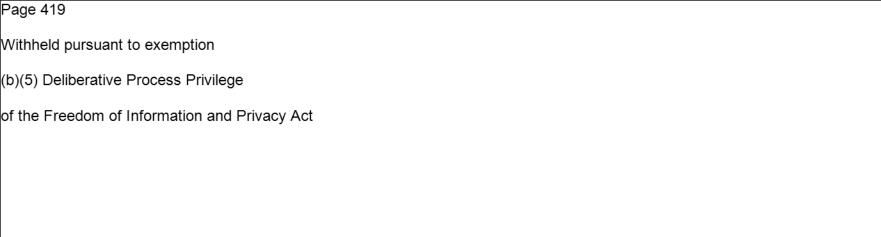


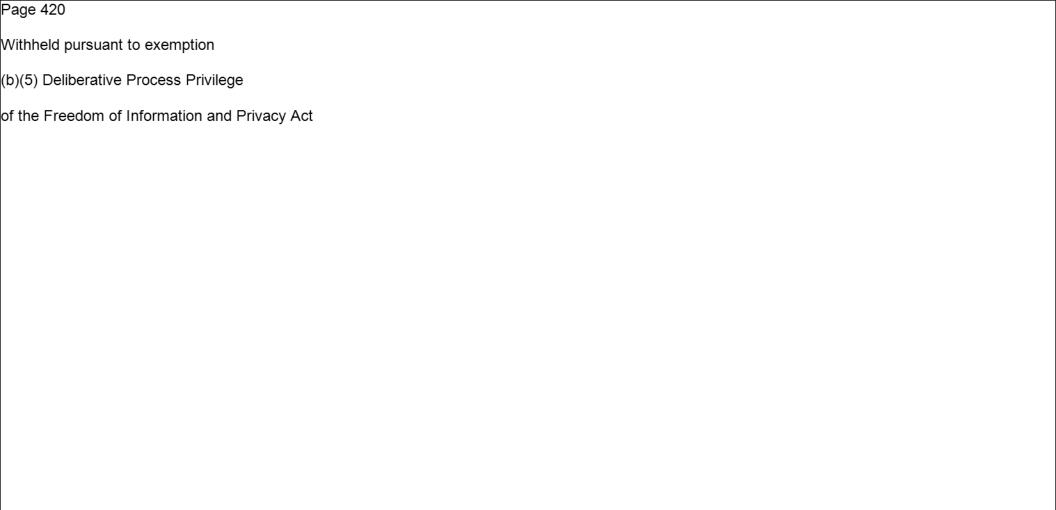




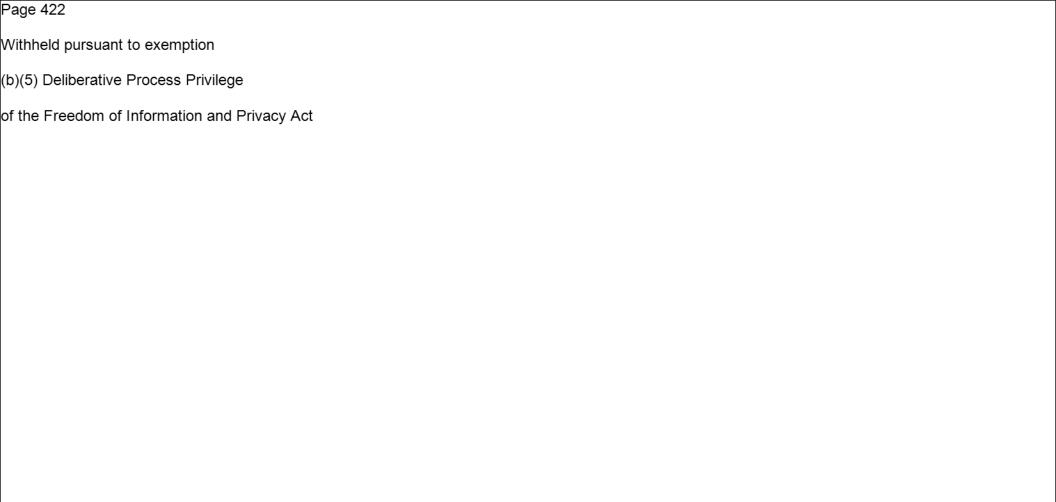


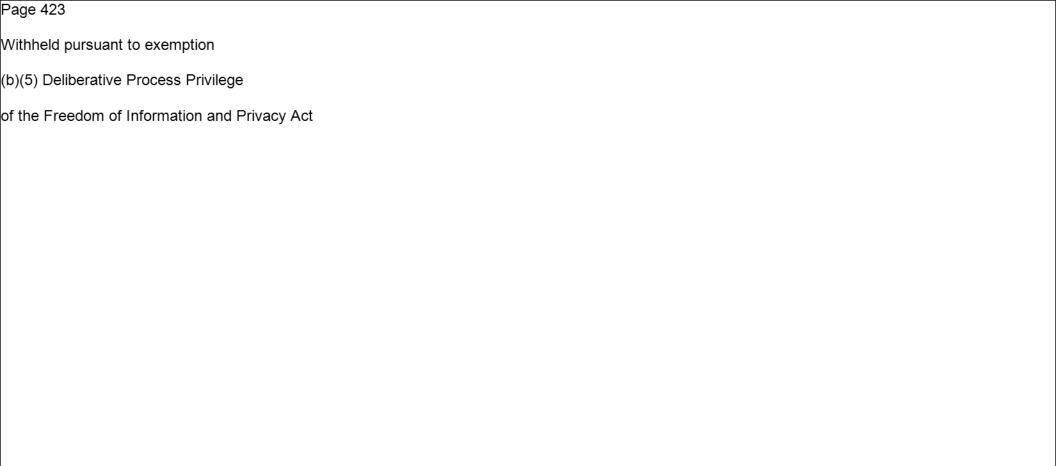


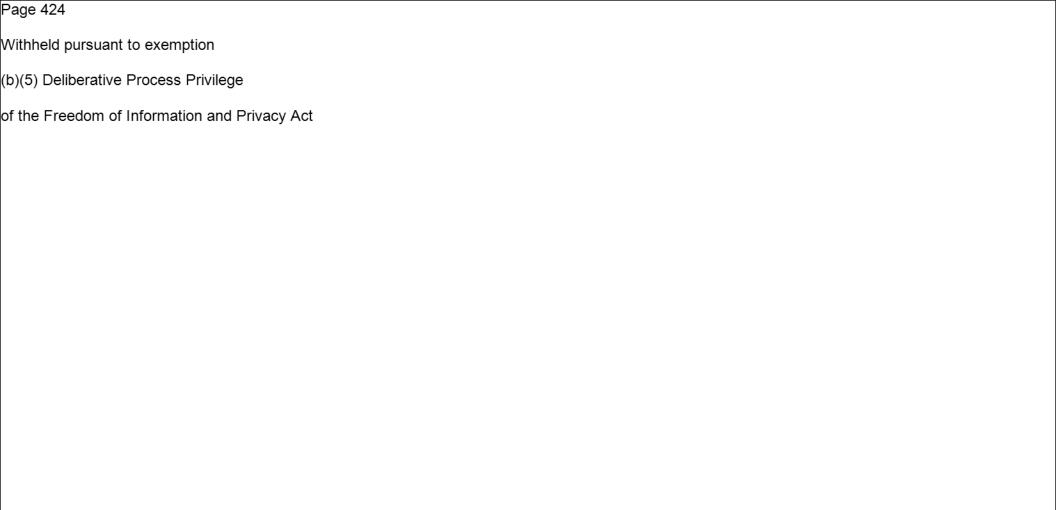




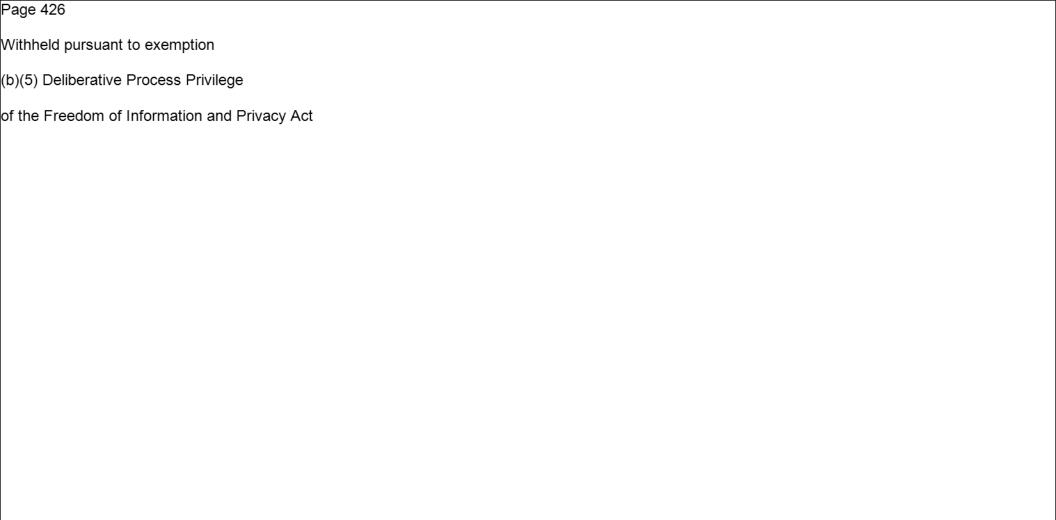


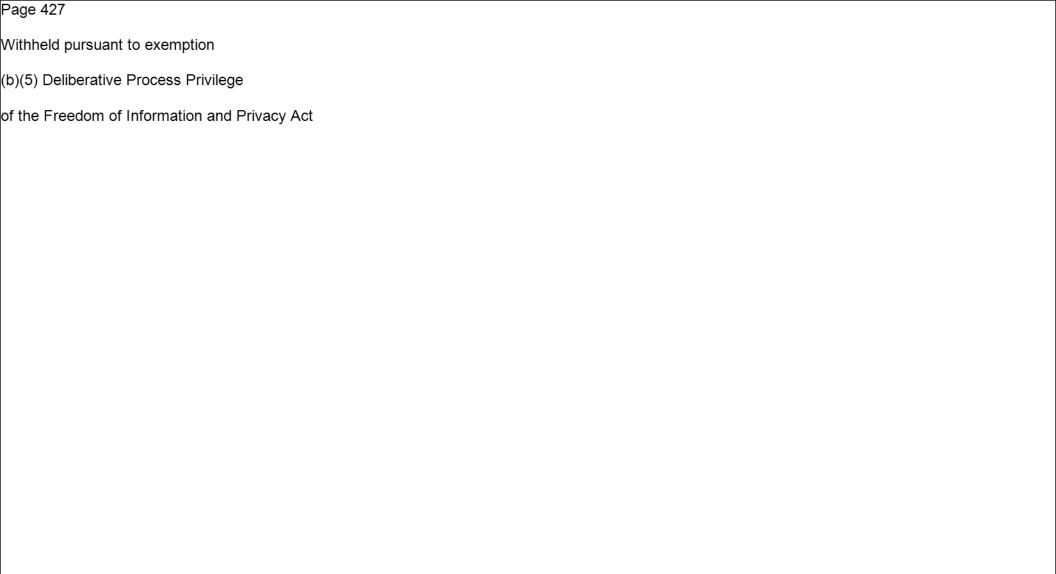


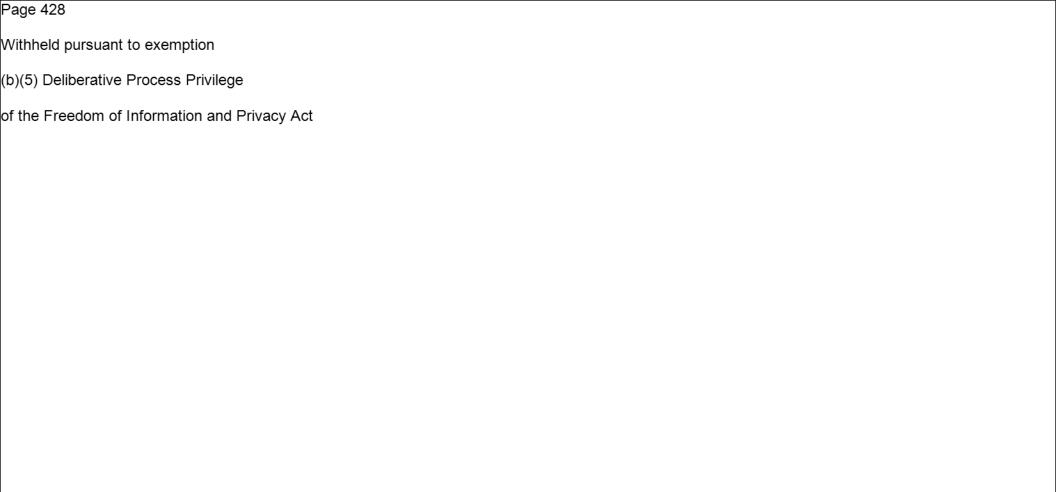


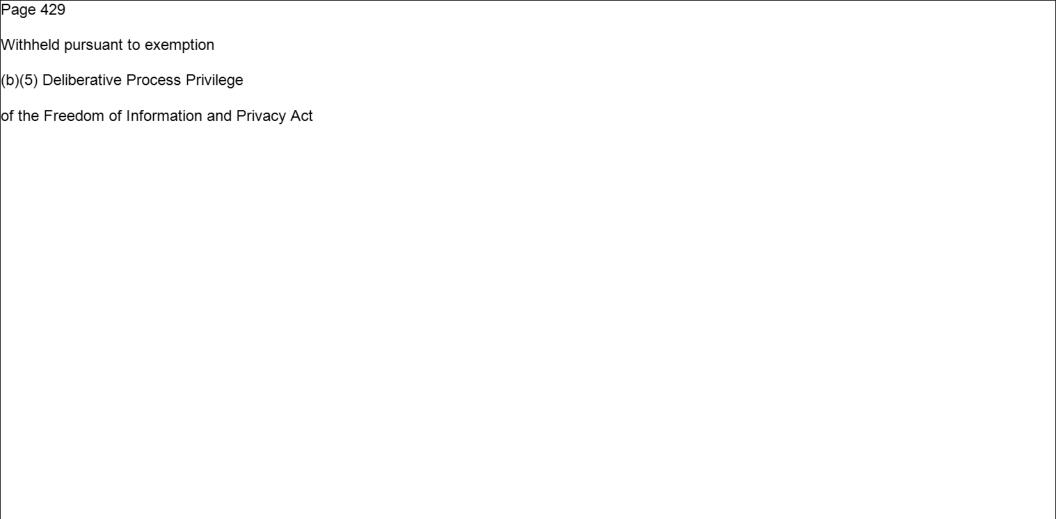




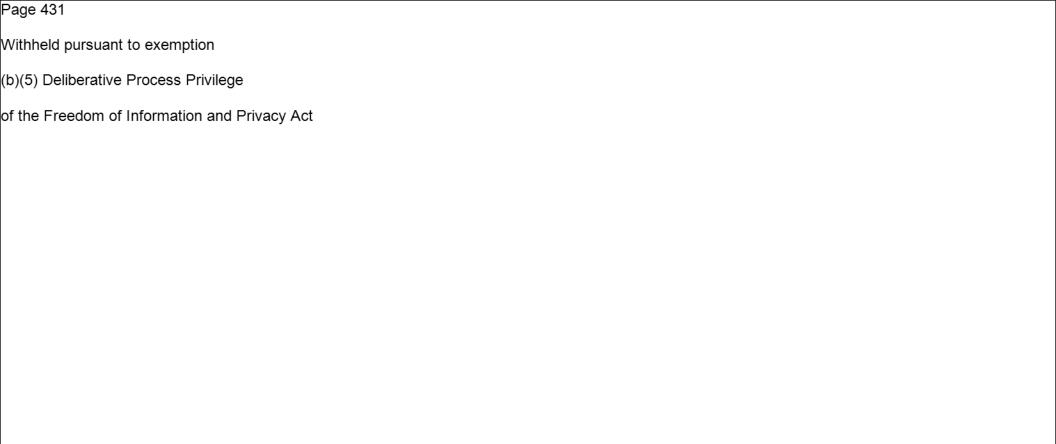


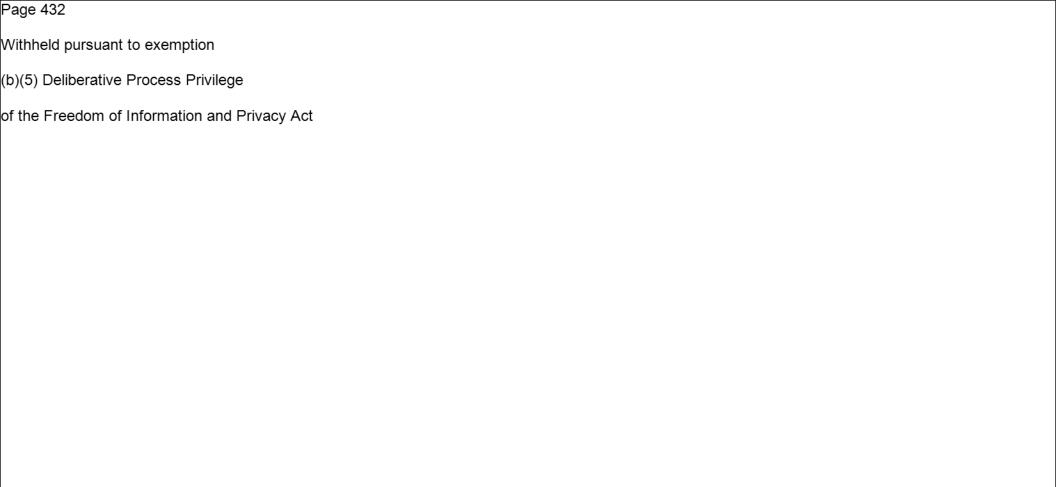












Aircraft Management/Charter Company Information Document Request

Instructions to the Examination Team (the team):

These are proforma Information Document Requests ("IDRs") prepared to assist with an aircraft examination. Please note the following:

- Not all the suggested questions in the proforma IDRs may be applicable for each case.
- The team may need to eliminate, add, or modify some of the suggested questions
- This is a follow up IDR if the taxpayer indicates they have a management company.

Aircraft Management/Charter Company Information Document Request

Issue: To obtain information regarding the chartering of the aircraft.

Provide the following information related to the chartering of the aircraft:

- 1. Is the chartering/management company related to the taxpayer?
- 2. Provide copies of all statements or invoices from the charter/management company showing charters/income/expenses.
- 3. Provide a reconciliation of the reported income from charter flights to the general ledger income.
- Provide the charter agreement.
- 5. Was the taxpayer allowed to use the aircraft outside of the charter agreement (under FAR Part 91).
- 6. Did the taxpayer use the aircraft under Part 135 through the charter/management company? If yes, did they pay the fair charter value (arm's length)?
- 7. If the fair charter value was not paid by the taxpayer, what amount was paid and how was the amount determined?

Aircraft Expense Disallowance Alloc Occupied Seat Hours or Miles Metho

Fields in Yellow must be input by agent

This example shows Occupied Seat Hours Method. Change Column D to miles to do Occupied Seat Miles Metho

- * Maintenace Flights can not be zero should include include 1 PAX for calculation
- ** Deadhead flights take on the # of passengers and purpose of the flight it is associated with

Date	Departure City	Arrival City	Miles/ Hours	Total PAX	Occupied Seat Miles/Hours (D*E)	Business Flight	Business Entertainment
	HOU	CNO	3	3 2	6	3	
	CNO	HOU	3	3 2	6	3	
	HOU	LAS	5	6	30		30
	LAS	HOU	5	6	30		30
	HOU	MHR	4	1	4		
	MHR	HOU	4	1	4		
	HOU	ISM	8	3 4	32		
	ISM	HOU	3	3 4	32		
	HOU	TEB	5	5 2	10	10	
TOTALS			42	26	154	16	60
Allocate M	laintenance flig	ghts over all cate	gories ratabl	у		0.9	3.3
TOTALS V	with maintenan	nce flights allocate	es ratably.			16.9	63.3
•						10.96%	41.10%
I						10.96%	41.10%

Calculating cost per Occupied Seat Hour
Aircraft Expenses
Pilot 50,000
Fuel
Depreciation 10,000
Insurance 10,000
Interest Etc.
Total expenses 2,060,000

Divided by Total OSH/OSN 154
Dollar per OSH/OSM 13,377

Expense Disallowance

Business Entertainment

Commuting Unsubstantiated

Personal Entertainment 84,658

Less: SIFL on original return (25) Less: Reimb on timely filed retu (10)

Personal Entertainment Adjustment

Personal Non Entertainment if No Income Inclusion

Expense Disallowance Adjustment

Check to make sure formulas are working

Total Expense 2,060,000.00
Business flights (225,753.42)
BE (846,575.34)
Commuting Unsubstantiatec PE (84,657.53)
PNE (903,013.70)

Net - Should be 0

od. (and change headings throughout spreadsheet)

					Maintenance/	Verify
	Personal		Personal Non-		Training	Total Hrs.
Commuting	Entertainment		Entertainment	Unsubstantiated	Flights	= Col. F
		3				6
		3				6
						30
						30
					4	4
					4	4
			32			32
			32			32
						10
	0	6	64	0	8	154
-		0.3	3.5	-	(8.0)	
-		6.3	67.5	-	-	154
0.00	% 4	.11%	43.84%	0.00%		•
0.00	% 4	.11%	43.84%	0.00%		
0.40 57	-					

846,575

_

84,623 903,014 (If income inclusion for PNE flights is on the original return or agreed to on audit

1,834,212

Explanation of flight

Business Meeting for T/P.... S/H wife on board Business Meeting for T/P.... S/H wife on board

Flight Leased to 100% Shareholder

Flight Leased to 100% Shareholder

- * Maintenance Flight
- * Maintenance Flight Return

Personal Flight of S/H, no lease or fringe benefit

** Deadhead Flight takes on character of flight its associated with Verified Business Flight

- ** Make sure this agrees to F23
- % Prior to Maintenance Allocation
- % Post Maintenance Allocation

t then the PNE flights are deductible)

Aircraft Expense Disallowance Allo Occupied Seat Hours or Miles Meth

Fields in Yellow must be input by agent

This example shows Occupied Seat Hours Method. Change Column D to miles to do Occupied Seat Miles Me

- * Maintenace Flights can not be zero should include include 1 PAX for calculation
- ** Deadhead flights take on the # of passengers and purpose of the flight it is associated with

	Departure	Arrival	Miles/	Total	Occupied Seat	Business	Business
Date	City	City	Hours	PAX	Miles/Hours (D*E)	Flight	Entertainment
					0		
					0		
					0		
					0		
					0		
					0		
					0		
					0		
TOTALS	3		() (0	0
	Maintenance flig	hts over all ca	tegories ratabl	V		#DIV/0!	#DIV/0!
	S with maintenan			,		#DIV/0!	#DIV/0!
•			-			#DIV/0!	#DIV/0!
I						#DIV/0!	#DIV/0!
Calculat	ing cost per Occ	upied Seat Ho	ur	Expense	Disallowance		
Aircraft I	Expenses				Business Entertair	nment	
	Pilot				Commuting		
	Fuel			_	Unsubstantiated		
	Depreciation .			Persona	I Entertainment		#DIV/0!
	Insurance				Less: SIFL on orig		
	Interest Etc.				Less: Reimb on tir Personal Entertair		
Total ex			_	Personal	Non Entertainment		
	by Total OSH/O	=	<u> </u>	r Gradiai	Non Entertainment	ii ivo iricoi	ne metasion
	er OSH/OSM	#DIV/0!		Expense	Disallowance Adjus	tment	
	Check to mak		-				

Check to make sure formulas are working

Total Expense
Business flights #DIV/0!

BE #DIV/0!

Commuting #DIV/0!

Unsubstantiatec #DIV/0!

PE #DIV/0!

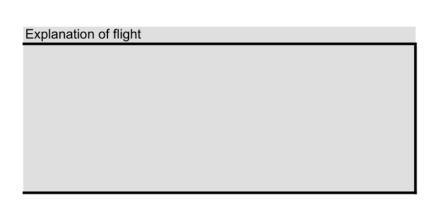
PNE #DIV/0!

Net #DIV/0! Should be 0

ocation hod

thod. (and change headings throughout spreadsheet)

				Maintenance/	
_	Personal	Personal Non-		Training	Total Hrs.
Commuting	Entertainment	Entertainment U	Insubstantiate	e Flights	= Col. F
					0
					0
					0
					0
					0
					0
					0
					0
	0	0 0	() 0	0
#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	
#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!		-
#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!		
#DIV/0!					
#DIV/0!					
#DIV/0!					
#DIV/0!					
#DIV/0!	(If income inclus	ion for PNE flights is	on the origina	I return or agre	ed to on audit
			a.e ega		2
#DIV/0!					



^{**} Make sure this agrees to F23

t then the PNE flights are deductible)

[%] Prior to Maintenance Allocation

[%] Post Maintenance Allocation

Fields in Yellow must be input by agent

This example shows Flight by Flight Hours Method. Change Column D to miles to do Flight by Flight Miles Met

- * Maintenace Flights can not be zero should include include 1 PAX for calculation
- ** Deadhead flights take on the # of passengers and purpose of the flight it is associated with

Date	Departure City	Arrival City	Flight To Hours/Mile PA		Business Flight	Business Entertainment C	Commuting
	HOU	CNO	3	2	1.5		
	CNO	HOU	3	2	1.5		
	HOU	LAS	5	6		5	
	LAS	HOU	5	6		5	
	HOU	MHR	4	1			
	MHR	HOU	4	1			
	HOU	ISM	8	4			
	ISM	HOU	8	4			
	HOU	TEB	5	2	5		
TOTALS	3		45	26	8	10	0
Allocate	Maintenance flig	hts over all categ	ories ratably		1.7	2.2	-
TOTALS	with maintenance	ce flights allocate	s ratably.		9.7	12.2	-
•					21.62%	27.03%	0.00%
					21.62%	27.03%	0.00%

Calculating cost per Flight by Flight Hour/Miles Aircraft Expenses

Pilot	50,000
Fuel	
Depreciation	2,000,000
Insurance	10,000
Interest	
Etc.	
Total expenses	2,060,000
Divided by Total Hours/Miles	45
Dollar per Flight Hour/Mile	45,778

Expense Disallowance

Business Entertainment Commuting

Unsubstantiated

Personal Entertainment

Less SIFL on original retur Less Reimb on timely filed (10)

Personal Entertainment Adjustment
Personal Non Entertainment if No Income Inclusion

Expense Disallowance Adjustment

Check to make sure formulas are working

Total Expense 2,060,000

Business flights (445,405)

BE (556,757)

Commuting Unsubstantiated PE PNE (1,057,838)

Net -

Should be 0

ense Disallowance Allocation ght Hours Method

hod and also change all headings as necessary

			Maintenance/	Verify
Personal	Personal Non-		Training/	Total Hrs
Entertainment	Entertainment	Unsubstantiated	Delivery	= Col. F
	1.5			3
	1.5			3
				5
				5
			4	4
			4	4
	8			8
	8			8 5
	0 19	0	8	45
	- 4.1	-	(8.0)	
	- 23.1	-	-	45
0.0	00% 51.35%	0.00%		
0.0	0% 51.35%	0.00%		

556,757 -

(35)
1,057,838 (If income inclusion for PNE flights is on the original return or aging 1,614,560

Explanation of flight

Business Meeting for T/P.... S/H wife on board Business Meeting for T/P.... S/H wife on board

Flight Leased to 100% Shareholder

Flight Leased to 100% Shareholder

- * Maintenance Flight
- * Maintenance Flight Return

Personal Flight of S/H, no lease or fringe benefit

* Deadhead Flight takes on character of flight its associated with Verified Business Flight

- ** Make sure this ties to D23
- % Prior to Maintenance Allocation
- % Post Maintenance Allocation

reed to on audit then the PNE flights are deductible)

Danasana
Passengers

Fields in Yellow must be input by agent

This example shows Flight by Flight Hours Method. Change Column D to miles to do Flight by Flight Miles Met

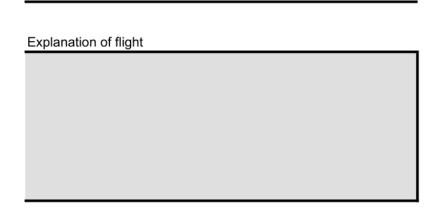
- * Maintenace Flights can not be zero should include include 1 PAX for calculation
- ** Deadhead flights take on the # of passengers and purpose of the flight it is associated with

Date	Departure City	Arrival City	Flight Hours	Total PAX	Business Flight	Business Entertainment	Commuting
TOTALS	8		C) () () 0	
Allocate	Maintenance flights				#DIV/0!	#DIV/0!	#DIV/0!
IOTALS	S with maintenance	nignts allocate	es ratably.		#DIV/0!	#DIV/0!	#DIV/0!
					#DIV/0!	#DIV/0!	#DIV/0!
Calculat	ing cost per Flight b	y Flight Hour/	mile	Expense	Disallowance		
Aircraft I	Expenses					intertainment	
	Pilot				Commuting	•	
	Fuel Depreciation			Parson	Unsubstan al Entertainm		#DIV/0!
	Insurance			1 613011		on original return	
	Interest					o on timely filed r	
	Etc.					ntertainment Adj	
Total ex			-	Persona	l Non Entertai	nment if No Inco	me Inclusion
	by Total Hours/mile		<u>-</u>	_			
Jollar pe	er Flight Hour/mile	#DIV/0!	_	Expense	Disallowance	e Adjustment	
	Check to make s	sure formulas	are working				
	Total Expense Business flights	#DIV/0!	-				
	BE Business iligitis	#DIV/0! #DIV/0!					
	Commuting	#DIV/0!					
	Unsubstantiated						
	PE	#DIV/0!					
	PNE Net	#DIV/0!					
		#DIV/0!	Should b				

ense Disallowance Allocation ght Hours Method

hod and also change all headings as necessary

Personal	Personal Non-		Maintenance/ Training/	Verify Total Hrs	
Entertainment		Unsubstantiated		= Col. F	
			·		0
					0
					0
					0
					0
					0
					0
					0
	0 0	0	C)	0
#DIV/0!	#DIV/0!	#DIV/0!	-		
#DIV/0!	#DIV/0!	#DIV/0!	-	#DIV/0!	
#DIV/0!	#DIV/0!	#DIV/0!			
#DIV/0!	#DIV/0!	#DIV/0!			
#DIV/0!					
#DIV/0! #DIV/0!					
#DIV/0!					
#BIVIO:					
#DIV/0!					
#DIV/0!	(If income inclu	ision for PNE fligh	nts is on the orio	ginal return o	r agı
#DIV/0!					
#DIV/U!					



- ** Make sure this ties to D23
- % Prior to Maintenance Allocation
- % Post Maintenance Allocation

reed to on audit then the PNE flights are deductible)

Danasana
Passengers

Aircraft Expense Disall Occupied Seat Miles

Fields in Yellow must be input by agent

This example shows Occupied Seat Hours Method. Change Column D to miles to do Occupied Seat Mil

- * Maintenace Flights can not be zero should include include 1 PAX for calculation
- ** Deadhead flights take on the # of passengers and purpose of the flight it is associated with

Date	Departure City	Arrival City	Miles		Total PAX	Occupied Seat Miles (D*E)	Business Flight
						0	
11/5/2021		BNA		492	1		
11/6/2021	BNA	MCO		695	4		
11/14/2021		BNA		695	4		
11/15/2021		PIT		462	2		924
11/16/2021		BNA		462	2		924
11/24/2021	BNA	DSM		658	4		
11/28/2021	DSM	MSP		235	1		235
11/29/2021	MSP	DSM		235	3	705	
11/29/2021	DSM	BNA		658	3	1974	
12/1/2021	BNA	MSP		960	1	960	960
12/1/2021	MSP	BNA		960	1	960	960
12/4/2021	BNA	DSM		658	2	1316	
12/6/2021	DSM	BNA		658	2	1316	
12/12/2021	BNA	BNA		100	1		
12/14/2021	BNA	ORD		492	3		1476
12/15/2021		BNA		492	3		1476
12/18/2021		PIT		462	2		
12/19/2021	PIT	BNA		462	2		
12/20/2021		RSW		722	4		
						0	
OTALS				722	4	25786	6955
Ilocate Mainter	nance flights o	ver all categories r	atably				163.4
OTALS with m	aintenance flig	ghts allocates ratab	ly.				7,118.4
							27.61%
							27.61%
Calculating cost	per Occupied	Seat Miles			Expense [Disallowance	
Aircraft Expense	es					Business Entertai	inment
	Pilot	375,00	00			Commuting	
	Fuel	260,00	00			Unsubstantiated	
	Depreciation	•		Personal Entertainment			
	Lease	4,000,00	00			Less: SIFL on ori	ginal return
	Interest	. ,		Less: Reimb on timely filed re			
	Etc.	177,00	00	Personal Entertainment Adju			
otal expenses		4,812,00			Personal N	Non Entertainment	
		., , - ,					
Divided by Tota	LOSM	25,786	.0				

011-4-			C		
Check to	make	sure	tormulas	are	working

Total Expense	4,812,000.00
Business flights	(1,328,390.09)
BE	(352,964.04)
Commuting	-
Unsubstantiated	-
PE	(2,627,939.51)
PNE	(502,706.36)

Net _____ Should be 0

lowance Allocation

les Method. (and change headings throughout spreadsheet)

Business	Personal	Personal Non-	Mainter Training	g 7	Γotal Hrs.
Entertainment Commuting	Entertainment	Entertainment	Unsubstantiated Flights		= Col. F
				492	492
	2780	ı		492	2780
	2780				2780
	2700				924
					924
	2632				2632
					235
	705				705
	1974				1974
					960
					960
		1316			1316
		1316			1316
				100	100
					1476
004					1476
924					924
924	2888				924 2888
	2000				2000
1848	0 13759	2632	. 0	592	25786
43.4	- 323.3	61.8		592.0)	20.00
1,891.4	- 14,082.3	2,693.8	-	-	25786
7.34% 0.00	0% 54.61%	10.45%	0.00%		
7.34% 0.0					
050.0	0.4				
352,9	04				
	-				
2,627,940	-		•		
2,027,940					
-					
itment 2,627,9	40				
, , , ,		for PNE flights i	is on the original return o	r agreed	d to on audit
		0	5	•	
3,483,6					

Explanation of flight

Delivery flight of the new aircraft

Family went to Sea World and Universal Studios

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Home from Steelers game with their banker

Going to their 2nd home in Naples, FL

t then the PNE flights are deductible)

^{**} Make sure this agrees to F23

[%] Prior to Maintenance Allocation

[%] Post Maintenance Allocation

Passengers

Holly, Chip, Timmy, Lacey Holly, Chip, Timmy, Lacey Holly, Anne Holly, Anne Holly, Chip, Timmy, Lacey Holly

Chip, Timmy, Lacey

Holly, Chip Holly, Chip

Holly, Anne, Alice Holly, Anne, Alice Hunter, Allice Hunter, Allice Holly, Chip, Timmy, Lacey Holly, Chip, Timmy, Lacey

Aircraft Expense Disall Occupied Seat Hours

Fields in Yellow must be input by agent

This example shows Occupied Seat Hours Method. Change Column D to miles to do Occupied Seat Mil

- * Maintenace Flights can not be zero should include include 1 PAX for calculation
- ** Deadhead flights take on the # of passengers and purpose of the flight it is associated with

Date	Departure City	Arrival City	Hours		Total PAX	Occupie Hours ([Business Flight
2 4.10	- · · · ·	J.,	110010			,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	0	
11/5/2021	ORD	BNA		1.5		1	1.5	
11/6/2021	BNA	MCO		2.1		4	8.4	
11/14/2021	MCO	BNA		2.2		4	8.8	
11/15/2021	BNA	PIT		1.5		2	3	3
11/16/2021	PIT	BNA		1.4		2	2.8	2.8
11/24/2021	BNA	DSM		1.8		4	7.2	
11/28/2021	DSM	MSP		1.2		1	1.2	1.2
11/29/2021	MSP	DSM		1.2		3	3.6	
11/29/2021	DSM	BNA		1.8		3	5.4	
12/1/2021	BNA	MSP		2.1		1	2.1	2.1
12/1/2021	MSP	BNA		2.1		1	2.1	2.1
12/4/2021	BNA	DSM		1.8		2	3.6	
12/6/2021	DSM	BNA		1.8		2	3.6	
12/12/2021	BNA	BNA		0.6		1	0.6	
12/14/2021	BNA	ORD		1.5		3	4.5	4.5
12/15/2021	ORD	BNA		1.5		3	4.5	4.5
12/18/2021	BNA	PIT		1.5		2	3	
12/19/2021	PIT	BNA		1.5		2	3	
12/20/2021	BNA	RSW		2.1		4	8.4	
							0	
TOTALS				2.1		4	77.3	20.2
		ver all categories rata	ıbly					0.6
TOTALS with m	naintenance fli	ghts allocates ratably.						20.8
								26.86%
								26.86%
Calculating cos		l Seat Hour		Expense Disallowance				
Aircraft Expense							s Entertai	inment
	Pilot	375,000				Commu		
	Fuel	260,000		Unsubstantiated				
	Depreciation			Personal Entertainment				
	Lease	4,000,000		Less: SIFL on original return				•
	Interest							mely filed re
	Etc.	177,000	_		_			nment Adjus
Total expenses		4,812,000	=		Personal	Non Enter	rtainment	if No Incom
Divided by Tota	I OSH	77.3	_					
Dollar per OSH		62,251	_	Expense Disallowance Adjustment				stment

Check to make sure formulas are working

4,812,000.00
(1,292,585.11)
(383,936.17)
-
-
(2,674,755.32)
(460,723.40)

Net _____ Should be 0

lowance Allocation

les Method. (and change headings throughout spreadsheet)

Business Entertainment (Commuting	Personal Entertainment	Personal Non- Entertainment	Unsubstantiate	Maintenance/ Training Flights	Verify Total Hrs. = Col. F
	J	8.4 8.8			1.5	0
		7.2 3.6				2.8 7.2 1.2 3.6
		5.4				5.4 2.1 2.1
			3.6 3.6		0.6	4.5
3 3		8.4				4.5 3 3 8.4 0
6 0.2 6.2	0	41.8 1.2 43.0	7.2 0.2 7.4	0	2.1 (2.1)	77.3
7.98% 7.98%	0.00% 0.00%	55.59% 55.59%	9.57% 9.57%			= 77.5
	383,936 -					
2,674,755	-				`	
stment e Inclusion	2,674,755 460,723	(If income inclusion	for PNE flights i	s on the original	return or agre	ed to on audi
=	3,519,415	:				

Explanation of flight

Delivery flight of the new aircraft

Family went to Sea World and Universal Studios

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Home from Steelers game with their banker

Going to their 2nd home in Naples, FL

t then the PNE flights are deductible)

^{**} Make sure this agrees to F23

[%] Prior to Maintenance Allocation

[%] Post Maintenance Allocation

Passengers

Holly, Chip, Timmy, Lacey Holly, Chip, Timmy, Lacey Holly, Anne Holly, Anne Holly, Chip, Timmy, Lacey Holly

Chip, Timmy, Lacey

Holly, Chip Holly, Chip

Holly, Anne, Alice Holly, Anne, Alice Hunter, Allice Hunter, Allice Holly, Chip, Timmy, Lacey Holly, Chip, Timmy, Lacey Fields in Yellow must be input by agent

This example shows Flight by Flight Hours Method. Change Column D to miles to do Flight by Flight

^{*} Maintenace Flights can not be zero should include include 1 PAX for calculation
** Deadhead flights take on the # of passengers and purpose of the flight it is associated with

Date	Departure City	Arrival City	Flight Miles		Γotal PAX	Business Flight	Business Entertainment	
11/5/2021		BNA	49		1			
11/6/2021		MCO	69		4			
11/14/2021		BNA	69		4	400		
11/15/2021		PIT	46		2	462		
11/16/2021		BNA	46		2	462		
11/24/2021		DSM	65		4			
11/28/2021		MSP	23		1	235		
11/29/2021		DSM		35	3			
11/29/2021		BNA	65		3			
12/1/2021		MSP		60	1	960		
12/1/2021		BNA	96		1	960		
12/4/2021		DSM	65		2			
12/6/2021		BNA	65		2			
12/12/2021		BNA		00	1			
12/14/2021		ORD	49		3	492		
12/15/2021	ORD	BNA	49		3	492		
12/18/2021	BNA	PIT	46	62	2		462	
12/19/2021		BNA	46		2		462	
12/20/2021 I	BNA	RSW	72	22	4			
TOTALS			1055	58	14	4063	924	
	enance flights ov	er all categories			• • • • • • • • • • • • • • • • • • • •	241.4	54.9	
	maintenance flig					4,304.4	978.9	
			,			40.77%	9.27%	
						40.77%	9.27%	
Calculating cost per Flight by Flight mile					Expense Disallowance			
Aircraft Expenses				Business Entertainment				
	Pilot	375,000				Commuting		
	Fuel	260,000				Unsubstant	ated	
	Depreciation Personal Entertainment							
Lease 4,000,000				Less SIFL on original return				
	Interest	.,===,000					on timely filed	
	Etc.	177,000					ntertainment Ad	
Total expense	Total expenses 4,812,000 Personal Non Entertainment if N						,	

Divided by Total mile Dollar per Flight mile	10,558 456	Expense Disallowance Adjustment
Check to make s		

Total Expense 4,812,000 Business flights (1,961,786) ΒE (446, 146)Commuting Unsubstantiated PΕ (1,768,649)PNE (635,420)

Net - Should be 0

Aircraft Expense Disallowance Allocation Flight by Flight Miles Method

nt Miles Method and also change all headings as necessary

Commuting	Personal Entertainment	Personal Non- Entertainment	Unsubstantiated	Maintenance/ Training/ Delivery	Verify Total Hrs = Col. F
				492	0 492
	695	5		432	695
	695				695
					462
					462
	658	3			658
					235
	235				235
	658	3			658
					960
		050			2.1
		658 658			658 658
		030		100	100
				100	492
					492
					462
					462
	722	2			722
					0
					0
					0
	0 3663		0		10558
	217.6 3,880.6	78.2 1,394.2		(592.0)	10558
0.009					10336
0.009					
0.00	70 00.7070	10.2070	0.0070		
	446,146				
	-				
	-				
1,768,649)				
	-				
	- 4 700 040				
justment ome Inclusion	1,768,649	(If income incl	ision for DNE fligh	ite is on the eric	inal ratura or ca
THE INCIUSION	635,420	_(ii income incit	ision for PNE fligh	its is on the orig	mai return or ag

Explanation of flight

Delivery flight of the new aircraft

Family went to Sea World and Universal Studios

Family went to Sea World and Universal Studios

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Home from Steelers game with their banker

Going to their 2nd home in Naples, FL

^{**} Make sure this ties to D23

[%] Prior to Maintenance Allocation

[%] Post Maintenance Allocation

Passengers

Holly, Chip, Timmy, Lacey

Holly, Chip, Timmy, Lacey

Holly, Anne

Holly, Anne

Holly, Chip, Timmy, Lacey

Holly

Chip, Timmy, Lacey

Holly

Holly, Chip

Holly, Chip

Holly, Anne, Alice

Holly, Anne, Alice

Hunter, Allice

Hunter, Allice

Holly, Chip, Timmy, Lacey

Holly, Chip, Timmy, Lacey

Fields in Yellow must be input by agent

This example shows Flight by Flight Hours Method. Change Column D to miles to do Flight by Flight

^{**} Deadhead flights take on the # of passengers and purpose of the flight it is associated with

	Departure	Arrival	Flight		Total		Business	Business
Date	City	City	Hours		PAX		Flight	Entertainment
11/5/222		B114						
11/5/2021		BNA		1.5		1		
11/6/2021		MCO		2.1		4		
11/14/2021		BNA		2.2		4		
11/15/2021		PIT		1.5		2	1.5	
11/16/2021		BNA		1.4		2	1.4	
11/24/2021		DSM		1.8		4		
11/28/2021		MSP		1.2		1	1.2	2
11/29/2021		DSM		1.2		3		
11/29/2021		BNA		1.8		3		
12/1/2021		MSP		2.1		1	2.1	
12/1/2021		BNA		2.1		1	2.1	
12/4/2021		DSM		1.8		2		
12/6/2021		BNA		1.8		2		
12/12/2021		BNA		0.6		1		
12/14/2021		ORD		1.5		3	1.5	
12/15/2021	ORD	BNA		1.5		3	1.5	5
12/18/2021	BNA	PIT		1.5		2		1.5
12/19/2021	PIT	BNA		1.5		2		1.5
12/20/2021	BNA	RSW		2.1		4		
TOTALS			3	31.2		14	11.3	3
	tenance flights o						8.0	0.2
TOTALS with	maintenance flig	hts allocates rat	ably.				12.1	3.2
							38.83%	10.31%
							38.83%	10.31%
Calculating co	ost per Flight by f	Flight Hour			Expens	se Di	isallowance	
Aircraft Exper	nses				-		Business E	ntertainment
	Pilot	375,00	0				Commuting	1
	Fuel	260,00	0				Unsubstant	tiated
	Depreciation				Pers	onal	Entertainme	ent
	Lease	4,000,00	0				Less SIFL	on original returi
	Interest							on timely filed
	Etc.	177,00	0					ntertainment Ad
Total expense	es	4,812,00	0		Perso	nal N	lon Entertai	nment if No Inco

^{*} Maintenace Flights can not be zero should include include 1 PAX for calculation

Divided by Total Hours Dollar per Flight Hour	31 154,231	Expense Disallowance Adjustment
Check to make su Total Expense Business flights	ure formulas are working 4,812,000 (1,868,577)	
BE BE	(496,082)	
Commuting	-	
Unsubstantiated	-	

PΕ (1,852,041) PNE Net (595,299)

0 Should be 0

Aircraft Expense Disallowance Allocation Flight by Flight Hours Method

nt Miles Method and also change all headings as necessary

Commuting	Personal Entertainment	Personal Non- Entertainment	Unsubstantiated	Training/	Verify Total Hrs = Col. F
				1.5	0 1.5
	2.1				2.1
	2.2				2.2
					1.5
	4.0				1.4
	1.8				1.8 1.2
	1.2				1.2
	1.8				1.8
					2.1
					2.1
		1.8			1.8
		1.8		0.6	1.8 0.6
				0.0	1.5
					1.5
					1.5
					1.5
	2.1				2.1
					0 0
					0
	0 11.2	3.6	0	2.1	31.2
	0.8	0.3	-	(2.1)	
-	12.0	3.9	-	-	31.2
0.00% 0.00%					
0.007	0 30.4970	12.37 /0	0.00 /6		
	496,082				
	-				
1,852,041	-				
-					
	_				
justment	1,852,041				
me Inclusion	595,299	(If income inclu	ision for PNE fligh	ts is on the orig	inal return or ag

Explanation of flight

Delivery flight of the new aircraft

Family went to Sea World and Universal Studios

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^{**} Make sure this ties to D23

[%] Prior to Maintenance Allocation

[%] Post Maintenance Allocation

Passengers

Holly, Chip, Timmy, Lacey

Holly, Chip, Timmy, Lacey

Holly, Anne

Holly, Anne

Holly, Chip, Timmy, Lacey

Holly

Chip, Timmy, Lacey

Holly

Holly, Chip

Holly, Chip

Holly, Anne, Alice

Holly, Anne, Alice

Hunter, Allice

Hunter, Allice

Holly, Chip, Timmy, Lacey

Holly, Chip, Timmy, Lacey

Qualified Business Use Calculat Occupied Seat Hours Method

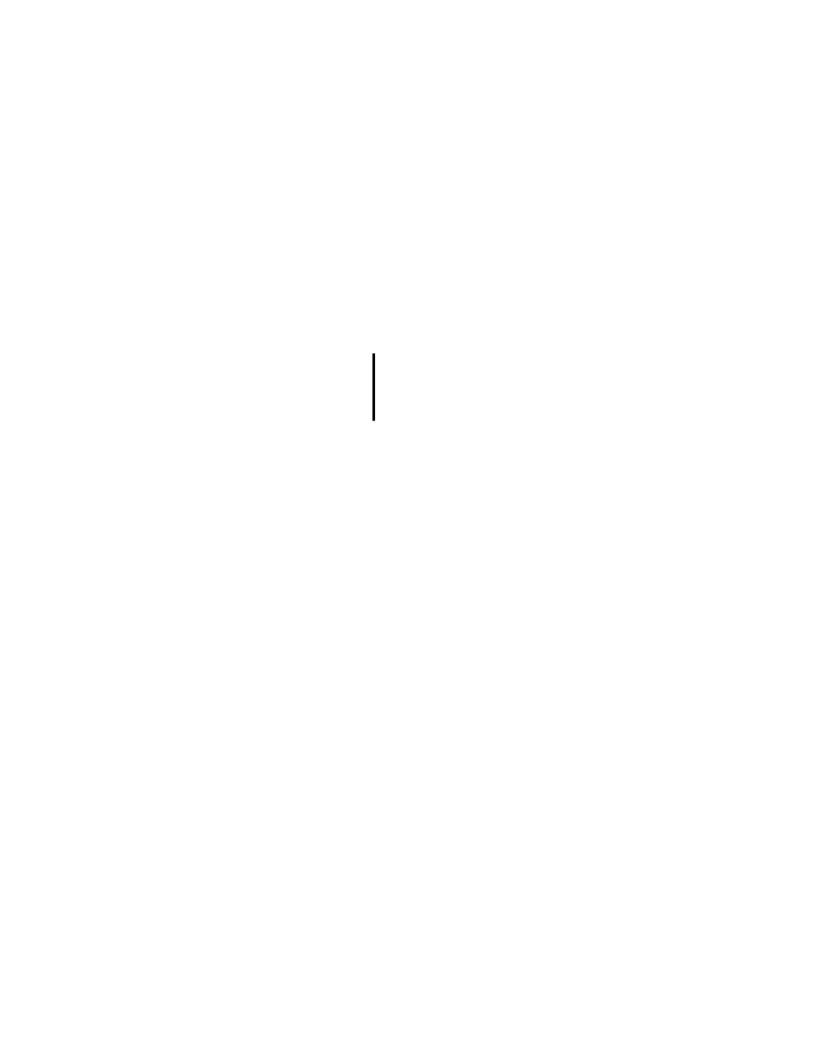
Date	Departur City	e Arrival City	Hours	Total PAX		Occupied Seat Hours (D*E)	Business Flight	Leased to 5% owner or related
1/7/2023	IAD	DFW		4	2	8		8
2/10/2023	DFW	HOU		1.5	3	4.5	1.5	
2/11/2023	HOU	DFW		1.4	3	4.2	1.4	
3/15/2023	DFW	DFW		0.2	1	0.2		
TOTALS				7.1	9	16.9	2.9	8
Allocate Ma	intenance	flights ove	r all categ	ories ratably	/		0.03	0.10
TOTAL Occ	upied Sea	at Hours					2.93	8.10
-							17.37%	47.90%

				Nondeductible	
Treated as	Use by Non 5% Owner or	Personal		Commuting/	
Income 5%	related that is not	No Income	IRC 212	Business	
Owner/Related	reported in Income	or lease	Flights	Entertainment	Unsubstantiated

3 2.8

0	0	5.8	0	0	0
	-	0.07			
-	-	5.87	-	-	-
0.00%	0.00%	34.73%	0.00%	0.00%	0.00%

Maintenan	ice/	Verifv		
Training		Total Hrs		
Flights		= Col. F	Explanation of flight	
		8		
		4.5		
		4.2		
	0.2	0.2		
		0		
	0.2	16.9	16.7	
-	-0.2	0		
		16.90	** Make sure F24, N24 and N26 totals agree	
0.0	00%		-	

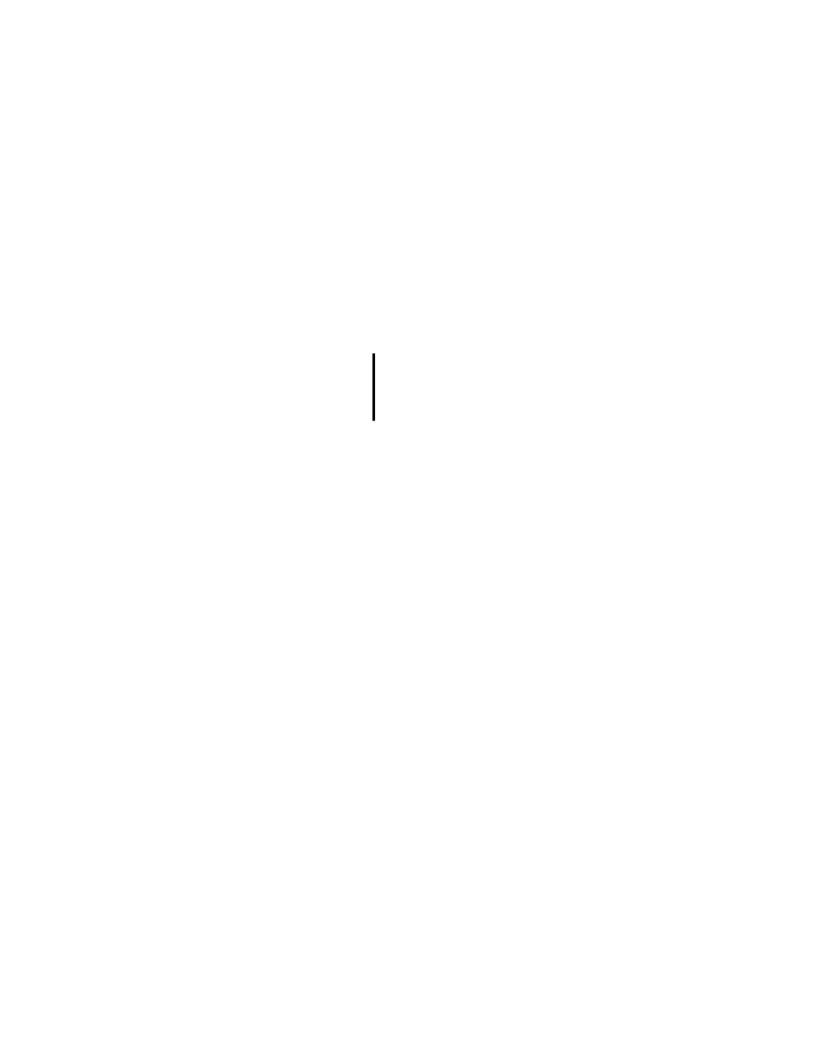


Qualified Business Use Calculat Occupied Seat Miles Method

Date	Departure City	e Arrival City	Miles		Occupied Seat Miles (D*E)	Business Flight	Leased to 5% owner or related
1/7/2023	IAD	DFW	1159	2	2318		2318
2/10/2023	DFW	HOU	270	3	810	270	
2/11/2023	HOU	DFW	270	3	810	270	
3/15/2023	DFW	DFW	50	1	50		
TOTALS			1749	9	3988	540	2318
Allocate Ma	iintenance	flights over	all categories	ratably		6.86	29.43
TOTAL Occ	cupied Sea	at Miles				546.86	2,347.43
-						13.71%	58.86%

Treated as Income 5% Owner/Related	Use by Non 5% Owner of related that is not reported in Income	١	Personal No Income or lease	IRC 212 Flights	Nondeductible Commuting/ Business Entertainment	Unsubstantiated
			540 540			
0		0	1080 13.71	() (0
0.00%	-	Λ%.	1,093.71	0.00%	- % 0.00%	0.00%

Maintenance/	Verify		
	Total Hrs		
Flights	= Col. F	Explanation of flight	
	2318		
	810		
	810		
50	50		
	0		
50	3988	3938	
(50.00)	0		
	3,988.00	** Make sure F24, N24 and N26 totals agree	
0.00%			



Qualified Bus Flight by Flig

Date	Departure City	e Arrival City	Flight Hours	Total PAX		Business Flight	Leased to 5% owner or related	Treated as Income 5% Owner/Related
1/7/2023	IAD	DFW		4	2		4	
2/10/2023	DFW	HOU	1.	5	3	0.5		
2/11/2023	HOU	DFW	1.	4	3	0.47		
3/15/2023	DFW	DFW	0.	2	1			
TOTALS			7.	1	9	0.97	4	0
Allocate Maintenance flights over all categories ratably					0.03	0.12	-	
TOTALS fl	ight by fligl	ht hours				1.00	4.12	-
-						14.06%	57.97%	0.00%

iness Use Calculation ht Hours Method

Use by Non 5% Owner or related that is not reported in Income	Personal No Income or lease	IRC 212 Flights	Nondeductible Commuting/ Business Entertainment	Unsubstantiated	Maintenance/ Training Flights
	1				
	0.93	3			
					0.2
	0 1.93	3	0 () 0	0.2
	0.06				-0.2
-	1.99	-	-	-	
0.00	% 27.97%	0.00	% 0.00%	0.00%	

Verify Total Hrs = Col. F	Explanation of flight
7.1	6.9 ** Make sure D24, M24 and M26 totals agree

Qualified Bus Flight by Flig

Date	Departure City	Arrival City	Flight Miles	Total PAX		Business Flight	Leased to 5% owner or related	Treated as Income 5% Owner/Related
1/7/2023 2/10/2023 2/11/2023 3/15/2023	DFW HOU	DFW HOU DFW DFW	115: 27: 27: 5:	0	2 3 3 1	90 90		
TOTALS			174	_	9	180	1159	0
Allocate Maintenance flights over all categories ratably						34.11	-	
TOTALS fl	ight by fligl	nt miles				185.30	1,193.11	-
-						10.59%	68.22%	0.00%

iness Use Calculation ht Miles Method

Use by Non 5% Owner or related that is not reported in Income	Personal No Income or lease	IRC 212 Flights	Nondeductible Commuting/ Business Entertainment	Unsubstantiated	Maintenance/ Training Flights
	400				
	180 180				
					50
(360	0	C	0	50
	10.59				(50.00)
-	370.59	-	-	-	
0.00%	21.19%	0.00%	0.00%	0.00%	

Verify Total Hrs = Col. F	Explanation of flight
1749	1699
1749	** Make sure D24, M24 and M26 totals agree

Substantiation IDR for BAC Company

Issue: To obtain substantiation for the flights taken.

For each flight listed please provide:

- Please provide documentation to support the business relationship of each passenger to the taxpayer; and
- Provide the <u>contemporaneous documentation</u> that supports the business purpose of each trip and each passenger classified as business.
- If the supporting documentation is not contemporaneous, provide contemporaneous supporting documentation that was relied upon to reconstruct the substantiation.

Aircraft purchased November 2021

Cost was: \$32,000,000

Aircraft is leased to a related party under an exclusive dry lease

2021 Year 1	2.08%	665,600
2022 Year 2	16.67%	5,334,400
2023 Year 3	16.67%	5,334,400
2024 Year 4	16.67%	5,334,400
2025 Year 5	16.60%	5,312,000
2026 Year 6	16.67%	5,334,400
2027 Year 7	14.58%	4,665,600

Depreciation per tax return in 2021: 32,000,000

Depreciation allowed due to failing QBU 665,600

Adjustment need for depreciation 31,334,400

Depreciation Recapture Exercise

- Aircraft Purchased in 2020 for \$4,500,000
- ❖ Taxpayer took 100% bonus of \$4,500,000
- Only asset owned is the aircraft
- Placed in service December 2020
- Part 135 charter aircraft
- Audit of 2021 tax year the taxpayer failed QBU
- Compute the recapture adjustment

Depreciation Recapture Exercise

Cost \$4,500,000

7 Years MACRS Property

12 Year ADS Straight-Line

Mid-Qtr. Convention

Placed in service 4th QTR

2020 4,500,000 * 1.04% = \$46,800

2021 4,500,000 * 8.33% = \$374,850

\$4,500,000 - \$46,800 - \$374,850= \$4,078,350

Initial IDR

Issue: To obtain basic information regarding the aircraft reported on the tax return.

Provide the following information related to the aircraft:

- 1. Flight Log -provide hard copy and electronic version (if available)
 - Flight Date
 - Origin City
 - Destination City
 - Flight Time (Hobbs Meter Reading)
 - Pilot in Command (PIC)
 - Co-Pilot (SIC)
- 2. Copy of flight log in electronic format (Excel, etc.) if available
- 3. Aircraft maintenance flight log
- 4. Passenger manifest for each flight leg
- 5. Aircraft purchase/sales documents
- 6. Aircraft lease/charter/operating agreements
- 7. Aircraft management contracts
- 8. Minutes/documents indicating the business purpose of the aircraft
- 9. Provide 280F qualified business use calculation
- 10. Provide any expense limitation or disallowance related to the aircraft? If yes, provide copies of the calculations.

	Departure	Arrival	Flight	Total		Business	Business
Date	City	City	Hours	PAX		Flight	Entertainment
11/5/2021		BNA	1.	5	0		
11/6/2021	BNA	MCO	2.	1	4		
11/14/2021	MCO	BNA	2.	2	4		
11/15/2021	BNA	PIT	1.	5	2	1.5	5
11/16/2021	PIT	BNA	1.	4	2	1.4	4
11/24/2021	BNA	DSM	1.	8	4		
11/28/2021	DSM	MSP	1.	2	1	1.2	2
11/29/2021	MSP	DSM	1.	2	0		
11/29/2021	DSM	BNA	1.	8	3		
12/1/2021	BNA	MSP	2.	1	0	(0
12/1/2021	MSP	BNA	2.	1	1	2.3	1
12/4/2021	BNA	DSM	1.	8	2		
12/6/2021	DSM	BNA	1.	8	2		
12/12/2021	BNA	BNA	0.	6	0		
12/14/2021	BNA	ORD	1.	5	3	1.5	5
12/15/2021	ORD	BNA	1.	5	3	1.5	5
12/18/2021	BNA	PIT	1.	5	2		1.5
12/19/2021	PIT	BNA	1.	5	2		1.5
12/20/2021	BNA	RSW	2.	1	4		
TOTALS			31.	2	14	9.7	2 3

Personal Flight Hours
Commuting
Personal Entertainme
Personal Non-Enterta
Personal Flight Hours for in
Fair Charter Value per hour
Income Inclusion

Aircraft Expense Disallowance Allocation Flight by Flight Hours Method

				Maintenance/	Verify	
	Personal	Personal Non-		Training/	Total Hrs	
Commuting	Entertainment	Entertainment	Unsubstantiated	Delivery	= Col. F	
						0
				0)	0
	2.					2.1
	2.	2				2.2
						1.5
						1.4
	1.	8				1.8
						1.2
		0				0
	1.	8				1.8
						0
						2.1
		1.8				1.8
		1.8				1.8
				O)	0
						1.5
						1.5
						1.5
						1.5
	2.	1				2.1
						0
						0
						0
	0 1	0 3.6	0	C) 2	25.8

	-
ent	10
inment	3.6
come inclusion	13.6
r	10,000
	\$ 136,000

Explanation of flight

Delivery flight of the new aircraft

Family went to Sea World and Universal Studios

Family went to Sea World and Universal Studios

Emails to set up meeting and follow up emails summarizing meetir

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Trip to see Chip's family with the kids

Holly going to a pet food convention and the taxpayer could provic

Deadhead to get plane back to DSM to take Chip and kids home

Trip to take Chip and kids home

Deadhead to go get Holly from the pet food convention

Holly home from pet food convention

Grandmothers funeral

Grandmothers funeral

Maintenance

Emails to set up meeting and new negotiated contract with distrib

Emails to set up meeting and new negotiated contract with distrib

Going to Steelers game with their banker

Home from Steelers game with their banker

Going to their 2nd home in Naples, FL