

Aviation Tax Law Webinar

Key Issues to Consider Concerning Selection and Use of an Aircraft Management Company/Federal Excise Tax Update



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Selecting a Management Company

➔ What issues are top of mind when an owner is contemplating selection of a management company?



Selecting a Management Company

- ➔ Are all management companies the same? If not, what differentiates one from another?
- ➔ From a management company perspective, what are you looking for when you initially consider the account? Are there any “sweet spots?”



Selecting a Management Company

- ➔ Describe some of the various staffing models and how you determine what's appropriate for the account?
 - Pilot pooling versus dedicated crews



Managing the Account

- ➔ What is the key to keeping a management relationship going?
- ➔ Financially, what should an owner expect?
 - Transparency? Right to audit?
 - Frequency of reports and communications – financial or otherwise
 - Segregated versus co-mingled operating accounts?



Managing the Account

→ Charter Revenue

- How do you approach this topic with the owner?
- What revenue is realistic in today's market? Does the management company have a conflict of interest on increasing retail charter rates?
- Transparency on "gross receipts" from charter
- Is there anything such as "guaranteed charter?"
- Sale of "dead head" flights



Managing the Account

→ Safety

- What do the owners need to know about safety?
- How do management companies balance safety standards versus high service levels (i.e. duty day, crew rest, pressing thru weather, difficult airports, etc.)?
- How do you react when an owner tests your safety standards?



Managing the Account

→ IRS & FAA Compliance

- What advice, if any, should the management company provide?
- Does the owner have expectations?

→ FET Update



FET Update

- ➔ IRS CCM 201210026, Released March 9, 2012 and dated February 15, 2012
- ➔ Virtually all amounts paid to aircraft management company are subject to FET.
- ➔ Control of an aircraft's pilots is a primary factor in determining which party has possession, command and control of an aircraft
- ➔ The CCM restates several IRS rulings from the past 50 years, but lacks any cohesive analysis or conclusions



FET Update

- NATA/NBAA lobbying efforts
- Several court cases involving fractionals currently being litigated
- No immediate fix



Wrapping Up the Account

- ➔ What are the most common reasons a relationship ends?
- ➔ What is the best way to manage that transition?
- ➔ Are there ethical or conflict of interests pitfalls to avoid?
- ➔ Is the crew permitted to transition along with the owner?



Closing Remarks



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