
From: Jeffrey Epstein <jeevacation@gmail.com>
Sent: Tuesday, September 17, 2013 9:05 PM
To: Thomas Turrin
Subject: Re: PRO-FORMA TAX TREATMENT - AIRCRAFT OPERATION

i believe the aircraft excise tax issue changed in may please research. nbaa might help

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On Tue, Sep 17, 2013 at 4:40 PM, Thomas Turri= <TTurrin@rem-co.com <mailto:TTurrin@rem-co.com> > wrote:

Jeffrey,

The attached schedule of pro-forma tax treatment is based on actual year 2012 activity and assumes the aircraft was placed in service on Jan 1st= 2012 and was Part 135 for the whole year.

Included in the schedule is the amount of US excise tax on the gross revenue (including revenue from business and "personal" use). Under Part 135, my understanding is that all of the "revenue" (including personal use) is subject to 7.5% US excise tax (per discussion with Pat Fenn at Akin Gump and based on my own research). <=p>

I calculated the loss using bonus depreciation (50%)=and without bonus depreciation.

The operation of the aircraft would be characterized=as a passive activity on Leon's return.

Leon would not be able to claim that he is material= participating in an active trade or business with respect to the aircraft operation (IRC=Code Sec 469). The loss would be deductible to the extent of Leon's income from other passive activit=es.

Passive activity income does not include portfolio i=come from interest, dividends and capital gains. Passive activity income is typi=ally real estate rental income as well

as other trade or business income from business activities in which the taxpayer
is not a material participant. </=>

As a passive activity, the losses not currently deductible against current passive income
would not be lost –but would be carried forward as (“suspended”) and would offset passive income
in future years including income from future disposal of the aircraft - mostly recapture
of depreciation.

Once the aircraft is officially Part 135 (lawyers say should be soon), Avioneta Holdings, LLC
would become an aircraft business with the aircraft “placed in service” for depreciation purposes.

I’m available to discuss.

Best,

Tom

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