

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. Contemporaneous documentation 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.

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Total Taxable Fringe Benefit for semi-annual

Total Taxable Fringe Benefits for Year

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Total Taxable

Total Taxable

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

› Fringe Benefit for semi-annual \$ -

› Fringe Benefits for Year \$ 1,923.91

Exercise Answers

Holly's Schedule C

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 to income inclusion inclusion on audit		
BAC Company			
Expense Disallowance			
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
Income Inclusion	136,000		

Withheld pursuant to exemption

(b)(5) Deliberative Process Privilege

of the Freedom of Information and Privacy Act

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