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Congress of the United States

JOINT COMMITTEE ON TAXATION
502 FORD HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–6453
(202) 225-3621
http://www.jct.gov

April 14, 2026

Honorable Sheldon Whitehouse
United States Senate
SH-530
Washington, D.C. 20510

Honorable Elizabeth Warren
United States Senate
SH-311
Washington D.C. 20510

Honorable Chris Van Hollen
United States Senate
SH-730
Washington D.C. 20510

Honorable Bernard Sanders
United States Senate
SD-332
Washington, D.C. 20510

Honorable Edward J. Markey
United States Senate
SD-255
Washington, D.C. 20510

Dear Senator Whitehouse, Senator Warren, Senator Van Hollen, Senator Sanders, and Senator Markey:

This letter provides a partial response to your inquiry of November 20, 2025, for information relating to tax benefits provided to businesses that own private jets for employee use. This letter describes the present-law Federal income tax rules related to the deductibility of private jet expenditures by businesses and the depreciation rules applicable to business aircraft, including bonus depreciation,[1] and presents data on depreciation deductions reported by taxpayers engaged in private jet service activities for the period 2018–2022. The letter also provides information on business jet deliveries and estimated sales revenues over that period.

This letter supplements our February 18, 2026, letter to you. The February 18 letter described present-law Federal income tax rules for determining the amount includable in employees' income as the value of non-commercial flights provided to them for primarily personal purposes on employer-provided aircraft and discussed differences between values for flights calculated with the Standard Industry Fare Level ("SIFL") formula and market prices for commercial and charter flights.

[1] In this letter the term "bonus depreciation" refers to 100-percent bonus depreciation.

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In general

Internal Revenue Code ("Code") section 274 generally disallows a deduction for any item with respect to an activity which is of a type that is generally considered to constitute entertainment, amusement, or recreation.[2] Prior to Public Law 115-97 (colloquially referred to as the Tax Cuts and Jobs Act or "TCJA"), a deduction was generally allowed with respect to an activity that was generally considered to be for entertainment, amusement, or recreation so long as the item was directly related to the taxpayer's trade or business. The TCJA eliminated the deduction with respect to entertainment, amusement, or recreation (regardless of whether such item was business or personal in nature).

Exceptions

Code section 274(e) provides specific exceptions to the application of the disallowance under section 274(a). Specifically, expenses incurred for goods, services, and facilities are not subject to the general deduction disallowance rule of section 274(a) to the extent that the expenses are treated as compensation to the employee.[3] This exception further provides a special rule for employees who are considered "specified individuals," under which the employer's deduction cannot exceed the amount of the income inclusion by the specified individual employee[4] plus any amount that the specified individual reimburses the employer.[5] The term "specified individual" generally means any individual who is subject to the requirements of the section 16(a) of the Securities Exchange Act of 1934 (*i.e.*, directors, officers, and certain shareholders). For other employees who are not specified individuals, an employer does not have a limitation based on the employee's income inclusion amount.

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[2] See sec. 274(a).

[3] See sec. 274(e)(2)(B). Note that entertainment does not include personal travel that is not for entertainment purposes (e.g., attending a family member funeral) and may be fully deductible. See Treas. Reg. sec. 1.274-10(b)(1).

[4] See sec. 274(e)(B)(i).

[5] See Treas. Reg. sec. 1.274-10(a)(2)(ii)(C).

Allocation rules

Treas. Reg. sec. 1.274-10(e) provides detailed allocation rules to determine the amount of expenses allocated to entertainment air travel of a specified individual. Generally, a taxpayer must use one of the following permissible methods:

1. The occupied seat hours: This method determines the amount of expenses allocated to a particular entertainment flight of a specified individual based on the occupied seat hours for an aircraft for the taxable year.
2. The occupied seat miles: This method determines the amount of expenses allocated to a particular entertainment flight of a specified individual based on the occupied seat miles for an aircraft for the taxable year.
3. The flight-by-flight method based on hours: This method allocates expenses per hour to a particular entertainment flight of a specified individual on a flight-by-flight basis.
4. The flight-by-flight method based on miles: This method allocates expenses per mile to a particular entertainment flight of a specified individual on a flight-by-flight basis.

Exhibit A attached to this letter includes an example that illustrates the application of the aforementioned four allocation methods.

A taxpayer must use the same method for all flights for the taxable year to determine the portion of the expenses allocated to entertainment (that would be subject to section 274) and the non-entertainment portion that could be deductible under other Code sections (*e.g.*, section 162 for ordinary and necessary expenses and section 168 for depreciation allowance).

Limitation on depreciation deduction

Separately, Code section 280F provides limitations on the depreciation for luxury automobiles and certain other property, including aircraft. Specifically, section 280F(b)(1) provides that if any listed property[6] (which includes aircraft) is not predominantly used in a qualified business use for any taxable year, any accelerated depreciation deduction (including bonus depreciation) claimed with respect to such property shall be redetermined under the alternative depreciation system (which results in a lower annual depreciation deduction). There

[6] Listed property is defined in section 280F(d)(4) to mean any passenger automobile, any other property used as a means of transportation, any property of a type generally used for purposes of entertainment, recreation, or amusement, and any other property of a type specified by the Secretary by regulations.

are also recapture rules if a listed property was predominantly used in a qualified business use when it was first placed in service but in subsequent years such property was not predominantly used in a qualified business use. The term "qualified business use" means any use in a trade or business of the taxpayer.[7] A property is treated as predominantly used in a qualified business if the business use percentage exceeds 50 percent, which is an annual determination.

Substantiation requirements

For a taxpayer to be able to claim a deduction related to an aircraft, that taxpayer must meet the substantiation requirements as outlined in section 274(d). The taxpayer is required to substantiate by adequate records or by sufficient corroborating evidence the amount of expense, the time and place of the travel, the business purpose of the expense, and the business relationship to the taxpayer receiving the benefit.[8]

Taxpayers use Form 4562, *Depreciation and Amortization,* to provide details related to depreciation and amortization claimed on a tax return. For listed property, a taxpayer is required to disclose whether (i) there is evidence that supports the business use being claimed, (ii) such evidence is written, and (iii) the taxpayer owns, leases, or charters the aircraft. The data presented in Table 2 below are derived from Form 4562 and reflect depreciation deductions claimed during the period 2018–2022. Accordingly, the following discussion describes the depreciation rules applicable during that period.

Depreciation rules applicable to tax years 2018–2022

A taxpayer generally must capitalize the cost of property used in a trade or business held to produce income and recover such cost over time through periodic deductions for depreciation or amortization. The recovery period typically begins when the asset is placed in service by the taxpayer. Tangible property generally is depreciated under the modified accelerated cost recovery system ("MACRS"). The type of property is used to determine the class life of the asset, which in turn dictates that asset's applicable recovery period. The MACRS recovery periods applicable to most tangible personal property range from three to 20 years. MACRS consists of two depreciation systems, the General Depreciation System ("GDS") and the

[7] See sec. 280F(d)(6)(B). There are special exceptions with respect to aircraft provided as compensation for the performance of services by five-percent owners or related person if less than 25 percent of the total use of the aircraft was qualified business use. See sec. 280F(d)(6)(C)(i) and (ii).

[8] See sec. 274(d).

Alternative Depreciation System ("ADS"). MACRS depreciation methods may allow for faster cost recovery than deducting costs ratably in each tax year using the straight-line method.[9]

The depreciation methods generally applicable to tangible property are the 200-percent and 150-percent declining balance methods, switching to the straight-line method for the first taxable year in which using the straight-line method with respect to the adjusted basis as of the beginning of that year yields a larger depreciation allowance.[10]

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[9] ADS requires the straight-line method and GDS may allow for faster cost recovery for qualifying tangible property.

[10] Under the declining balance method, the depreciation rate is determined by dividing the appropriate percentage (here 150 or 200) by the appropriate recovery period. This leads to accelerated depreciation when the declining balance percentage is greater than 100. Under the straight-line method, the cost of the property placed in service is deductible in equal amounts annually over the asset life.

Table 1 shows some examples of types of property and recovery periods during which the cost of the property may be depreciated.

Table 1
Examples of Types of Property by Recovery Period Asset Class

Asset Class	Types of Property
3-Year Property	Tractor units, certain racehorses, qualified rent-to-own property, certain computer software
5-Year Property	Automobiles, trucks, and other vehicles; noncommercial aircraft; computers; semi-conductor manufacturing equipment; medical equipment; construction assets; logging machinery; farm machinery; oil and gas drilling equipment; appliances and furniture used in a rental real estate; vessels used in marine construction; solar and wind energy property
7-Year Property	Office furniture, fixtures and equipment; railroad assets; commercial aircraft; motorsports entertainment complexes; fishing vessels
10-Year Property	Other means of water transportation including yachts, barges, and tugs; greenhouses and single-purpose agricultural structures used to house, raise, and feed a particular type of livestock or chickens and to house related equipment; fruit and nut bearing trees and vines; smart electric meters and grid systems
15-Year Property	Qualified improvement property (includes improvements to restaurant and retail property and to other interior portions of nonresidential real property), municipal wastewater treatment plants, telephone distribution plant and equipment, certain pipeline transportation assets
20-Year Property	General purpose farm buildings such as barns and machine sheds, land improvements for electric utility transmission and distribution plants

Residential rental property is recovered using the straight-line method over 27.5 years and nonresidential real property is recovered using the straight-line method over 39 years.

Under ADS, all property is depreciated using the straight-line method over the asset's assigned class life. ADS is required for tangible property used predominantly outside the United States, certain tax-exempt use property, tax-exempt bond financed property, certain imported property covered by an Executive order,[11] and certain property held by either a real property

[11] Sec. 168(g)(1).

trade or business or a farming business electing out of the business interest limitation under section 163(j). In addition, an election to use ADS is available to taxpayers for any class of property for any taxable year. The ADS election is generally irrevocable.

Depreciation of an asset begins when the asset is placed in service under the applicable convention. Under MACRS, nonresidential real property, residential rental property, and any railroad grading or tunnel bore are subject to the mid-month convention, which treats all property placed in service during any month (or disposed of during any month) as placed in service (or disposed of) on the mid-point of such month. All other property generally is subject to the half-year convention, which treats all property placed in service during any taxable year (or disposed of during any taxable year) as placed in service (or disposed of) on the mid-point of such taxable year to reflect the assumption that assets are placed in service ratably throughout the year.[12]

Bonus depreciation applicable to tax years 2018 - 2022

An additional first-year depreciation ("bonus depreciation") deduction equal to 100 percent of the adjusted basis of qualified property is allowed for property acquired after September 27, 2017, and placed in service before January 1, 2023 (January 1, 2024, for certain long production period property and certain aircraft). The 100-percent allowance is phased down by 20 percentage points per calendar year for property acquired after September 27, 2017, and placed in service after December 31, 2022 (after December 31, 2023, for certain long production period property and certain aircraft). Thus, in general, a first-year depreciation deduction of 60 percent of the adjusted basis of qualified property is allowed for property acquired after September 27, 2017, and placed in service in 2024 (80 percent for certain long production period property and certain aircraft).[13] Property qualifying for the bonus depreciation deduction includes property to which MACRS applies with an applicable recovery period of 20 years or less. Bonus depreciation accelerates deductions which otherwise would be taken in later years and thus provides a potential timing benefit to taxpayers.

Bonus Depreciation vs MACRS

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[12] If substantial property is placed in service during the last three months of a taxable year, a special rule requires use of the mid-quarter convention. The mid-quarter convention prevents the recognition of disproportionately large amounts of first-year depreciation allowances under the half-year convention.

[13] Under Public Law 119-21, 100-percent bonus depreciation is restored for qualified property acquired and placed in service after January 19, 2025.

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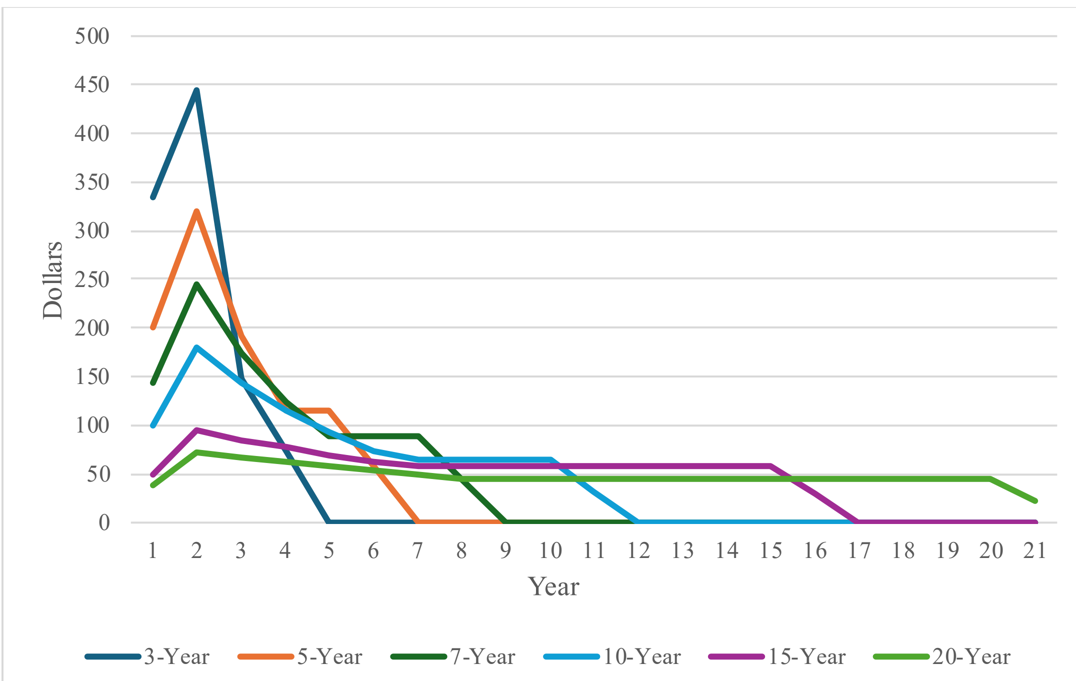
Figure 1 compares the pattern of depreciation deductions for $1,000 placed in service in Year 1. Under MACRS, shorter-lived tangible property receives higher deductions in the first few years while the deduction for longer-lived tangible personal property is spread out over a longer asset life.[14] Note that under MACRS, deductions in the first year are less than in the second year due to the half-year convention discussed above. However, under 100-percent bonus depreciation, the entire amount of the qualifying investment may be deducted in Year 1 with no subsequent deductions.

Figure 1
Annual Depreciation Allowance per $1,000 of Capital Expenditures under MACRS by Asset Class



[14] For purposes of this discussion, it is assumed that tangible property is not subject to straight-line depreciation under ADS.

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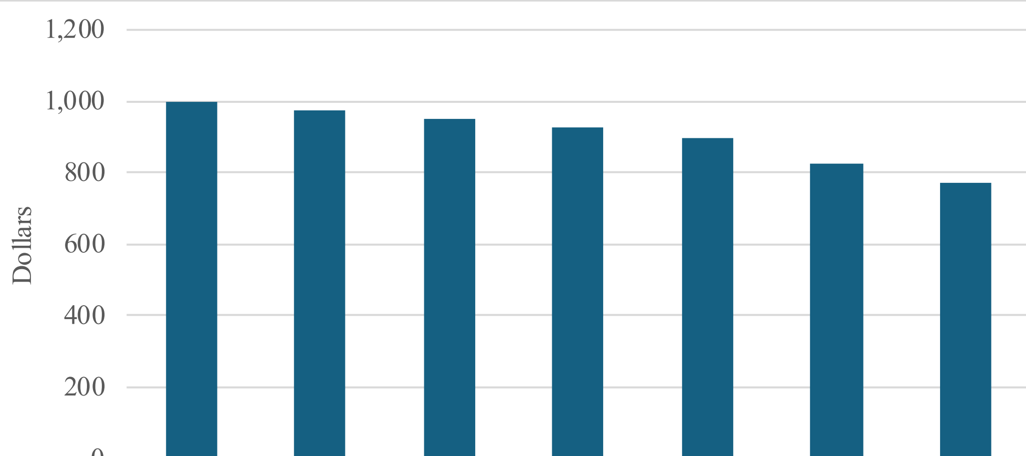
Net Present Value of Bonus Depreciation and Associated Tax Benefit

Using MACRS recovery periods illustrated in Figure 1, the net present value of claiming 100-percent bonus depreciation relative to claiming depreciation deductions under MACRS can be calculated. Figure 2 displays the hypothetical net present value of the various depreciation allowances under MACRS compared to 100-percent bonus depreciation for $1,000 of capital expenditures. Since such bonus depreciation permits a full deduction of the cost of the asset in the initial year, the net present value of $1,000 worth of capital expenditures is the full $1,000 allowance. As the recovery period (*i.e.*, the period of years over which depreciation deductions are allowed) increases, the net present value of the total deductions declines because a larger share of the deductions is realized in later years.[15]

Figure 2
Net Present Value of Depreciation Allowance Per $1,000 of Capital Expenditures



	Bonus	3-year	5-year	7-year	10-year	15-year	20-year
NPV	$1,000.0	$972.26	$949.12	$927.17	$895.91	$824.09	$774.55

The tax benefit of a deduction generally is determined by the taxpayer's estimated marginal tax rate, since each additional dollar of deduction reduces tax liability by that rate. Accordingly, the Joint Committee staff estimates the potential tax benefit of bonus depreciation relative to a particular MACRS recovery period by multiplying the taxpayer's estimated

[15] The discount rate used to calculate the net present values is three percent.

marginal tax rate by the difference between (1) the immediate deduction allowed under bonus depreciation and (2) the net present value of the deductions that would have been claimed if the investment were depreciated over the applicable MACRS recovery period. In the subsequent sections of this letter, this comparison is made relative to a seven-year recovery period because aircraft are classified as seven-year property in Table 1.

Data and Estimates on Taxpayers Engaged in Private Jet Service Activities

Depreciation deductions attributable to trades and businesses are reported on Form 4562, *Depreciation and Amortization*. For taxpayers engaged in private jet service activities,[16] Table 2 summarizes selected depreciation-related amounts reported on Form 4562 for tax years 2018–2022. Specifically, the table shows the basis of property placed in service reported in several broad categories—including property depreciated under MACRS (aggregating assets with 3-, 5-, 7-, 10-, 15-, and 20-year recovery periods), residential and nonresidential real property, and property depreciated under ADS—along with bonus depreciation deductions claimed and an estimate of the hypothetical tax benefit of bonus depreciation relative to a seven-year MACRS recovery period.[17] Taxpayers do not report the asset class of property placed in service for which section 179 and bonus depreciation is claimed.

[16] For purposes of identifying taxpayers engaged in private jet service activities, Joint Committee staff matched publicly available industry data on major business jet operators—focusing on companies that provide charter services—with tax return information. Specifically, the Joint Committee staff used Form 4562 data to extract selected depreciation-related items for taxpayers whose reported income is associated with private jet service activities. Because tax return data do not separately identify capital expenditures attributable to aircraft as distinct from other types of property, the estimates presented do not separately identify investment in aircraft, but rather reflect total capital investment by these taxpayers. However, because private jets typically represent relatively large capital expenditures for these firms compared to other equipment, the estimates likely capture a substantial portion of aircraft-related capital investment. Accordingly, the statistics presented in Table 2 may not be fully representative of the entire industry, but they provide informative coverage of many of the largest companies engaged in private jet services.

[17] None of the taxpayers in this sample claimed a section 179 deduction during the sample years 2018-2022.

Table 2
Form 4562, Selected Depreciation Items for Property Placed in Service and Hypothetical Bonus Depreciation Tax Benefit Relative to Seven-Year MACRS Recovery Period, Millions of Dollars, Tax Years 2018–2022

Item	2018	2019	2020	2021	2022
Bonus depreciation	5,340.1	6,298.0	5,175.3	4,233.8	4,682.8
MACRS-eligible property basis for depreciation	4,552.2	5,354.1	13,662.7	4,476.6	4,625.8
Residential real property basis for depreciation	0.3	2.9	-	-	-
Nonresidential real property for depreciation	649.1	686.9	688.4	429.1	540.1
ADS basis for depreciation	278.4	229.4	320.4	208.2	729.6
Total basis of property placed in service	10,820.1	12,571.2	19,846.8	9,347.7	10,578.3
Share of eligible basis for which bonus is claimed	49.4%	50.1%	26.1%	45.3%	44.3%
Hypothetical Bonus Depreciation Tax Benefit	70.0	82.6	67.8	55.5	61.4

Because taxpayers do not separately report the specific type of property or asset class for which bonus depreciation is claimed, the available data do not distinguish the portion of these deductions attributable to particular assets, such as aircraft. Accordingly, the tax benefit calculations compare the full amount of bonus depreciation claimed with the net present value of deductions that would arise if the same amount of investment were depreciated over a seven-year MACRS recovery period. For example, in 2020, approximately $5.2 billion of bonus depreciation was claimed: treating this amount as seven-year property, applying an estimated marginal tax rate for the sample, and comparing the immediate deduction to the net present value of deductions under MACRS yields an estimated tax benefit of $67.8 million, as reported in Table 2.

In Table 2, the entire basis of property for which the taxpayer elected bonus depreciation is reflected in the deduction as the half-year convention does not apply. The amounts shown as MACRS-eligible property represent the aggregate bases of assets placed in service for which bonus depreciation was not elected and that are depreciated over 3-, 5-, 7-, 10-, 15-, or 20-year recovery periods. The amounts shown for the residential rental and nonresidential real property are the bases of the property placed in service, not the amount of deduction for each asset class. The deduction is calculated using the applicable depreciation method after applying the half-year convention, or the mid-month convention in the case of residential rental and nonresidential real property. The ADS basis for depreciation is the basis of property placed in service that either required the application of ADS or for which the taxpayer elected to use the ADS.

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Data and Estimates on Business Jet Deliveries and Sales Revenue

Table 3 reports business jet delivery counts and associated sales revenues for tax years 2018–2022. The figures reflect the number of aircraft manufactured and delivered worldwide and the corresponding aggregate sales revenues.

Table 3
Business Jet Deliveries and Sales Revenue, Tax Years 2018-2022

Measure	2018	2019	2020	2021	2022
Global business jet deliveries (number of aircraft)	703	809	644	710	712
Global business jet sales revenue (millions of dollars)	18,053.7	21,076.9	17,972.0	18,959.0	19,810.5
Estimated business jet sales revenue attributable to U.S. deliveries (millions of dollars)	10,577.7	12,728.3	10,675.4	11,244.6	12,052.7

Source: Joint Committee staff calculations based on data from the General Aviation Manufacturers Association (delivery counts and regional distributions) and Aviation Week Network (aircraft pricing data).[18]

To provide a benchmark for the scale of activity in the United States, the table also reports an estimated measure of business jet sales revenue attributable to aircraft delivered into the U.S. market. This estimate is constructed by applying the regional distribution of global deliveries to reported global sales revenues. The resulting figures approximate the portion of global business jet sales associated with aircraft delivered in the United States.

[18] Joint Committee staff compiled global business jet delivery data by manufacturer using publicly available information from the General Aviation Manufacturers Association ("GAMA"). Because aircraft-level transaction prices and geographic delivery data are not directly observed in a single source, estimated sales revenues were constructed by applying average aircraft prices derived from industry sources, including Aviation Week Network's *Business & Commercial Aviation* publication, to reported delivery counts. Estimated U.S. sales revenues were calculated by applying the regional distribution of deliveries to global sales revenues.

Global business jet deliveries declined in 2020 relative to the preceding years, accompanied by a corresponding reduction in aggregate sales revenue. Deliveries and revenues subsequently recovered, with aircraft deliveries returning to levels broadly comparable to those observed prior to 2020 and sales revenues increasing accordingly. Estimated U.S. sales revenues follow a similar pattern, reflecting the temporary decline in global deliveries in 2020 and the subsequent recovery beginning in 2021.

I hope this information is helpful to you. If we can be of further assistance in this matter, please let me know.

Sincerely,

Thomas A Barthold

Thomas A. Barthold

Exhibit A
Simplified example on allocation methods for personal use of aircraft
Source: Sample from IRS LB&I Concept Unit, DCN COR-C-031 (June 2021)

Simplified facts

A taxpayer-provided aircraft is used for three flights during the taxable year, and all the passengers are specified individuals (as previously defined). The taxpayer incurs $200,000 in expenses for the operation of the aircraft for the taxable year. The table below shows the hours, miles, number of passengers, and whether the flight is for business or entertainment purposes.

Flight	Hours	Miles	Passengers	Purpose
1	3	737	2	1 passenger for business, 1 passenger for entertainment
2	5	645	6	All business
3	8	1,150	4	All entertainment
	16	2,532	12	

Allocation methods permitted under Treas. Reg. sec. 1.274-10(e)

1 Occupied Seat Hours Method

	A Hours	B Passengers	C = A X B Occupied Seat Hours (OSH)	Cost per hour	Business	Personal Disallowed
1	3	2	6	$ 2,941.18	$ 8,824	$ 8,824
2	5	6	30	$ 2,941.18	$ 88,235	
3	8	4	32	$ 2,941.18		$ 94,118
	16	12	68		$ 97,059	**$ 102,941**

Cost per hour is total expense of $200,000 divided by total occupied seat hours of 68.

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2 Occupied Seat Miles Method

	A	B	C = A X B			
	Miles	Passengers	Occupied Seat Miles (OSM)	Cost per Mile	Business	Personal Disallowed
1	737	2	1,474	$ 20.11	$ 14,823	$ 14,823
2	645	6	3,870	$ 20.11	$ 77,836	
3	1,150	4	4,600	$ 20.11		$ 92,518
	2,532	12	9,944		$ 92,659	**$ 107,341**

Cost per mile is total expense of $200,000 divided by total occupied seat miles of 9,944.

3 Flight-by-Flight Hours Method

	Hours	Passengers	Cost Per Hour (total cost/total hours)	Cost Per Flight	Business	Personal Disallowed
1	3	2	$ 12,500	$ 37,500	$ 18,750	$ 18,750
2	5	6	$ 12,500	$ 62,500	$ 62,500	
3	8	4	$ 12,500	$ 100,000		$ 100,000
	16	12		$ 200,000	$ 81,250	**$ 118,750**

Cost per flight is the cost per hour multiplied by the number of hours for each flight.

4 Flight-by-Flight Miles Method

	Miles	Passengers	Cost Per Mile (total expense/total miles)	Cost Per Flight	Business	Personal Disallowed
1	737	2	$ 78.99	$ 58,215	$ 29,107	$ 29,107
2	645	6	$ 78.99	$ 50,948	$ 50,948	
3	1,150	4	$ 78.99	$ 90,837		$ 90,837
	2,532	12		$ 200,000	$ 80,055	**$ 119,945**

Cost per flight is the cost per mile multiplied by the number of miles for each flight.