

Volume

1

VARDERO.COM

FLIGHT TAX CALCULATOR

User Guide

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Standard Industry Fare Level formula or SIFL

For purposes of the taxation of fringe benefits under Section 61 of the Internal Revenue Code, Section 1.61-21(g) of the Income Tax Regulations provides a rule for valuing noncommercial (or personal non-business) flights on employer-provided or employer-owned aircraft. Section 1.61-21(g)(5) provides an aircraft valuation formula to determine the value of such flights. The value of a flight is determined under the base aircraft valuation formula (also known as the Standard Industry Fare Level formula or SIFL) by multiplying the SIFL cents-per-mile rates applicable for the period during which the flight was taken by the appropriate aircraft multiple provided in section 1.61-21(g)(7) and miles (statute not nautical) traveled and then adding the applicable terminal charge. The SIFL cents-per-mile rates in the formula and the terminal charge are calculated by the Department of Transportation (DOT) and are reviewed semi-annually.

The SIFL amount is determined on a per-flight, per-person basis and generally reported to the responsible employee on IRS Form W-2 each taxable year.

The software is updated during the year to reflect the updated SIFL cents-per-mile rates and terminal charge rates that are periodically published.

How to calculate SIFL Amounts.

SIFL amounts for personal flights will be automatically calculated based on the data entered. It is important that all of the entries in the Passenger be correctly evaluated and selected/entered in order to get the most accurate calculations.

Qualified Business Use

In order to claim bonus depreciation and use accelerated depreciation methods for an aircraft, the "qualified business use" percentage for the aircraft determined under Internal Revenue Code ("IRC") Section 280F must be at least 50% (determined under either the flight by flight method (using either hours or miles) or the occupied seat method (using either hours or

50% QBU Test Must be met for bonus and accelerated depreciation.

miles)). The "qualified business use" percentage must also be in excess of 25% determined by excluding certain flights for control persons.

Entertainment and Commuting Flights

In the case of personal entertainment (for specified individuals as defined in IRC Section 274) and commuting flights, you must determine the costs allocable to these flights. These costs generally may not be deducted under IRC Section 274, except to the extent of income recognized by the employee.

Entering Flight Data

Before entering data for a flight, you should gather all pertinent information for the flight, including the flight hours, miles, departure and arrival airports, passengers, purpose for which each passenger travelled (business, personal, entertainment, commuting), the flight date, whether this was a repositioning flight, maintenance or training flight.



FIGURE 21.1 uses this caption text. In Word, the Caption style can be automatically numbered and labeled. Click **Caption** on the **Insert** menu to access and control the caption settings, Press the F1 key to search for additional information and Help on captions.

Entering Flight Data. **First**, enter the information for the flight, including the flight miles (statute not nautical), flight hours, departure airport, arrival airport and flight date. If a deadhead or repositioning flight, indicate whether the repositioning flight precedes a passenger flight or follows a passenger flight. The details for the passenger flight will in many instances determine the treatment of the repositioning flight.

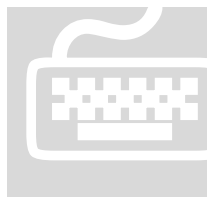
In the case of SEC Reporting Entities, any personal use of non-commercial travel for certain executive officers generally must be calculated and reported in accordance with SEC disclosure requirements, which require the disclosure of perquisites and personal benefits on the basis of the "Aggregate Incremental Cost" to the public reporting company. The aggregate incremental cost for a personal flight conducted on a business aircraft owned by the company equates to the variable costs (also known as direct operating costs in the aviation industry) of the flight. These costs include expenses such as fuel, oil, landing

fees, travel expenses for crew, hangar and facility fees when the aircraft is away from its home base, maintenance required based on the hourly operation of the aircraft, catering, insurance required for a particular flight, and overtime expenses for crewmembers, but exclude fixed costs incurred for the overall ownership and staffing of the aircraft and not for the operation of a particular flight. These incremental costs should be determined and entered for each flight.

Passenger Information: If a passenger is traveling primarily for business purposes, you generally only need to enter the passenger name and designate the flight as a business flight for such individual. If a passenger is traveling primarily for personal purposes, then each of the data points must be considered and completed or selected as appropriate. Whether a flight is primarily for business or personal purposes is generally based on the relevant facts and circumstances.¹ Additional information about particular passenger options may be accessed by tapping on the blue highlighted label associated with the option.

Enter Aircraft Details

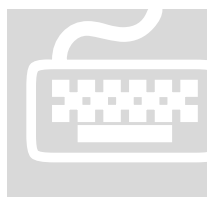
Before you can enter flight details, you must enter and save one or more aircraft on which travel occurs.



To enter and save Aircraft, select **Enter Aircraft** from the menu, enter the type of aircraft, maximum certified takeoff weight, maximum number of passengers, ownership structure and click **Save**. You can also delete previously saved Aircraft in the event the Aircraft is disposed of or retired. The details for saved Aircraft can also be modified if the originally entered information needs to be updated.

Reviewing Calculations.

You can review prior year and current year to date calculations at any time.



To review calculations, just select **Display Calculations** from the menu. By default, this will display current year calculations. To view prior years, just select the prior year from the drop down menu.

¹ [Treas. Reg. § 1.162-2\(b\)\(1\); CCA 202117012 \(4/30/2021\)](#) (sole proprietor can use “primary purpose” test in regulations to determine the deductibility of flight expenses for use of aircraft).

Important Disclaimer. This material has been prepared for informational purposes only and to assist with the use of the software, and is not intended to provide, and should not be relied on for, tax, legal or accounting advice. You should consult your own tax, legal and accounting advisors regarding the tax, legal and accounting aspects of aircraft ownership and use.