2017 Factory New HondaJet

Co-Ownership (Partnership) Cost of Ownership and Operation

Sales Price Outright – full ownership: $4,950,000.00
Sales Price per ¼ Share – co-ownership: $1,250,000.00
Sales Price per ⅓ Share – co-ownership: $1,650,000.00
Sales Price per ½ Share – co-ownership: $2,475,000.00

Financing Assumptions: aircraft is not financed – each share purchased for cash. Financing is available with recourse to each owner equally and with approved credit with 30%-35% down payment and 7 year term at approximately 6%-7% interest rate. If financed it will change the assumptions used below.

Income Tax Assumptions: if the sales takes place in 2017 and each co-owner meets the IRS definition that 50% of his aircraft usage is for “qualified business use” then, since the HondaJet meets the definition of a “new” aircraft, the MACRS (Modified Accelerated Cost Recovery System) is available - which means that each owner may take an accelerated depreciation deduction from their taxes of 60% of the sales price on year one (dropping to 16% in year two and so on, on a 5 year depreciation basis). Also all of each of the co-owner’s share of the Fixed Cost of Operation and the actual hourly Direct Cost of Operation will be deductible. If only part of each of the co-owners flights are for business there will still be provisions to write off part of the cost of ownership but on a more straight line depreciation schedule based on qualifying use.

** There are a variety of factors that taxpayers must consider in determining if an aircraft may be depreciated, and if so, the correct depreciation method and recovery period that should be utilized. For example, aircraft used in commercial service (i.e. Part 135) are normally depreciated under MACRS over a seven year recovery period or under ADS using a twelve year recovery period. Aircraft used for qualified business purposes, such as Part 91 business use flights, are generally depreciated under MACRS over a period of five years or by using ADS with a six year recovery period. There are certain uses of the aircraft, such as non-business flights, that may have an impact on the allowable depreciation deduction available in a given year. With this in mind, operators are encouraged to work with qualified aviation tax and legal counsel to determine the best approach for depreciating and deducting the HondaJet.

Other Assumptions:

** The HondaJet will be managed by a reputable Aircraft Charter and Management Company of the co-owners choosing. The costs below assume using Air7 and based in Camarillo (costs will be higher if based in Van Nuys or other SoCal location). The co-owners may opt to place the aircraft onto a Part 135 charter certificate in order to produce revenue to help offset total cost of ownership by utilizing the aircraft on paying charter flights when not in use for the owners. Expected charter revenue usage is listed separately. Also aircraft has full 3 year factory warranty as well as pilot training for year one and is enrolled on the Honda Hourly airframe and engine maintenance programs so that ALL parts and labor are included and budgeted at one monthly and hourly rate as noted below. Due to this there will be no other extra unexpected or budgeted maintenance and inspection charges. The HondaJet is a single pilot certified aircraft and this budget assumes hiring only one full time Captain, if a full-time copilot is desired by all the co-owner/partners then that additional fixed cost would be split equally by the partners. If a co-pilot is hired on a per-day/per-flight basis then that would be billed separately to the co-owner who requested the co-pilot for that flight.
Overall Cost of Operation and Ownership

Direct Operation Costs (DOC) – Per Hour:

Fuel – 120 gph @ $4.50/gal. - $  540.00
Maintenance – Honda P3 Protection+ plan incl. full parts and labor: $  120.00
Engine Overhaul, Hot Section, Maintenance – GE Honda EMC2 program: $  280.00
Misc. Flight Expenses, Catering, Crew Expenses, Supplies: $    60.00

Total Direct Cost - per flight hour (each co-owner pays DOC for only their flights): $1,000.00/hr

Fixed Cost of Operation – Per Month:

Crew Salary – Captain + benefits @ $120,000/yr: $10,000.00
Hangar – Camarillo including office for pilot: $  4,000.00
Insurance – full hull, $50 million liability @ $36,000/yr: $  3,000.00
Honda P3 Monthly Full Maintenance Program: $  4,000.00
Misc. Overhead, nav and XM subscriptions, cleaning, training, etc.: $  3,000.00

Total Fixed Monthly Cost of Operation (split equally among co-owners): $24,000.00
Per ¼ Share Co-Owner: $  6,000.00
Per ⅓ Share Co-Owner: $  8,000.00
Per ½ Share Co-Owner: $12,000.00

** If the HondaJet were to be flown on Part 135 Charter to help offset cost of ownership:

Retail Southern California Charter Rate: $2,250.00 per hour
85% Split to Co-owners - gross: $1,900.00 per hour
- less Direct Cost of Operation: $1,000.00 per hour
Net to Apply to Total Cost of Ownership: $  900.00 per hour

Aircraft is expected to fly an average of 12 hours per month when not flown by Co-Owners for a total monthly offset of Fixed Operating Costs of $10,000.00/month.

** Of course the tax deductions noted on page one will reduce the after-tax cost of operation considerably and can result in a large % of the costs being off-set by the tax savings.