

If a corporation makes its aircraft available to its employees for personal use, such as vacation trips, may the corporation deduct the actual costs of operating the aircraft on the trips, or is the corporation's deduction limited to the Standard Industry Fare Level (SIFL) used by the employee on his tax return in placing a value on this fringe benefit?

A corporation that makes its aircraft available for personal use to its employees as part of a compensation package may deduct the actual costs of operating the aircraft as an entertainment facility, even though the employee may place a value much lower than the actual costs of operating the aircraft when the employee reports use of the aircraft for personal purposes on his income tax return. For a more complete discussion of the issues presented in answering this question, please see Volume 135 of Flightwatch, August of 2003, which is displayed on this website with my monthly newsletters. Also, please see Sutherland Lumber-Southwest, Inc. v. Commissioner of the Internal Revenue Service, 114 T.C. 197, CCH Dec. 53, 817, United States Tax Court, Docket No. 23936-97, affd. *per curiam*, United States Court of Appeals for the Eighth Circuit, Docket No. 00-2827 (July 3, 2001), 2001-2 USTC ¶ 50, 503.