



POLITICIANS AND PLANES

by Tyler J. Holt

Around this time, every four years, like clockwork, we see noticeable changes in aviation markets. With the election upon us the conversations have shifted to “I’m waiting to see how the election goes”.

Politics aside, I’m here to tell you – *if Republicans win in November, buy a plane. If Democrats win in November, buy a plane.*

Of course, there are implications depending upon who is in power, no doubt. But the market reaction is almost always overdone, as if an election determines whether sun rises tomorrow or the sky falls. Indeed, specific industries and business can be adversely affected by an election and they should carefully consider potential changes in policy. However, for the overwhelming majority, changes in day to day operations are marginal and life goes on. And while moods swings of the market are swift, the actual real-life events they are supposedly based on, play out very slowly and sometimes never. **The savvy businessperson should buy now and take advantage. Here’s why:**

The current conventional wisdom in our industry is oversimplified to some form of this – I’m going to hold off on buying a jet until I know who wins the election. If Trump wins, I’m a buyer. If Biden wins, it’s all over.

The truth is, in our form of decentralized government, it goes much, much deeper. Should Biden win in November, the two primary factors that concern people are the tax increases and push towards clean energy. First, taxes: The tax increases as proposed will increase the tax burden on the majority of jet buyers. By my calculation, folks will see, on average, a 15% tax increase (excluding inheritance) depending how the income is derived and so on. So, on one hand, 15% less money in your pocket does suck indeed, but is not the end of the world by any means. Also, an increase in taxes also drives demand for deductions and private jets currently qualifies. Private jets may be in the crosshairs of democrats to be eliminated as a deduction but its undeniable that jets do have great business and economic value and on those grounds, I would expect any deduction limitations to be commensurate in nature. Then again, in the off chance I’m wrong and they are removed as a deduction all together, you must buy now and take advantage of the current tax law!

The next issue is the economic transformation that Biden proposes which is that the US reach 100% clean energy production by 2050. There is no doubt this would have real life impacts. If this is to occur, it would have much bigger impacts on the economy than marginal tax increases. With 100% clean energy, you are effectively wiping out nearly 10% of the economy over the next 30 years and trying to replace it. Sounds scary but have no fear. For starters, if the above



transformation cannot be done, it won't. It's that simple – any politician who cannot effectively replace the oil industry will quickly see themselves replaced by voters. So any shifts in our energy production must be effective by nature. In other words, its self-correcting. Secondly, much of this transition will happen with our without the government. Large corporations like Amazon have even more aggressive goals than the US government would under a Biden administration.

Lastly, its important to remember that all of these proposed changes are BEFORE negotiations. Should the GOP retain power in the Senate, all of these proposals will have to be reworked for Senate approval. In other words, the proposals are just Democratic aspirations and very unlikely to be approved in any form that resembles what they currently are. Even should the Democrats take control of the Senate, its likely to be 50-50 split or 51-49 majority which is hardly a majority as there are some Democratic senators who would not be able to support some of the plans.

Even in the scenario of a “Blue Wave”, which may create a less business-friendly environment, this is not reason to put off a jet purchase - to the contrary - you should ride the wave and buy a jet NOW, in 2020 before rules change.

Note: None of the above is an endorsement of, or advocating or, any candidate or policy position. This was written purely from the standpoint of how it relates to purchasing a jet. As stated, this writing applies in general terms. Obviously, everyone's situation is unique and you make evaluations on the specifics of your situation.