Accounting Essentials for Aircraft Valuation

Whitepaper by David Fisher

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Accurate aircraft valuation is essential for financial reporting, tax planning, audit preparation, and transactional support. Unlike traditional assets, aircraft do not follow predictable depreciation curves. Their value varies based on maintenance status, equipment, market conditions, operational use, and documentation quality. For accountants, understanding these variables is critical to ensuring clients remain compliant and financially protected.

With more than 40 years of appraisal experience, I work closely with CPAs and finance professionals to provide independent, USPAP-compliant valuations that support clean, defensible accounting.

Below are the essentials every accountant should know.

1. Fair Market Value is Not Book Value

Aircraft rarely align with standard depreciation schedules. Market value depends on:

- Current buyer demand
- Comparable sales
- The aircraft's maintenance and equipment status
- Market cycles within the aviation industry

Book value often diverges significantly from true FMV, requiring periodic valuation support for accurate reporting.

2. Maintenance Status Directly Influences Value

Major maintenance events—such as engine overhauls, inspections, and life-limited replacements—can add or reduce hundreds of thousands of dollars in value.

Accountants should consider:

- Upcoming inspection costs
- Engine time and program enrollment
- Airworthiness status
- Damage history and quality of repairs

These factors often explain large discrepancies between book and market value.

3. Avionics, Technology, and Upgrades Matter

Modernization plays a significant role in FMV.

Key value drivers include:

- Glass cockpit conversions
- ADS-B, WAAS/LPV compliance
- Engine monitoring systems
- Connectivity and cabin upgrades
- OEM-supported avionics vs. legacy systems

Aircraft with outdated avionics may experience accelerated depreciation or reduced marketability.

4. Documentation Quality Impacts Valuation

Accurate valuation begins with accurate records. Missing, inconsistent, or reconstructed logbooks reduce both value and audit defensibility.

Essential documents include:

- Complete logbooks
- STC and modification paperwork
- Maintenance entries
- Airworthiness certificates
- Warranty and program enrollment details

Strong documentation protects your client in both audits and transactions.

5. FMV is Crucial for Tax Planning

Aircraft valuation intersects with several tax areas, including:

- Bonus depreciation
- Section 179
- 1031 exchanges
- Recapture calculations
- Basis adjustments
- Gain or loss recognition on sale

A defensible FMV ensures compliance and reduces audit exposure.

6. Impairment Testing Requires Real Market Insight

If market value drops below book value, impairment assessment may be needed.
Triggers include:

- Declining market conditions
- Reduced utilization
- Damage events
- Aging equipment

Independent valuation helps determine if impairment is required and supports documentation for auditors.

The Bottom Line

Aircraft valuation is more nuanced than traditional fixed assets. Market shifts, maintenance status, avionics changes, and documentation quality all influence FMV—and these differences matter in tax planning, audit preparation, and financial reporting.

My role is to support accounting professionals with clear, independent, USPAP-compliant valuations that help you:

- Ensure accurate FMV for reporting and tax filings
- Support depreciation and basis calculations
- Strengthen audit readiness
- Reduce risk and eliminate valuation uncertainty
- Guide clients through acquisitions, sales, and exchanges

If you're working on a client file and need valuation clarity, I'm here to help.

David Fisher
Owner | Western Aviation
Sr. Accredited Appraiser with the American Society of Appraisers (ASA).
All appraisal reports are USPAP compliant.
Book a FREE consultation today!

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