

nis Wolter and his crew of nit-picking experts at Air Mod. In addition to many special features such as individual reading lights and custom-fitted seats, a sound-suppression package by Skandia Designs was installed. This, combined with thicker windshield and side windows from Beryl D'Shannon, lessened cabin noise considerably.

Norm flew his Mooney 110 hours last year. To help the Elliotts get introduced to their Bonanza, the American Bonanza Society is contributing one year's membership, enrollment in the acclaimed Bonanza/Baron Pilot Proficiency Program, and an airplane inspection at an ABS service clinic. When asked about being a two-airplane family, the Elliotts said they would probably sell the Moon-

ey to make room in their hangar for the Bonanza. "Norm just turned 50 in January. This is quite a birthday present," said Joyce. "I think it will keep him from getting bored because now he will have a new challenge."

It sounds like a tough job, but someone has to do it, and if the size of those smiles is any gauge, Joyce and Norm Elliott are the couple for the task. **AOPA**

i Links to additional information about the AOPA Sweepstakes may be found on AOPA Online (www.aopa.org/pilot/links.shtml).

The picky little stuff



Fine-detail work is accomplished for our Waco UPF-7

With the sweepstakes Bonanza project drawing to a close, work on our next project, a Waco UPF-7 sweepstakes continues. There are tens of thousands of parts in the UPF-7. Constructing each one requires careful, skilled craftsmanship.

Roy Redman and his crew at Rare Aircraft in Owatonna, Minnesota, have accomplished a great deal and are ahead of schedule, but are now working on the smallest details of our 1940 biplane trainer.

Daycleth "Doc" Walker, whom you met in February *Pilot* ("AOPA Centennial of Flight Sweepstakes: We Have Wings!"), is putting a wood-slat cage on the steel-tube fuselage. The covering will be fastened to it. Dan Pflieger is rebuilding the rudder. Tom Novak is working on the trim systems.

"The slow part is the picky stuff, such as the handles for the fuel valves, the linkages, and control rods with new bearings. I spent days on that," Redman recalls. The goal was to have all the subsystems and controls in the fuselage by March 15.

By the time you read this, the aircraft will have passed its second major stage: preassembly of the uncovered aircraft. The purpose is to make sure everything fits well. After that the aircraft will get plumbing for fuel and wiring. Then it will be time to cover the frame with Ceconite covering material.

If all goes well, the Centennial of Flight Sweepstakes Waco may fly in time to wing its way west toward AOPA Expo from October 24 through 26 in Palm Springs, California. There, you'll get to meet the craftsmen themselves at a special Expo seminar.

—Alton K. Marsh



i Links to additional information about the AOPA Sweepstakes Waco UPF-7 may be found on AOPA Online.

Taking on the tax man

If you win, you'll find the FARs easy to deal with compared to the IRS rules

One of the most oft-asked questions regarding our sweepstakes project is, "How much will the taxes be?" The question comes up so much and is asked with such trepidation that one wonders if some people don't enter the contest for fear of winning—as if somehow the tax bite will be bigger than the prize itself.

It isn't.

The value of a sweepstakes prize is taxed as income in the year in which the prize is delivered. So, since AOPA typically delivers its sweepstakes prize in February, any winner actually has more than a year to enjoy the airplane before the tax man taketh on April 15 of the following year. However, because of the tax liability inherent in any such prize, a winner really should consult a tax advisor immediately. In order to avoid penalties, it may be necessary to make quarterly tax payments the year the prize is delivered.

On the April 15 that the tax is due, a winner whose family is making, say, \$70,000 per year and has normal deductions may find himself owing an additional federal tax of approximately \$104,000. This does not include any applicable state income tax, since tax rates vary from state to state.

Few people have that kind of cash lying around to pay taxes. So one choice is to sell the airplane to pay the tax. In this case, if the airplane sold for \$300,000, the person could

pay the federal taxes and net \$196,000, basically enough to pay your state income taxes and buy another very nice airplane, pay off the house, put the kids through college, or whatever.

Or a better choice, we think, is to take out a loan against the value of the airplane to pay the taxes. According to the AOPA Aircraft Finance Program, the winner could borrow the amount to pay for federal and state taxes at 8 percent over 20 years for a monthly payment of between \$960 and \$1,200.

Another oft-asked question: "Why can't AOPA help pay the tax bill?"

Because the more AOPA provides, the greater the tax bill will be. Whether the winnings come in the form of an airplane or in cash to help offset the taxes, the entire amount is considered part of the prize. It's a vicious cycle that the IRS dearly loves to see.

In the end, after the taxes are paid, the winner who sells the sweepstakes aircraft ends up with a nice pile of cash—perhaps to buy another airplane. The winner who keeps his prize has a wonderfully refurbished, unique airplane for a fraction of what such an airplane would cost outright.

Hope you win the next one.

—Thomas B. Haines

James Hurst and Jeff Straits contributed to this report.