COMMITTEE ON FINANCE
NEWS RELEASE

Max Baucus, Chairman
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FINANCE VOTES TO BOOST FAA, HIGHWAY TRUST FUNDS

Baucus plan directs funds to Minnesota bridge collapse, fills highway trust fund holes, Provides for new satellite-based air traffic control system

Washington, D.C. – The Senate Finance Committee voted 16 – 5 today to ensure vital funds for U.S. bridge and road repair – including the direction of dollars to the I-35 bridge collapse in Minneapolis, Minn. – and to fund a new satellite system for American air traffic control. Chairman Max Baucus (D-Mont.) led the markup of the American Infrastructure Investment and Improvement Act, which fills 2009 shortfalls in the Highway Trust Fund and reauthorizes the Airport and Airway Trust Fund (AATF) as well. Baucus's Chairman's Mark adds $430 million each year to the AATF fund the satellite-based NextGen air traffic system, and restores $5 billion to the Highway Trust Fund for 2009. The measure is now reported to the full Senate for consideration.

"America's bridges, roads, and skies must be safe for every traveler. From long-overdue bridge and highway repair to the latest in satellite-based air traffic control, this legislation provides funds needed to keep our country moving safely and efficiently," said Baucus. **"We're making the highway trust fund whole and significantly improving air traffic systems, and doing it in a fiscally responsible way."**

Prior to the markup, Baucus consulted with Finance members on modifications to the original Chairman's Mark of the air and highways bill that was released on Monday. These included:

- Authorization for the use of Highway Trust Funds specifically to address the Minnesota I-35 bridge collapse
- A "Truth in Passenger Tax Disclosures" provision preventing airlines from presenting fuel surcharges as government-imposed taxes
- A requirement that new accruals in air carrier pension plans must be funded
- Liberty Zone incentives for New York City
- Exemptions for some shippers from the Harbor Maintenance Tax at U.S. ports in the Great Lakes/St. Lawrence Seaway system.

Some technical corrections were made as well. The committee also accepted a fully-offset amendment to provide tax credit bonds for rail infrastructure.

The NextGen system funded in the Chairman's Mark will make air travel safer and reduce delays for millions of airline passengers. In addition to reauthorizing the AATF, the Chairman's Mark dedicates funding for this modernization of the air traffic control system. Approximately $265 million of the additional $430 million in funds will come from General Aviation, or private jets, with the rest provided through commercial carriers.

General Aviation: The Chairman's Mark increases the General Aviation jet fuel tax from the current 21.8¢/gallon to 36¢/gallon. This will provide approximately $203 million per year over the four-year AATF reauthorization.

Fractionals: Fractionals are partially (fractionally) owned aircraft, with parties owning shares of a plane. The Chairman's Mark would classify fractionals as General Aviation jets for fuel tax purposes. At the same time, the Mark would repeal the 7.5% ticket tax to which fractionals are subject, and replace it with a departure tax of $58 per flight. These proposals will provide approximately $54 million per year over the four-year AATF reauthorization.

Airlines: The mark raises commercial carriers' share of NextGen funding by approximately $163 million per year with changes to the international arrival/departure tax. For 2007, international air passenger transportation is subject to a tax of $15.10 per arrival or departure if the transportation begins or ends in the U.S. Under the Chairman's Mark, the tax on international departures and arrivals would be $16.65 each way.

Also included is an $8 million provision eliminating the tax-exempt status of some light jet aircraft.

Baucus's Chairman's Mark also addresses looming shortfalls in the Highway Trust Fund. This month, the Congressional Budget Office projected that the highway trust fund would face a 2009 shortfall of $4.3 billion, with further shortfalls in 2010 and beyond. New and necessary funds to repair America's bridges will increase the 2009 shortfall to $5 billion. The Chairman's Mark will ensure the solvency of the Highway Trust Fund through 2009, as follows:

Replenishing Emergency Spending from Highway Trust Fund: Since 1998, more than $3.3 billion has been spent from the Highway Trust Fund to respond to emergencies such as the September 11 attacks and several hurricanes. Unforeseen expenses as a result or terrorism or natural disasters should more appropriately be met by the General Fund. The proposal would replenish the Highway Trust Fund with a total of $3.4 billion.

Suspending of Transfers from Highway Trust Fund for Certain Repayments and Credits. Under present law, transfers are made from the Highway Trust Fund into the General Fund relating to amounts paid with regard to gasoline used on farms, used for some non-highway purposes or by local transit systems, relating to fuels not used for taxable purposes, and income tax credits for certain uses of fuels. The provision will discontinue these payments from the Highway Trust Fund for a limited time, saving $745 million for the Trust Fund.

Fuel Fraud Provisions. The Energy Advancement and Investment Act of 2007 approved by the Finance Committee in June contained several provisions to improve tax law compliance, including the taxation of tax finished gasoline at the refinery gate, the imposition of an excise tax on certain removals of taxable fuels from foreign trade zones, and treatment of qualified alcohol fuel mixtures as taxable fuel, among others. Enactment of these anti-fraud provisions will provide approximately $900 million in new funding to the Highway Trust Fund by 2009.

The General Fund costs of the Chairman's Mark are fully offset as follows:

Increasing and Extending the Oil Spill Liability Trust Fund Tax. The Energy Advancement and Investment Act of 2007 contained a provision to increase the oil spill tax from five cents a barrel to 10 cents, effective for the first quarter that begins 60 days after date of enactment and sunset 12/31/2017. Enactment of this provision will provide $3.5 billion to offset costs.

Corporate Inversions. Companies manipulating the U.S. worldwide tax system have avoided paying U.S. corporate income tax by setting up post office drops in tax haven countries. The American Jobs Creation Act taxing these “corporate inversions” applied to inversions occurring after March 4, 2003. The proposal would move the effective date back to March 20, 2002. This provision will provide $1.2 billion to offset costs.

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