

Modified Summary of the Airport and Airway Trust Fund Reauthorization Act of 2011

Air Traffic Modernization Account. The bill establishes an Air Traffic Control System Modernization Account in the Airport and Airway Trust Fund. This account will receive \$400 million per year through taxes imposed on jet fuel, with funding available for expenditures related to modernization and implementation of NextGen.

General Aviation Jet Fuel. The bill sets the general aviation (GA) jet fuel tax at a rate of 35.9 cents per gallon, increasing it from the current rate of 21.8 cents per gallon.

Fractionals. Fractional aircraft are subject to commercial aviation taxes, including an ad valorem tax of 7.5 percent, a \$3.70 segment tax, and a 4.3 cents per gallon fuel tax. For purposes of FAA safety regulations, fractional aircraft are treated as a category of general aviation (GA). The bill classifies fractional flights as GA for tax purposes, subject to the GA fuel tax rate of 35.9 cents per gallon. In keeping with the intent of the bill that funding for a modernized system should be broadly shared, the bill establishes a 14.1 cents per gallon surtax on fractional fuel. Like most other taxable motor fuels, aviation fuels are subject to an additional 0.1 cent per gallon Leaking Underground Storage Tank (LUST) tax.

Non-Established Lines. Under section 4281 of the Internal Revenue Code, transportation by aircraft weighing 6,000 pounds or less is exempt from certain AATF taxes unless the aircraft operates on an “established line,” defined by IRS as a route “operated with some degree of regularity between definite points.” The bill repeals the exemption for transportation by small aircraft operating on non-established lines. The current-law exemption for flights operated for the sole purposes of sightseeing is unchanged by the proposal. *An amendment to this provision, filed by Senator Ensign (R-Nev.), would preserve tax fairness for small air tour operators by specifying that the tax exemption repeal applies only to turbojet-powered aircraft.*

Transparency in Disclosures. The bill prohibits transportation providers from including amounts other than charges payable to a government entity in the required disclosure of passenger taxes on tickets and in advertising. The intent of the proposal is to avoid passenger confusion as to which charges are taxes and which are not.

Ensuring the Solvency of the Airport and Airway Trust Fund. This provision would require that not more than 90 percent of the expected AATF revenues are appropriated each year in order to protect against overly-optimistic revenue projections. The projections are based on first quarter revenues from the preceding fiscal year, and for that reason, can be inaccurate if revenues drop. *This provision was filed as an amendment by Senator Coburn (R-Okla.).*

Amending the internal revenue service code of 1986 to allow tax-exempt bond financing for fixed-wing emergency medical aircraft. This provision would clarify that the general restriction against the use of tax-exempt bonds for purchasing an airplane does not apply in the case of planes that are equipped for and exclusively dedicated to providing acute care emergency medical services. It would be effective for bonds issued after the date of enactment. *This provision was filed as an amendment by Senator Cantwell (D-Wash.).*

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