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## BAUCUS UNVEILS CHAIRMAN'S MARK TO REAUTHORIZE AIRPORT AND AIRWAY TRUST FUND

*Finance Chairman's Mark Will Support Hundreds of Thousands of Jobs, Extend the Life of the Fund*

**Washington, DC** – Senate Finance Committee Chairman Max Baucus (D-Mont.) today unveiled his Chairman's Mark for the Airport and Airway Trust Fund Reauthorization Act of 2011 and announced the committee would consider the legislation this **Tuesday, February 8, at 9:00 a.m. in Room 215 of the Dirksen Senate Office Building**. Baucus's legislation would reauthorize the Airport and Airway Trust Fund and thereby support thousands of jobs in the aviation industry across every state in the country.

**"Modernizing our runways and air-traffic control network will improve safety, protect consumers and create jobs,"** said Baucus. **"We simply cannot continue to lead the world economy if we don't invest in infrastructure, especially our transportation infrastructure."**

Reauthorizing the trust fund will support jobs throughout the airline industry. It will also finance airport construction projects that create jobs across the country. The Department of Transportation estimates that every \$1 billion spent on transportation supports 35,000 jobs.

Reauthorization of the trust fund will modernize the aviation system with state-of-the-art technology, including the NextGen satellite air traffic control network. The NextGen network will replace the outdated radar systems currently used for air traffic control, and it will improve the efficiency, capacity and safety of aviation by more precisely tracking aircraft and maximizing the use of airspace. This new system will reduce lengthy delays that cost the economy nearly \$33 billion in 2007 alone, according to a Federal Aviation Administration (FAA) report.

The NextGen system will also improve safety for air travelers. Because of the greater overall accuracy of a satellite-based system compared to our current radar-based one, aircraft will be able to maneuver safely much closer together, allowing airports to maximize the use of existing runways and build future runways closer together.

NextGen is particularly important because by 2030, the U.S. air-traffic system will handle an estimated 191,000 flights per day, up from about 140,000 flights now. During the same period, the number of passengers on U.S. flights is estimated to increase from its current 645 million to over one billion.

The Airport and Airway Trust Fund (AATF) was established in 1970 to finance expenditures on national aviation programs. AATF funding comes from taxes on passenger tickets, flight segments, international arrivals and departures, cargo waybills and aviation fuel.

Once the Committee acts on and passes the legislation, it will be offered as an amendment to the FAA Air Transportation Modernization and Safety Improvement Act, which is currently under deliberation by the full Senate. The text of the Chairman's Mark and cost estimates provided by the Joint Committee on Taxation are attached, and a summary of the Chairman's Mark follows here.

## 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. 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

**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.

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