

DUTY-FREE TREATMENT OF CERTAIN FISH NETTING

SEPTEMBER 26 (legislative day, JUNE 12) 1980.—Ordered to be printed

Mr. LONG, from the Committee on Finance,
submitted the following

REPORT

[To accompany H.R. 6571]

The Committee on Finance, to which was referred the bill (H.R. 6571) to amend the Tariff Act of 1930 to temporarily continue the present duty-free status of the cost of fish net and netting purchased and repaired in Panama, having considered the same, reports favorably thereon with an amendment and an amendment to the title and recommends that the bill as amended do pass.

The amendment is shown in the text of the bill in *italic*.

House bill.—H.R. 6571, as it passed the House, provided for a temporary extension, October 1, 1979 through December 31, 1981, of the duty-free status of the cost of fish net and netting purchased and repaired in Panama.

Committee bill.—The committee amendment deletes the provision relating to the duty-free status of certain fish net and netting purchases and repairs, and adds provisions relating to (1) a one-year extension of aviation-related excise taxes, (2) a one-year extension of the transfers of the revenues to the Airport and Airway Trust Fund, and the authorization to expend from the Trust Fund, (3) increase of the fuels tax for noncommercial aviation, (4) exemption from the fuels taxes for certain helicopter use, (5) repeal of the aircraft use tax for non-commercial aviation, and (6) modification of the definition of airport facilities for purposes of tax-exempt industrial development bonds.

I. SUMMARY

Extension of Aviation Excise Taxes Transferred to the Airport and Airway Trust Fund

Under present law, the aviation excise taxes now transferred to the Airport and Airway Trust Fund are scheduled either to expire or be reduced on October 1, 1980. For example, the present 8-percent air passenger ticket tax would be reduced to 5 percent, and the 5-percent air freight waybill tax, the \$3 international departure tax, and the aircraft use tax would expire. As of October 1, 1980, revenues from the air passenger ticket tax would go into the general fund.

The committee bill extends the present 8-percent ticket tax, the 5-percent waybill tax, and the \$3 departure tax for one year, or from October 1, 1980 through September 30, 1981. The bill also continues the transfer to the Airport and Airway Trust Fund of the revenues from these aviation taxes—and from the taxes on noncommercial aviation fuels, aircraft use, and aircraft tires and tubes (summarized below)—for the period October 1, 1980 through September 30, 1981. In addition; from the bill extends the authority to make expenditures from the Trust Fund for one year.

Excise Taxes on Fuels Used by Noncommercial Aviation

Under present law, there is an excise tax of 7 cents per gallon on fuels (gasoline and other fuels) used by noncommercial aviation. On October 1, 1980, the tax on gasoline would decrease to 4 cents per gallon, and the tax on nongasoline aviation fuels (e.g., kerosene—jet fuel) would expire. At that time, the gasoline tax revenues from noncommercial aviation would revert to the Highway Trust Fund.

The committee bill extends the 7-cents-per-gallon tax on noncommercial aviation fuels through December 31, 1980, and then increases the tax to 8½ cents per gallon for the period January 1, 1981 through September 30, 1981. In addition, the bill provides an exemption from the fuels taxes for certain helicopter usage, effective January 1, 1981. Helicopters exempted are those used in noncommercial aviation for natural resource discovery and recovery and forestry operations; where the helicopters do not utilize facilities eligible for Federal assistance.

Aircraft Use Tax and the Tax on Tires and Tubes

Under present law, there is an annual aircraft use tax on civil aircraft, composed of two parts: a \$25 per plane tax, plus a weight tax. The weight tax is 3½ cents per pound for turbine-powered (jet) aircraft and 2 cents per pound for nonturbine-powered aircraft for each pound in excess of 2,500 pounds of maximum certificated takeoff weight. The aircraft use tax is scheduled to expire on October 1, 1980.

The committee bill repeals the aircraft use tax for noncommercial aviation, effective July 1, 1980, and extends the use tax for commercial aviation through September 30, 1981.

In addition, the committee bill extends the transfer of the taxes on aircraft tires and tubes to the Airport and Airway Trust Fund for the period October 1, 1980 September 30, 1981. Otherwise such tax revenues would be deposited in the Highway Trust Fund.

Tax-Exempt Industrial Development Bonds for Airport Facilities

Under present law, tax-exempt industrial development bonds may be used to finance airports. The term "airport" includes facilities such as terminals, runways, hangars, repair shops, certain other facilities, and facilities functionally related and subordinate to an airport.

The committee bill expands the definition of an airport to include any facility the principal use of which is directly related to the air transportation business of a shipping company or airline. Such a facility will be considered part of an airport regardless of whether it serves a systemwide, regional, or a single airport function.

II. EXPLANATION OF THE BILL

A. Extension of Aviation Excise Taxes and Transfers of Revenues to the Airport and Airway Trust Fund

1. Overview of present aviation excise taxes

Schedule of present aviation excise taxes

The Airport and Airway Revenue Act of 1970 (title II of the Airport and Airway Development Act of 1970) increased some existing aviation user taxes, imposed some new aviation user taxes and established the Airport and Airway Trust Fund to receive revenues from these user taxes.

Under present law, the aviation-related excise taxes now transferred to the Airport and Airway Trust Fund are scheduled either to expire or be reduced on October 1, 1980. The following table shows the present law aviation excise taxes and the rates scheduled for October 1, 1980, under present law. (Public Law 96-298 extended the present rate schedule for the period July 1, 1980 through September 30, 1980.)

SCHEDULE OF AIRPORT AND AIRWAY TRUST FUND EXCISE TAXES UNDER PRESENT LAW

Tax (and Code section)	Present rate	Rate scheduled for Oct. 1, 1980
Air passenger ticket tax (secs. 4261 (a), (b) and (e))-----	8%	5%
Air freight waybill tax (sec. 4271)-----	5%	-----
International departure tax (sec. 4261(c))-----	\$3	-----
Fuels tax for noncommercial (general) aviation (per gallon) (sec. 4041(c)) ¹ -----	7¢	4¢
Aircraft use tax (sec. 4491) ¹ -----	(2)	-----
Aircraft tires and tubes tax (secs. 4071)-----	(3)	(3)

¹ The tax does not apply to aircraft owned by a tax-exempt aircraft museum, as defined in sec. 4041(h), which museum is operated exclusively for the procurement, care, and exhibition of World War II aircraft.

² A tax of two parts: (1) a \$25 annual per plane registration tax, plus (2) a weight tax of 3½ cents per pound for turbine-powered (jet) aircraft and 2 cents per pound for nonturbine-powered aircraft for each pound in excess of 2,500 pounds of maximum certificated takeoff weight.

³ Taxed at the general rates for nonhighway tires (5 cents per pound) and tubes (10 cents per pound) under Code sec. 4071.

⁴ Tax on gasoline fuel only. As of October 1, 1980, the additional 3-cent-per-gallon tax on gasoline used in noncommercial aviation aircraft would expire, and the 7-cents-per-gallon tax on nongasoline fuels (e.g., kerosene—jet fuel) would also expire.

Other legislative action on Airport and Airway Trust Fund

S. 1648

The Senate trust fund authorization bill, S. 1648 (which has passed the Senate), provides trust fund authorizations for 5 years, fiscal years 1981-1985. S. 1648 does not extend the trust fund taxes nor the authorization to expend from the trust fund.

H.R. 6721

The House Ways and Means Committee approved an amendment that relates to the taxes and trust fund, which is to be offered as a separate title of H.R. 6721 (the Airport and Airway Improvement Act of 1980), as reported by the House Public Works and Transportation Committee and the House Science and Technology Committee. As reported by the House authorizing committees, H.R. 6721 would provide trust fund authorizations for 5 years, fiscal years 1981-1985.

The Ways and Means Committee amendment generally would extend authorization for expenditures from the Airport and Airway Trust Fund and the aviation excise taxes transferred to the trust fund through September 30, 1985 (fiscal year 1985). However, certain modifications would be made to the aviation taxes: (1) the air passenger ticket tax would be extended at 8 percent through September 30, 1982, with a reduction to 5 percent on October 1, 1982; (2) the aircraft use tax would be repealed for noncommercial aircraft as of July 1, 1980, while the use tax on commercial aircraft would be extended through September 30, 1985; (3) the fuels tax on noncommercial aviation would be increased to 8½ cents per gallon for the period July 1, 1980, through September 30, 1985, and (4) other amendments would be made relating to the 225-mile zone rule for air transportation between the United States and Canada or Mexico, the treatment of uninterrupted international flights, and the manner in which airline tickets must show the air fare and the ticket tax.

As of the time when the Finance Committee filed this report on H.R. 6571 (September 24, 1980), the House had not scheduled H.R. 6721 for floor consideration.

2. Air passenger and air freight excise taxes (sec. 1(b) of the bill and secs. 4261 and 4271 of the Code)

Present law

Under present law, excise taxes are imposed on the transportation of persons and property by air.

Air passenger ticket tax

Air passenger transportation within the United States is subject to an excise tax of 8 percent on the amount of the airfare. This tax is scheduled to revert to the pre-trust fund rate¹ of 5 percent on October 1, 1980.

Air transportation between the United States and a foreign station which is not more than 225 miles from the nearest point in the continental United States (i.e., within Canada and Mexico), as well as between two such foreign stations, generally is subject to the 8-percent

¹ As of October 1, 1980, the revenues from the 5-percent tax would go into the general fund.

tax, if payment for the travel is made in the United States. This tax does not apply to transportation between the United States and other foreign stations where payment is made outside the United States, nor does it apply to the United States portions of certain uninterrupted international air transportation.² The 8-percent passenger tax does not apply to the portion of flights to or from or between Alaska and Hawaii which are not made over the United States.

International departure tax

There also is a \$3 per passenger departure tax for international air transportation that begins in the United States and flights to or from Alaska and Hawaii. This tax was added by the 1970 Act, and is scheduled to terminate on October 1, 1980.

Air freight tax

In the case of air transportation of property, the 1970 Act imposed a new tax of 5 percent of the air freight waybill charge. This tax is scheduled to terminate on October 1, 1980. In determining taxable transportation, the same rules generally apply as for transportation of persons, except that the air freight tax applies only to amounts paid for transportation of property by air which begins and ends in the United States.

Collection of taxes and exemptions

These taxes are collected as part of the fare or waybill by the air carrier, for subsequent transfer by the Treasury to the trust fund. Exemptions from these taxes are provided for transportation by small aircraft on nonestablished lines and for private air transportation services provided within a group of affiliated corporations. Aircraft not subject to these passenger or freight taxes are subject to the fuels tax, described below.

Reasons for change

The committee believes that the air passenger and air freight waybill taxes should be extended through the fiscal year 1981 to provide Congress with time to authorize the appropriate level of funding for expenditures from the Airport and Airway Trust Fund. The committee notes that S. 1648 and H.R. 6721 provide significantly different amounts of trust fund authorizations for fiscal years 1981-1985. Although the Senate has passed its trust fund authorization bill (S. 1648), the House has not yet acted on H.R. 6721. If legislation is not enacted, the 8-percent air passenger tax will decrease to 5-percent on October 1, 1980, and the 5-percent waybill and the \$3 departure taxes will expire.

In view of the closeness of the October 1, 1980 date, the committee believes that expeditious Congressional action is necessary for a one-year extension of the present tax rates so that there is some certainty as to the applicable tax rates for the coming months while the Congress further considers the levels of the trust fund authorizations.

² For the \$3 international departure tax to apply in lieu of the domestic air passenger ticket tax, the air transportation must be an uninterrupted international flight from a point beginning in the United States and ending outside the United States (and outside the 225-mile zone in Canada and Mexico). An uninterrupted international flight may have a stopover at a domestic point of no more than 6 hours, being without subject to the domestic ticket tax.

Explanation of provisions

The committee bill extends the present 8-percent air passenger ticket tax, the 5-percent air freight waybill tax, and the \$3 international departure tax for one-year, or from October 1, 1980 through September 30, 1981.

The committee intends that these taxes, at their extended rates, be collected for all transportation occurring during the one-year period, October 1, 1980 through September 30, 1981.

Revenue effects

See tables 1-3 in part III of this report.

3. Aviation excise taxes on fuels, aircraft use, and tires and tubes

Present law

In addition to the taxes on air passenger and air freight fares, there is a 7-cents-per-gallon tax on aviation fuels (gasoline and other fuels, including jet fuels) used by noncommercial (general) aviation, an aircraft use tax,³ and a tax on aircraft tires and tubes.⁴ The tax on gasoline is scheduled to be reduced to 4 cents per gallon on October 1, 1980, while the 7-cents-per-gallon tax on non-gasoline fuels e.g., kerosene—jet fuels) is scheduled to expire on October 1. The aircraft use tax was new under the 1970 Act, and is scheduled to expire on October 1, 1980. The tax on aircraft tires and tubes involves a transfer of revenues from the excise taxes on such tires and tubes from the Highway Trust Fund.

There is a general exemption (or a refund or credit) from the aviation fuels tax for fuel sold for use or used on a farm for farming purposes. The tax on aviation fuels and the tax on aircraft use do not apply to aircraft owned by a tax-exempt aircraft museum operated exclusively for the procurement, care, and exhibition of World War II aircraft. Further, there is a general exemption from the fuels tax for fuel sold for use or used by a State or local government, by a non-profit educational organization, for fuels exported, and fuels for use in commercial aviation.

Reasons for change

Aircraft use tax

The committee concluded that the present aircraft use tax, as applicable to noncommercial (general) aviation, is a compliance and administrative burden both for the aircraft owner and for the Internal Revenue Service. The committee therefore decided to repeal the aircraft use tax applicable to noncommercial aviation as of July 1, 1980, while retaining the use tax for commercial aviation. This will reduce by about 98 percent the total number of aircraft liable for the aircraft use tax, which will produce a significant saving in compliance and administrative costs.

Fuels taxes on noncommercial aviation

The committee believes that replacement revenue to compensate for the repeal of the aircraft use tax on noncommercial aircraft should come from noncommercial aviation. Therefore, the committee determined that the fuels tax on noncommercial aviation should be increased by 1½ cents per gallon, effective January 1, 1981.

³ A tax of two parts: (1) a \$25 annual per plane registration tax, plus (2) a weight tax of 3½ cents per pound for turbine-powered (jet) aircraft and 2 cents per pound for nonturbine-powered aircraft for each pound in excess of 2,500 pounds of maximum certificated takeoff weight.

⁴ Taxed at the general rates for nonhighway tires (5 cents per pound) and tubes (10 cents per pound) under Code sec. 4071. The tax on tubes is scheduled to decline to 9 cents per pound on October 1, 1984.

The committee also determined that certain helicopter operations should be exempted from the fuels taxes on noncommercial aviation. As indicated above, present law provides an exemption from the fuels taxes for fuels used in certain farming activities. However, a refund or a credit is not allowed for excise taxes paid on gasoline used in connection with the trade or business of timber growing or harvesting (Treas. Reg. § 48.6420(a)-2). The committee believes that helicopter operations which do not use public airport facilities in tree farming and timber-growing or harvesting activities are analogous to the present farming exemption and should likewise be exempted from the fuels taxes. The committee also concluded that helicopters used in natural resource discovery and development, and which do not utilize public airport facilities, should also be exempted from the fuels taxes generally applicable to noncommercial aviation.

Tax on aircraft tires and tubes

In addition, the committee determined that the excise tax on aircraft tires and tubes should continue to be transferred to the Airport and Airway Trust Fund through September 30, 1981—the same time period as for other aviation-related excise taxes.

Explanation of provisions

Increase in fuels taxes on noncommercial aviation (secs. 1(a) and 2 of the bill and sec. 4041(c) of the Code)

The committee bill increases the fuels tax on gasoline and other fuels (e.g., kerosene-jet fuel) from 7 cents per gallon to 8½ cents per gallon, for the period January 1, 1981 through September 30, 1981. The 7-cents-per-gallon rate applies for the period October 1, 1980 through December 31, 1980.

Exemption from fuels taxes for certain helicopter use (sec. 4 of the bill, new sec. 4041(i) sec. 6427(d) of the Code)

Under the committee bill, the excise tax on noncommercial aviation fuels will not be imposed on fuels used in helicopters when such helicopters are used for certain qualified purposes and, if during such qualified use, the helicopter does not take off from or land at a facility eligible for assistance under the Airport and Airway Development Act of 1970.

The fuels taxes will not be imposed when the helicopter is used for (1) transporting individuals, equipment or supplies in the exploration for, or the development or removal of, natural resources, or (2) the planting, cultivation, cutting, or transportation of, or caring for, trees (including logging operations). For example, fuels used by helicopters which are transporting persons engaged in the exploration for petroleum will qualify for exemption from the fuels tax under the natural resources exemption. The committee intends that this exemption will cover helicopters used in transporting persons and property from the Outer Continental Shelf (within the meaning of section 2 of the Outer Continental Shelf Lands Act (43 U.S.C. 1331)). The forestry exemption covers fuels used in tree farming and timber harvesting activities. This is intended to include, for example, fuels used by helicopters engaged in fire control or insect control of trees, as well as in tree cultivation and in logging operations.

The exemptions from the fuels tax provided by this provision apply only to fuels used in the qualifying activities. If fuel is delivered into the fuel supply tank of a qualified helicopter and such fuel is used partly for qualified purposes and partly for nonqualified purposes, the tax will apply to that portion of the fuel which is used for the non-qualified purposes. Sec. 6427 is amended to provide for credits or refunds of the fuels taxes on fuel used in qualified helicopter operations. In addition, the committee intends that the rules and regulations under Code sections 4041 and 6420 will govern the application of these exemptions. Thus, present law registration, refund, and credit procedures will apply.

Aircraft use tax (sec. 3 of the bill and sec. 4491 of the Code)

The committee bill repeals the aircraft use tax (\$25 per plane tax and weight tax) for noncommercial aircraft, effective July 1, 1980. The bill extends the present aircraft use tax for commercial aircraft through September 30, 1981. Commercial aircraft means any civil aircraft operating in the navigable airspace of the United States in a business of transporting persons or property by air for compensation or hire. Thus, the aircraft use tax will apply to aircraft subject to the air passenger ticket or air freight waybill taxes. Where an aircraft is used both for commercial transportation and for noncommercial purposes, the aircraft use tax will apply upon the first such commercial use during the taxable year.

The taxable year continues to be July 1–June 30 for purposes of the aircraft use tax, and the weight portion of the tax will continue to be imposed as of the month in which the aircraft is first used for commercial purposes. The weight portion of the tax is prorated if the first use occurs after the first month of the taxable year; however, the \$25 portion of the use tax is not prorated. For example, if the aircraft is first used in November of the taxable year, the weight portion of the use tax is $\frac{5}{12}$ of the annual rate.⁵

Effective dates

The increase in the fuels tax on noncommercial aviation shall take effect on January 1, 1981.

The extension of the use tax on commercial aviation shall take effect on July 1, 1980.

Repeal of the use tax on noncommercial aviation shall take effect on July 1, 1980.

The exemption from the use tax of certain qualified helicopter operations shall take effect on January 1, 1981.

Revenue effects

Increase in noncommercial aviation fuels taxes

The one and one-half cent per gallon increase on noncommercial aviation fuel from January 1, 1981 through September 30, 1981 will increase budget receipts by \$12 million in fiscal year 1981, and \$1 million in fiscal year 1982.

⁵ Under the committee bill, there is a special transitional rule for the 3-month period, July 1, 1981–September 30, 1981, so that the tax will only apply for that 3-month portion of the taxable year beginning July 1, 1981.

Exemption for certain helicopter fuel use

The exemption from fuels taxes for certain helicopter use will decrease budget receipts by \$4 million in fiscal year 1981, and \$3 million in fiscal year 1982.

Repeal of aircraft use tax for noncommercial aviation

The repeal of the aircraft use tax for noncommercial aviation will decrease fiscal year 1981 budget receipts by \$4 million.

Extension of aircraft use tax for commercial aviation

The extension of the aircraft use tax for commercial aviation through September 30, 1981 will increase fiscal year 1981 budget receipts by \$17 million.

4. Airport and Airway Trust Fund (sec. 1(c) of the bill and sec. 208 of the Airport and Airway Revenue Act of 1970)

In general

The committee bill continues for one year (October 1, 1980 through September 30, 1981) the transfers to the Airport and Airway Trust Fund of the revenues from the extended air passenger ticket tax, the air freight waybill tax, the international departure tax, the fuels taxes on noncommercial aviation, and the aircraft use tax. The bill also extends the authority to expend from the trust fund for one year, or through September 30, 1981.

Tax on aircraft tires and tubes

In addition, the committee bill continues for one year the transfer to the Airport and Airway Trust Fund of the revenues from the existing excise taxes on tires and tubes used on aircraft. This is a transfer of such revenues from the Highway Trust Fund.

B. Tax-Exempt Industrial Development Bonds for Airport Facilities (sec. 5 of the bill and sec. 103(b) of the Code)

Present law

Under present law, interest on State and local government obligations is generally exempt from Federal income tax. However, since 1968, tax exemption has been denied to State and local government issues of industrial development bonds (IDBs). A bond issued by State or local government is an IDB if (1) all or a major portion of the proceeds of the issue are to be used in any trade or business of a person other than a State or local government or tax-exempt organization, and (2) payment of principal or interest is secured by an interest in, or derived from payments with respect to, property or borrowed money used in a trade or business.

An exception to the denial of tax exemption for interest on IDBs applies in the case of IDBs which are used to provide exempt activity facilities. Such facilities include airports and certain other types of transportation facilities (Code sec. 103 (b)(4)(D)).

In general, in order for a facility to qualify as an exempt activity facility, the facility must satisfy a public use requirement. Under this requirement, a facility must serve or be available on a regular basis for general public use or be a part of a facility so used (Treas. Regs. § 1.103-8 (a)(2)).

In addition, an exempt facility includes any land, building, or other property functionally related and subordinate to such facility. Property is functionally related and subordinate to a facility if it is of a character and size commensurate with the character and size of such facility. (Treas. Regs. § 1.103-8(a)(3)).

Under regulations promulgated in 1972, the term "airport" is defined to include (1) service accommodations for the public, such as terminals, retail stores in such terminals, runways, hangars, loading facilities, repair shops, parking areas, and (2) facilities which are functionally related and subordinate to the airport, such as facilities for the preparation of in-flight meals, restaurants and accommodations for temporary or overnight use by passengers, and other facilities functionally related to the needs or convenience of passengers, shipping companies, and airlines.

On December 28, 1978, the Treasury Department filed proposed regulations which would amend the 1972 regulations. Under the proposed regulations, the term "airport" is defined to include (1) facilities which are directly related and essential to (a) servicing aircraft or enabling aircraft to take off and land, or (b) transferring passengers or cargo to or from aircraft, and (2) other facilities functionally related and subordinate to an airport, as defined in (1).

The proposed regulations provide that a facility does not satisfy the directly related and essential to requirements if the facility need not be located where aircraft take off and land in order to serve its

functions. Examples of facilities which satisfy the directly related and essential to requirements are terminals, runways, hangars, loading facilities, repair shops, and parking areas.

The proposed regulations further provide that a facility (or part thereof) is not functionally related and subordinate to an airport if the facility (or part thereof) (1) is not needed for the public convenience and necessity at the airport, (2) is not of a character and size commensurate with the character and size of the airport where the the facility is located, (3) need not be located at, or adjacent to, that airport in order for the facility to serve its function, or (4) is functionally related to more than one airport. Examples of facilities which are functionally related and subordinate to an airport are facilities for the preparation of in-flight meals, restaurants, retail stores located in terminals, and accommodations for temporary or overnight use by passengers. The proposed regulations provide that an office building (or office space within a building) or a computer facility, either of which serves a systemwide or regional function of an airline is not considered part of an airport because it does not meet either the directly related and essential to, or the functionally related and subordinate to, definition of an airport.

Reasons for change

The committee believes that it is appropriate to provide tax-exempt financing for facilities the principal use of which is directly related to the needs or convenience of the air transportation business of a shipping company or airline because such facilities serve an important function with respect to air passenger and air cargo transportation.

Explanation of provisions

In general, the provision expands the definition of an airport for purposes of tax-exempt industrial development bonds. As a result, a facility is to be considered part of an airport if it meets (1) the requirements of present law, or (2) the requirements of this provision.

Under the provision, an airport is defined to include any facility (other than an aircraft) the principal use of which is directly related to the needs or convenience of the air transportation business of a shipping company or airline. However, such facility must be located at or adjacent to an airport. In addition, such a facility will be considered part of an airport regardless of whether it serves a systemwide, regional or a single airport function.

Effective date

The provision applies to obligations issued after December 31, 1980.

Revenue effect

It is estimated that this provision will reduce budget receipts by \$1 million in fiscal year 1981, \$5 million in 1982, \$12 million in 1983, \$19 million in 1984, and \$26 million in 1985. These estimates are based on the assumption that the final regulations, yet to be promulgated, will be essentially the same, except for this amendment, as the proposed regulations filed on December 28, 1978.

III. EFFECT OF THE BILL ON THE BUDGET AND VOTE OF THE COMMITTEE IN REPORTING THE BILL AS AMENDED

Budget Effect

In compliance with paragraph 11(a) of rule XXVI of the Standing Rules of the Senate, the following statement is made about the effect on the budget of this bill, H.R. 6571, as amended.

Table 1 summarizes the revenue effects in fiscal years 1981 and 1982 of aviation excise tax receipts under present law if the Congress were not to act. On October 1, 1980, the air passenger ticket tax would drop from 8 percent to 5 percent and the fuels tax on aviation gasoline would drop from 7 cents to 4 cents per gallon. On that date, the air freight waybill tax, the fuels tax on jet fuel, the international departure tax, and the aircraft registration and use tax would expire.

Table 2 summarizes the additional receipts attributable to the committee bill for fiscal years 1981 and 1982. The extended aviation excise taxes will increase fiscal year budget receipts by \$0.8 billion in 1981 and \$0.1 billion in 1982.

Table 3 summarizes total Airport and Airway Trust Fund tax receipts under the committee bill for fiscal years 1981 and 1982. Fiscal year trust fund budget receipts will be \$2.0 billion in 1981 and \$1.3 billion in fiscal year 1982.

TABLE 1.—ESTIMATED AVIATION EXCISE TAX RECEIPTS UNDER PRESENT LAW, FISCAL YEARS 1981-1982

[Millions of dollars]

Tax	1981	1982
Air passenger ticket tax ¹ -----	1, 160	1, 181
Air freight waybill tax ² -----	14	-----
International departure tax ² -----	10	-----
Fuels tax for noncommercial aviation ³ -----	20	18
Registration and use tax ² -----	8	-----
Tires and tubes ⁴ -----	1	1
Total, present law receipts -----	1, 213	1, 200

¹ The passenger ticket tax would decrease to 5 percent on October 1, 1980, and the revenues would go into the general fund.

² This tax would expire on October 1, 1980.

³ The tax on jet fuel would expire October 1, 1980. The tax on aviation gasoline would decrease to 4 cents for the period October 1, 1980 through September 30, 1984, and to 1½ cents thereafter. For the period October 1, 1980 through September 30, 1984, the tax on aviation gasoline would go into the Highway Trust Fund and into the general fund after that date (23 U.S.C. 120).

⁴ As of October 1, 1980, the revenues from the taxes on aircraft tires and tubes would be deposited in the Highway Trust Fund and into the general fund after that date (23 U.S.C. 120).

TABLE 2.—ESTIMATED INCREASE IN AIRPORT AND AIRWAY TRUST FUND TAX RECEIPTS UNDER SENATE FINANCE COMMITTEE BILL, FISCAL YEARS 1981-1982

[Millions of dollars]

Tax	1981	1982
Air passenger ticket tax ¹ -----	563	96
Air freight waybill tax ² -----	97	16
International departure tax ³ -----	71	11
Fuels tax for noncommercial aviation ⁴ -----	69	1
Registration and use tax ⁵ -----	13	
Tires and tubes-----		
Total, increased receipts under committee bill-----	813	124

¹ The passenger ticket tax is extended through September 30, 1981, at 8 percent.

² Extended at 5 percent through September 30, 1981.

³ Extended at \$3 per person through September 30, 1981.

⁴ Extended at 7 cents per gallon after September 30, 1980, and before January 1, 1981, and at 8½ cents a gallon after December 31, 1980, and before October 1, 1981. These collections are net of the decrease due to the exemption from fuels taxes for certain helicopter usage.

⁵ Extended at existing rates for commercial aircraft only through September 30, 1981, and repealed for noncommercial aircraft effective July 1, 1980.

TABLE 3.—ESTIMATED TOTAL AIRPORT AND AIRWAY TRUST FUND TAX RECEIPTS UNDER SENATE FINANCE COMMITTEE BILL, FISCAL YEARS 1981-1985

[Millions of dollars]

Tax	1981	1982
Air passenger ticket tax ¹ -----	1, 723	1, 277
Air freight waybill tax ² -----	111	16
International departure tax ³ -----	81	11
Fuels tax for noncommercial aviation ⁴ -----	89	19
Registration and use tax ⁵ -----	21	
Tires and tubes-----	1	1
Total, trust fund receipts-----	2, 026	1, 324

¹ The passenger ticket tax is extended through September 30, 1981, at 8 percent.

² Extended at 5 percent through September 30, 1981.

³ Extended at \$3 per person through September 30, 1981.

⁴ Extended at 7 cents per gallon after September 30, 1980, and before January 1, 1981 and 8½ cents a gallon after December 31, 1980, and before October 1, 1981. These collections are net of the decrease due to the exemption from fuels taxes for certain helicopter usage.

⁵ Extended at existing rates for commercial aircraft only through September 30, 1981, and repealed for noncommercial aircraft effective July 1, 1980.

The committee estimates that the amendment relating to tax-exempt industrial development bonds for airport facilities will decrease budget receipts \$1 million in fiscal year 1981, \$5 million in fiscal year 1982, \$12 million in fiscal year 1983, \$19 million in fiscal year 1984, and \$26 million in fiscal year 1985.

The Treasury Department agrees with this statement.

New Budget Authority and Tax Expenditures

In accordance with section 308 of the Budget Act, after consultation with the Director of the Congressional Budget Office, the committee states that the changes made to existing law by this bill involve no new budget authority or new tax expenditures. The provision (sec. 5 of the bill) relating to tax-exempt industrial development bonds for airport facilities would involve an increase in existing tax expenditures of \$1 million in fiscal year 1981, \$5 million in fiscal year 1982, \$12 million in fiscal year 1983, \$19 million in fiscal year 1984, and \$26 million in fiscal year 1985.

Consultation With Congressional Budget Office on Budget Estimates

In accordance with section 403 of the Budget Act, the committee received the following communication from the Director of the Congressional Budget Office:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., September 23, 1980.

Hon. RUSSELL B. LONG,
Chairman, Committee on Finance, U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: In accordance with the Budget Act, the Congressional Budget Office has examined H.R. 6571, as amended by the Senate Finance Committee. The original bill as it passed the House of Representatives would temporarily continue the duty-free status of the cost of fish net and netting purchased and repaired in Panama. The Senate Finance Committee's reported version deletes the duty-free provision and substitutes provisions relating to (1) a one-year extension of aviation-related excise taxes, (2) a one-year extension of the transfer of revenues to the Airport and Airway Trust Fund, and the authorization to expend from the Trust Fund, (3) an increase in the fuels tax for noncommercial aviation, (4) exemption from the fuels taxes for certain helicopter use, (5) repeal of the aircraft use tax for noncommercial aviation, and (6) the modification of the definition of airport facilities for purposes of tax-exempt industrial development bonds.

In accordance with Section 403 of the Budget Act, the Congressional Budget Office has examined and agrees with the committee's estimate that the bill will increase budget receipts by \$183 million in fiscal year 1981 and \$124 million in fiscal year 1982, compared to current law.

The bill does not provide any new budget authority or any new tax expenditures. However, the industrial development bond provision of the bill will increase tax expenditures by the following amounts:

Fiscal years :	<i>Millions</i>
1981 -----	\$1
1982 -----	5
1983 -----	12
1984 -----	19
1985 -----	26

Sincerely,

ALICE M. RIVLIN,
Director.

Vote of the Committee

In compliance with paragraph 7(c) of rule XXVI of the Standing Rules of the Senate, the following statement is made about the vote of the committee on the motion to report the bill, as amended. The bill, H.R. 6571, as amended, was ordered favorably reported by voice vote.

IV. REGULATORY IMPACT OF THE BILL

Pursuant to paragraph 11(b) of Rule XXVI of the Standing Rules of the Senate, the committee makes the following statement concerning the regulatory impact that might be incurred in carrying out the provisions of this bill.

A. *Numbers of individuals and businesses who would be regulated.*—The bill does not involve new or expanded regulation of individuals or businesses. Repeal of the aircraft use tax for noncommercial aviation may be considered as an aspect of deregulation, affecting primarily individual aircraft owners and small aviation businesses.

B. *Economic impact of regulation on individuals, consumers and businesses.*—The committee amendment that substitutes a higher fuel tax for the aircraft use tax on noncommercial aviation may be considered to be a reduction in a part of the regulatory process and a simple way to collect a user fee.

C. *Impact on personal privacy.*—This bill does not relate to the personal privacy of taxpayers.

D. *Determination of the amount of paperwork.*—Elimination of the aircraft use tax on noncommercial aviation is a reduction in paperwork for general aviation.

**V. CHANGES IN EXISTING LAW MADE BY THE BILL,
AS REPORTED**

In the opinion of the committee, it is necessary in order to expedite the business of the Senate, to dispense with the requirements of paragraph 12 of Rule XXVI of the Standing Rules of the Senate (relating to the showing of changes in existing law made by the bill, H.R. 6571, as reported by the committee).

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