

SUMMARY COMPARISON OF AIRPORT AND AIRWAY
TRUST FUND TAX PROPOSALS
(H.R. 4800 and Administration Proposal)

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INTRODUCTION

This document provides a summary of H.R. 4800 (The Airport and Airway Revenue Act of 1981), as introduced on October 21, 1981, by Messrs. Rostenkowski and Conable. It also provides a summary of the Administration's current Airport and Airway Trust Fund tax proposal (as included in the fiscal 1983 budget document).

The Committee on Ways and Means began consideration of H.R. 4800 on October 27, 1981, but did not complete action on the bill. The bill is for consideration by the Committee on Ways and Means as the revenue title to accompany H.R. 2643 (the Airport and Airway Improvement Act of 1981), as reported in 1981 by the Committee on Public Works and Transportation and the Committee on Science and Technology. As reported, H.R. 2643 provides trust fund authorizations generally through fiscal 1983.

The first part of this document is an overview of the current proposals. The second part is a summary of present and prior law aviation taxes, and the third part is a summary of the provisions of H.R. 4800 and the Administration's trust fund tax proposal. Finally, Part four presents three tables showing projected trust fund balances under alternative trust fund tax and authorization proposals.

I. OVERVIEW

Under present law (since October 1, 1980), the tax on domestic air passenger transportation is 5 percent of the air fare, and the revenues from the tax go into the general fund.^{1/} In addition, there are also excise taxes on noncommercial aviation gasoline (4 cents per gallon) and on aircraft tires and tubes, the revenues of which currently go into the Highway Trust Fund.

H.R. 4800 would extend the present 5-percent air passenger ticket tax and reimpose certain of the prior aviation excise taxes (except for the aircraft use tax) and transfer the revenues to the Airport and Airway Trust Fund (through December 31, 1983). The bill would also make certain modifications in the application of the air passenger ticket tax, transfer the Airport and Airway Trust Fund statute to the Internal Revenue Code, and permit certain overtime charges to be made for service by Customs personnel during regularly established hours of service on Sundays and holidays.

The Administration's current proposal (included in the fiscal 1983 budget document) would generally reimpose the prior aviation excise taxes (except the aircraft use tax) and increase the fuels taxes for noncommercial aviation, effective beginning July 1, 1982 (with no expiration date on the taxes). The revenues from the aviation taxes would again be transferred to the Airport and Airway Trust Fund.

The House Committees on Public Works and Transportation and Science and Technology have reported a trust fund authorization bill (H.R. 2643) through fiscal year 1983 (except that research and development is authorized through fiscal year 1982).^{2/} The authorization committees have indicated their intention of offering floor amendments to increase certain of the trust fund program authorizations for fiscal years 1982 and 1983.^{3/}

^{1/} For the period July 1, 1970, through September 30, 1980, the tax was 8 percent, and the revenues from this tax along with receipts from several other aviation-related excise taxes went into the Airport and Airway Trust Fund.

^{2/} As reported in 1981, H.R. 2643 would have set trust fund authorizations for fiscal years 1981, 1982, and 1983 (except fiscal 1981 and 1982 for research and development). Subsequent to the reporting of H.R. 2643, the Fiscal Year 1981 Airport Development Authorization Act (included in P.L. 97-35, the Omnibus Reconciliation Act of 1981) provided trust fund authorizations for fiscal year 1981.

^{3/} On September 17, 1981, the Committee on Public Works and Transportation approved a committee amendment to set the ADAP authorization at \$600 million for each of fiscal years 1982 and 1983, and also to drop the fiscal 1981 trust fund authorizations from H.R. 2643. (Continued on next page.)

Footnote 3 Cont'd.

The Committee on Public Works and Transportation (in a letter to Chairman Rostenkowski, dated March 30, 1982) indicates that a floor amendment will be offered to H.R. 2643 to increase the fiscal 1983 authorization for Facilities and Equipment from \$425 million to \$725 million as the first step in implementation of the Administration's recently proposed National Airspace System Plan to modernize the airway system.

Further, the Subcommittee on Transportation, Aviation, and Materials of the Committee on Science and Technology has approved (May 4, 1982) a fiscal year 1983 trust fund authorization for research and development of \$117 million (H.R. 6193). The difference between this amount and the \$134 million proposed by the Administration is recommended by the Subcommittee to continue to be financed from the general fund rather than the trust fund.

II. PRESENT AND PRIOR LAW

A. Present Law

Since October 1, 1980, when certain aviation excise taxes either expired or were reduced and the transfer of aviation excise tax revenues to the Airport and Airway Trust Fund ceased, the tax on air passenger tickets has been imposed at the pre-trust fund rate of 5 percent (with the revenues going into the general fund). In addition, there is a 4-cents-per-gallon tax on noncommercial (general) aviation gasoline as well as taxes on aircraft tires (at the nonhighway tire tax rate) and tubes, the revenues of which currently go into the Highway Trust Fund.

Currently, there are no taxes on air freight, international departures, nongasoline aviation fuels, or aircraft use.

B. Prior Law

During the period, July 1, 1970 through September 30, 1980, the Airport and Airway Trust Fund was financed by the receipts from several aviation excise taxes. The tax on domestic air passenger tickets was 8 percent; the tax on air freight was 5 percent; the international departure tax was \$3 per person; the fuels tax for noncommercial aviation was 7 cents per gallon (for gasoline and nongasoline); there was an annual aircraft use tax; and there were taxes on aircraft tires (at the nonhighway tire tax rate) and tubes.

(For a comparison of present and prior law aviation excise taxes, see table 1.)

TABLE 1.--AVIATION EXCISE TAXES UNDER PRESENT AND PRIOR LAW

<u>Tax</u>	<u>Present law rates (and fund)</u>	<u>Prior trust fund rates (July 1970-Sept.1980)</u>
Air passenger ticket tax ^{1/}	5% (General)	8%
Air freight tax	---	5%
International departure tax	---	\$3/person
Fuels tax for non- commercial aviation:		
Gasoline	4¢/gal. (Hwy. Trust	7¢/gal.
Nongasoline	--- Fund)	7¢/gal.
Aircraft use tax	---	<u>2/</u>
Aircraft tire tax	4.875¢/pound ^{3/}	5¢/pound
Aircraft tubes tax	10¢/pound	10¢/pound

^{1/} 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, as well as between two such foreign stations, generally is subject to the 5-percent tax where 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 U.S. portions of certain uninterrupted international air transportation (where the layover does not exceed 6 hours). Also, the air passenger ticket tax does not apply to the portion of flights to or from or between Alaska and Hawaii which is not made over the United States (Code sec. 4262).

^{2/} An annual tax of two parts: (1) a \$25 annual tax per plane, plus (2) a weight tax of 3 1/2 cents per pound for turbine-power (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." However, for the period July 1, 1980-September 30, 1980, the use tax was one-fourth the applicable annual rates.

^{3/} Reduced for nonhighway tires from 5 cents per pound on January 1, 1981.

III. SUMMARY OF AIRPORT AND AIRWAY TRUST FUND TAX PROPOSALS

A. Summary of H.R. 4800

(The Airport and Airway Revenue Act of 1981)

As introduced, H.R. 4800 would extend and reinstate the aviation excise taxes and would transfer revenues from those taxes to the Airport and Airway Trust Fund, effective January 1, 1982, through December 31, 1983. Trust Fund revenues would be available for the purposes specified in H.R. 2643, as reported by the House Committee on Public Works and Transportation.

Tax Levels

Under H.R. 4800, the air passenger ticket tax would continue at its present 5-percent rate and the air freight waybill tax would be reinstated at its prior rate of 5 percent. The international departure tax would be reinstated at a rate of \$5 per person. The fuels tax for noncommercial aviation would be imposed at 12 cents per gallon for both gasoline and jet fuel and the aircraft tire and tube taxes would continue as under present law. The prior law aircraft use tax would be repealed for both commercial and general aviation.

(Table 2 compares these tax levels with those under prior and present law and with the Administration's current proposal.)

Other Tax Modifications

The bill proposes a number of other modifications to the taxes on air passengers as follows:

(1) The requirement that the ticket fare and tax be shown by trip segments would be repealed; the requirement for separately showing the fare and tax would be retained.

(2) The 6-hour layover rule under the international departure tax would be increased to 12 hours for purposes of determining whether the flight will be treated as uninterrupted travel subject only to the departure tax.

(3) The Secretary of the Treasury would be granted the authority to waive the 225-mile zone rule if Canada or Mexico enter into a "qualified agreement" regarding the tax to be applied to persons travelling by air between the U.S. and that country. The 225-mile zone subjects travel between the U.S. and Canada or Mexico to the ticket tax where payment is made in the U.S.¹ The purpose of this amendment is to allow Treasury to negotiate a bilateral agreement with such countries to eliminate any double taxation of travel between the countries or within the 225-mile zone.

(4) Flights to and from the continental U.S. and Alaska and Hawaii would be subject to the 5-percent air passenger ticket tax. Under present and prior law, such trips are subject to the ticket tax only for the portion of the trip over the U.S., while the international portion was taxed only under the prior departure tax. The tax on air freight would not be affected, i.e., the freight tax would apply to flights within the continental U.S. or within Alaska or Hawaii.

Trust Fund Statute Transferred to the Internal Revenue Code

The statutory provisions regarding the Airport and Airway Trust Fund would be transferred to a new title in the Internal Revenue Code in order to more closely coordinate those provisions with the excise taxes which fund the trust fund. (The Black Lung Disability Trust Fund Provisions were transferred to the Code in the Black Lung Benefits Revenue Act of 1981.)

Customs Overtime Charge

Further, the prohibition against charging for overtime costs associated with services by Customs Service personnel during regularly scheduled hours (i.e., 8:00 A.M. - 5:00 P.M.) on Sundays and holidays would be repealed.

1/ Air passenger transportation entirely in Canada or Mexico is also currently subject to the ticket tax where the transportation both begins and ends in the 225-mile zone and payment for the transportation is made in the U.S.

B. Administration Proposal

Under the Administration's current proposal (as included in the fiscal 1983 budget document), the Airport and Airway Trust Fund excise taxes would be reinstated generally at the prior law levels along with higher fuels tax rates for non-commercial aviation.

Effective July 1, 1982, the Administration proposal would impose the aviation excise taxes at the following rates (with no expiration or reduction date): increase the air passenger ticket tax from 5 percent to 8 percent; reinstate the 5-percent air freight waybill and \$3 international departure taxes; and increase the fuels taxes for noncommercial aviation to 12 cents per gallon for gasoline and 14 cents per gallon for nongasoline (e.g., jet) fuels. Further, the fuels tax rates would each increase by 2 cents per gallon annually for fiscal years 1984-1987 (October 1 each year), until reaching 20 cents per gallon for gasoline and 22 cents per gallon for nongasoline fuels in fiscal 1987 and thereafter. Revenues from these aviation excise taxes and the existing taxes on aircraft tires and tubes would, beginning on July 1, 1982, be transferred again to the Airport and Airway Trust Fund.

(See table 2 for a comparison of the aviation excise tax rates under present and prior law, H.R. 4800, and the Administration proposal.)

TABLE 2 -- COMPARISON OF AVIATION EXCISE TAXES UNDER PRESENT AND PRIOR LAW,

H.R. 4800 AND CURRENT ADMINISTRATION PROPOSAL

<u>Tax</u>	<u>Present law rates (and fund)</u>	<u>Prior trust fund rates (July 1970 - Sept. 1980)</u>	<u>H.R. 4800^{1/} (trust fund)</u>	<u>Current Administration proposal^{2/} (trust fund)</u>
Air passenger ticket tax	5% (General)	8%	5%	8%
Air freight waybill tax	---	5%	5%	5%
International departure tax	---	\$3/person	\$5	\$3
Fuels tax for noncommercial (general) aviation:				
Gasoline	4 cents/ gal.	7 cents/gal.	12 cents/gal.	12-20 cents/gal. ^{3/}
	(Hwy. Trust Fund)			
Nongasoline (jet fuel, etc.)		7 cents/gal.	12 cents/gal.	14-22 cents/gal. ^{3/}
Aircraft use tax	---	<u>4/</u>	None	None
Aircraft tires & tubes tax	<u>5/</u>	<u>5/</u>	<u>5/</u>	<u>5/</u>
	(Hwy. Trust Fund)			

- ^{1/} Except for the 5-percent ticket tax (which is a continuation of present law), the tax rates would apply from January 1, 1982 through December 31, 1983.
- ^{2/} As included in the Administration's fiscal 1983 budget document. The new tax rates and transfers to the Airport and Airway Trust Fund would be effective on July 1, 1982 (with no expiration date). The 1981 Administration proposal would have set the ticket tax at 6.5%, and phased in higher rates for noncommercial fuels: 12-36 cents/gallon for gasoline and 20-65 cents/gallon for nongasoline fuels (H.R. 2930).
- ^{3/} The gasoline tax rate would be 12 cents/gallon for 1982 and 1983, increasing by 2 cents/gallon annually to 20 cents in 1987. For nongasoline, the tax rate would be 14 cents/gallon in 1982 and 1983, increasing 2 cents/gallon annually to 22 cents in 1987.
- ^{4/} An annual use tax of two parts: (1) a \$25 per plane tax, plus (2) a weight tax of 3 1/2 cents/pound for turbine-powered (jet) aircraft and 2 cents/pound for nonturbine-powered aircraft for each pound in excess of 2,500 pounds of maximum certificated takeoff weight.
- ^{5/} Taxed at the general rates for nonhighway tires (5 cents/pound before January 1, 1981, and 4.875 cents/pound thereafter) and inner tubes (10 cents/pound).

IV. PROJECTED AIRPORT TRUST FUND BALANCES UNDER ALTERNATIVE PROPOSALS
TABLE 3. AIRPORT TRUST FUND: H.R. 4800 TAX RATES

	(Fiscal Years: Millions of Dollars)		
	<u>1982</u>	<u>1983</u>	<u>1984</u>
<u>TRUST FUND INCOME AND BALANCE</u>			
Beginning Uncommitted Balance	3,021	2,165	2,173
Revenue From Taxes	389 <u>1/</u>	1,928	508 <u>2/</u>
Interest	<u>488</u>	<u>503</u>	<u>308</u>
Total, Income and Balance	3,898	4,596	2,989
<u>TRUST FUND AUTHORIZATIONS</u> <u>3/</u>			
Airport Development Aid Program (ADAP)	600	600	660
Facilities and Equipment Program (F&E)	261	725	1,393
Research, Engineering, and Development (R&D)	72	134	286
Operations and Maintenance (O&M) <u>4/</u>	<u>800</u>	<u>964</u>	<u>935</u>
Total, Authorizations	1,733	2,423	3,274
TRUST FUND YEAR END			
UNCOMMITTED BALANCE	<u><u>2,165</u></u>	<u><u>2,173</u></u>	<u><u>-285</u></u>

1/ Assumes an effective date of July 1, 1982.

2/ Receipts from taxes after calendar year 1983 are not transferred to the Airport Trust Fund.

3/ The authorization amounts shown in 1982 are as appropriated and proposed by the Committee on Public Works and Transportation. The authorizations for 1983 are as proposed by Public Works. The authorizations for 1984 are as projected by Public Works.

4/ The remainder of O&M funding would be paid from the general fund.

Table 4. AIRPORT TRUST FUND: H.R. 4800 TAX RATES (EXTENDED) ^{1/}

	(Fiscal Years: Millions of Dollars)					
	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
<u>TRUST FUND INCOME AND BALANCE</u>						
Beginning Uncommitted Balance	3,021	2,165	2,173	1,557	1,012	600
Revenue From Taxes	389	1,928	2,160	2,422	2,697	2,980
Interest	<u>488</u>	<u>503</u>	<u>498</u>	<u>414</u>	<u>308</u>	<u>240</u>
Total, Income and Balance	3,898	4,596	4,831	4,393	4,017	3,820
<u>TRUST FUND AUTHORIZATIONS</u> ^{2/}						
Airport Development Aid Program (ADAP)	600	600	660	726	800	879
Facilities and Equipment Program (F&E)	261	725	1,393	1,407	1,377	1,164
Research, Engineering, and Development (R&D)	72	134	286	269	215	193
Operations and Maintenance (O&M) ^{3/}	<u>800</u>	<u>964</u>	<u>935</u>	<u>979</u>	<u>1,025</u>	<u>1,081</u>
Total, Authorizations	1,733	2,423	3,274	3,381	3,417	3,317
<u>TRUST FUND YEAR END</u>						
UNCOMMITTED BALANCE	<u>2,165</u>	<u>2,173</u>	<u>1,557</u>	<u>1,012</u>	<u>600</u>	<u>503</u>

^{1/} Assumes that the Trust Fund, and the tax rates of H.R. 4800, are extended beyond 1983 through 1987 and that collections are transferred to the Trust Fund.

^{2/} The authorization amounts shown in 1982 are as appropriated and proposed by the Committee on Public Works and Transportation. The authorizations for 1983 are as proposed by Public Works. The authorizations for 1984, 1985, 1986, and 1987 are as projected by Public Works.

^{3/} The remainder of O&M funding would be paid from the general fund.

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Table 5. AIRPORT TRUST FUND: ADMINISTRATION'S PROPOSED TAX RATES AND AUTHORIZATIONS

	(Fiscal Years: Millions of Dollars)					
	<u>1982</u> ^{1/}	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
<u>TRUST FUND INCOME AND BALANCE</u>						
Beginning Uncommitted Balance	3,021	1,119	806	123	-278	-279
Revenue From Taxes	279 ^{2/}	2,661	3,020	3,426	3,850	4,290
Interest	<u>401</u>	<u>350</u>	<u>343</u>	<u>258</u>	<u>205</u>	<u>185</u>
Total, Income and Balance	3,701	4,130	4,169	3,807	3,777	4,196
<u>TRUST FUND AUTHORIZATIONS</u> ^{3/}						
Airport Development Aid Program (ADAP)	450	450	450	450	450	450
Facilities and Equipment Program (F&E)	261	725	1,393	1,407	1,377	1,164
Research, Engineering, and Development (R&D)	72	134	286	269	215	193
Operations and Maintenance (O&M) ^{4/}	<u>1,800</u>	<u>2,015</u>	<u>1,917</u>	<u>1,959</u>	<u>2,014</u>	<u>2,092</u>
Total, Authorizations	2,583	3,324	4,046	4,085	4,056	3,899
TRUST FUND YEAR END						
UNCOMMITTED BALANCE	<u>1,119</u>	<u>806</u>	<u>123</u>	<u>-278</u>	<u>-279</u>	<u>297</u>

^{1/} Assumes an effective date of July 1, 1982 for tax changes.

^{2/} Receipts from liabilities incurred after July 1, 1982.

^{3/} Trust fund authorizations are all at the Administration's levels.

^{4/} The remainder of O&M funding would be paid from the general fund. The Administration proposes that a higher portion of O&M be financed from the trust fund that does Public Works Committee (tables 3 and 4), and a smaller portion financed from the general fund.

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