

[JOINT COMMITTEE PRINT]

DESCRIPTION OF BILLS  
(S. 1047 AND S. 1272)  
RELATING TO  
AVIATION EXCISE TAXES  
SCHEDULED FOR A HEARING  
BEFORE THE  
SUBCOMMITTEE ON TAXATION AND  
DEBT MANAGEMENT  
OF THE  
COMMITTEE ON FINANCE  
ON JULY 27, 1981

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PREPARED FOR THE  
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BY THE STAFF OF THE  
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# CONTENTS

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	Page
Introduction.....	1
I. Present Law and Background.....	2
A. Aviation excise taxes.....	2
1. Overview.....	2
2. Present law.....	2
3. Prior law.....	3
B. Airport and Airway Trust Fund.....	5
1. Background.....	5
2. Summary of prior law trust fund author- ization purposes.....	6
3. Trust fund balance.....	7
II. Description of Tax Bills (S. 1047 and S. 1272).....	8
A. Explanation of provisions.....	8
1. S. 1047—Senator Packwood (Adminis- tration proposal).....	8
2. S. 1272—Senators Cannon and Kasse- baum.....	9
B. Estimated revenue effects of aviation taxes.....	11
III. Trust Fund Authorizations.....	12
A. Trust Fund program levels.....	12
1. Airport development and planning (ADAP).....	12
2. Airway facilities and equipment (F&E)....	12
3. Research, engineering and development (R,E&D).....	13
4. Airway operations and maintenance (O. & M.); FAA administrative costs....	13
5. Other programs.....	13
B. Trust fund expenditure purposes.....	13





## INTRODUCTION

This pamphlet was prepared by the staff of the Joint Committee on Taxation for the hearing scheduled by the Subcommittee on Taxation and Debt Management of the Senate Committee on Finance on July 27, 1981, on legislative proposals (S. 1047 and S. 1272) concerning aviation excise taxes and the Airport and Airway Trust Fund.

The Administration aviation excise tax proposal is contained in S. 1047 (introduced by Senator Packwood by request), which provides for reestablishment of and increases in certain aviation excise taxes and for transfer of the revenues to the trust fund. S. 1272 (introduced by Senators Cannon and Kassebaum) also provides for certain aviation excise taxes and for transfer of the revenues to the trust fund. The Senate Committee on Commerce, Science, and Transportation has reported a trust fund authorization bill (S. 508; S. Rept. No. 97-97), which does not contain tax or trust fund amendments under the jurisdiction of the Finance Committee.

The first part of the pamphlet is a discussion of present law and authorization. This is followed by a summary of current Senate legislative proposals relating to the trust fund taxes in S. 1047 and S. 1272, including projected revenue effects of the bills. The third part discusses proposed trust fund authorization levels by program for fiscal years 1981-1985, under S. 508 and the Administration proposal.

## I. PRESENT LAW AND BACKGROUND

### A. Aviation Excise Taxes

#### 1. Overview

The Airport and Airway Revenue Act of 1970 (Title II of the Airport and Airway Development Act of 1970) imposed or amended most of the aviation excise taxes included in the law since that time. The Act also established the Airport and Airway Trust Fund ("Trust Fund") for deposit of these excise taxes. On October 1, 1980, many of the taxes expired or were reduced. Deposit of the aviation tax revenues in the Trust Fund was also terminated on that date.

#### 2. Present law

Since October 1, 1980, a 5-percent excise tax has been imposed on domestic air transportation of persons (Code sec. 4261(e)).<sup>1</sup> Revenues from this tax presently go into the general fund. There is also a 4-cents-per-gallon manufacturers excise tax on gasoline used in noncommercial aviation (Code sec. 4081 generally), the revenues of which presently go into the Highway Trust Fund.

Excise taxes on aircraft tires and tubes are also imposed at the same rates applicable to other nonhighway tires (5 cents per pound) and tubes (10 cents per pound) under present law (Code sec. 4071). The revenues from the taxes on aircraft tires and tubes presently go into the Highway Trust Fund.

Table 1 shows the present law schedule of aviation excise taxes and the present tax rates.

TABLE 1.—SCHEDULE OF AVIATION EXCISE TAXES UNDER PRESENT LAW

Tax (and Code section)	Present rate
Air passenger ticket tax (secs. 4261 (a), (b), (d), and (e))-----	5 percent.
Fuels tax for noncommercial (general) aviation (sec. 4041(c))-----	4 cents/gallon.
Aircraft tires tax (sec. 4071)-----	5 cents/lb.
Aircraft tubes tax (sec. 4071)-----	10 cents/lb.

<sup>1</sup> 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. Also, the air passenger tax does not apply to the portion of flights to or from Alaska and Hawaii which are not made over the United States. (Code sec. 4262.)

### 3. Prior law

#### *Taxes on air transportation of persons and property*

For the period July 1, 1970 through September 30, 1980, the excise tax on air passenger transportation within the United States was imposed at a rate of 8 percent of the amount of the airfare.

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

In the case of air transportation of property, the 1970 Act imposed a tax of 5 percent of the air freight waybill charge; this tax terminated on October 1, 1980. In determining taxable transportation, the same rules generally applied as for transportation of persons, except that the air freight tax applied only to amounts paid for transportation of property by air which began and ended in the United States.

These taxes were collected as part of the fare by the air carrier, for subsequent deposit by the Treasury into the Airport and Airway Trust Fund. Exemptions from these taxes were provided for transportation by small aircraft on nonestablished lines (Code sec. 4281) and for private air transportation services provided within a group of affiliated corporations (Code sec. 4282). Aircraft not subject to these passenger or freight taxes were subject to the fuels tax, mentioned below.

#### *Other aviation excise taxes*

In addition to the taxes on air passenger and air freight fares, there was 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,<sup>2</sup> and a tax on aircraft tires and tubes. The fuels tax was an increase from the pre-1970 net tax of two cents per gallon on gasoline for aviation use. The tax on aviation gasoline returned to four cents per gallon on October 1, 1980, while the 7-cents-per-gallon tax on nongasoline fuels (e.g., kerosene—jet fuels) expired on that date. The aircraft use tax was new under the 1970 Act; the tax expired on October 1, 1980. The tax on aircraft tires and tubes was merely a transfer of revenues from the excise taxes on such tires and tubes from the Highway Trust Fund.

There was (and continues to be for gasoline) a general exemption (via a refund or credit) from the aviation fuels tax for fuel sold for use or used on a farm for farming purposes. Also, the tax on aviation fuels and the tax on aircraft use did not apply to aircraft owned by a tax-exempt aircraft museum operated exclusively for the procurement, care, and exhibition of World War II aircraft.<sup>3</sup>

Table 2 shows the aviation excise taxes and tax rates as they existed before October 1, 1980 (generally for the period July 1, 1970 through September 30, 1980).

<sup>2</sup> The annual aircraft use tax consisted 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." For the period July 1, 1980–September 30, 1980, the use tax was at one-fourth the annual rates.

<sup>3</sup> In addition, there was a general exemption from the fuels tax for fuel sold for use or used by a State or local government, by a nonprofit educational organization, and for fuels exported.



TABLE 2.—SCHEDULE OF AIRPORT AND AIRWAY TRUST  
FUND EXCISE TAXES BEFORE OCTOBER 1, 1980

Tax (and Code section)	Prior law rate
Air passenger ticket tax (sec. 4261 (a), (b) and (d))-----	8 percent.
Air freight waybill tax (sec. 4271)-----	5 percent.
International departure tax (sec. 4261(c))-----	\$3.
Fuels tax for noncommercial (general) aviation (sec. 4041(c)) <sup>1</sup> -----	7 cents/gal.
Aircraft use tax (sec. 4491) <sup>1</sup> -----	(2).
Aircraft tires tax (sec. 4071)-----	5 cents/lb.
Aircraft tubes tax (sec. 4071)-----	10 cents/lb.

<sup>1</sup> The tax did not apply to aircraft owned by a tax-exempt aircraft museum operated exclusively for the procurement, care, and exhibition of World War II aircraft (defined in sec. 4041(h)).

<sup>2</sup> An annual tax of two parts: (1) a \$25 annual per plane registration tax, plus (2) a weight tax of 3 1/2 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." However, for the period July 1, 1980–Sept. 30, 1980, the use tax was one-fourth the applicable annual rates.

## **B. Airport and Airway Trust Fund**

### **1. Background**

The Airport and Airway Trust Fund was established as of July 1, 1970 (Title II of the Airport and Airway Development Act of 1970; Public Law 91-258). Revenues from the aviation-related excise taxes, and interest earned on the Trust Fund balance, were deposited into the Trust Fund for the period July 1, 1970–September 30, 1980.

#### ***1970 Act and 1971 amendment***

The 1970 Act provided that new and increased aviation user taxes were to be deposited into the trust fund and, with interest earned on the deposits, were to be available to meet specified airport and airway obligations of the United States incurred under Title I of the 1970 Act, as it was in effect on the date of enactment. As a result, subsequent expansion of Title I trust fund budget authority was to require corresponding amendments to the Title II trust fund language.

Titles I and II of the 1970 Act authorized trust fund expenditures through fiscal year 1975 for the maintenance and operation of air navigation facilities, qualified airport planning and construction purposes, airway facilities and equipment, research and development, safety, and related departmental administrative expenses. A 1971 amendment (Public Law 92-174) to Title I, however, removed the authority for spending trust fund monies for maintenance and operation of the airway system. This amendment also limited the authority for meeting administrative costs from the trust fund only to such administrative expenses related to the remaining authorized purposes.

#### ***1973 amendment***

A 1973 amendment (Public Law 93-44) to Title I of the 1970 Act increased the authorization levels for airport grants for fiscal years 1974 and 1975, increased the Federal share for certain airport grants and safety and security equipment costs, and amended the definition of airport development to specifically include airport security equipment required under DOT regulations.

#### ***1976 amendment***

The Airport and Airway Development Act Amendments of 1976 (Public Law 94-353) further amended Title I of the 1970 Act to include several additional expenditure categories to be authorized from the trust fund. The new expenditure categories were: snow removal equipment; noise suppressing equipment; construction of physical barriers and landscaping for the purpose of reducing the effect of aircraft noise in areas adjacent to public airports; acquisition of land or property interests for airport noise control purposes; airport terminal development (the public, nonrevenue-producing areas, including baggage facilities and passenger moving equipment); and specified

amounts for maintenance of airway facilities. Thus, the 1971 prohibition against authorizing airway maintenance costs from the Trust Fund was partially removed in the 1976 amendment.

In addition, the 1976 Act provided authorization levels for airport grants and other existing trust fund expenditure programs through fiscal year 1980, and increased the Federal share for certain airport grants for fiscal years 1977 and 1978.

### ***1979 amendment***

The Aviation Safety and Noise Abatement Act of 1979 (Public Law 96-193) further amended title I of the 1970 Act to authorize trust fund appropriations for airport noise compatibility planning and airport noise compatibility grants. \$15 million was authorized for the planning grants for the fiscal year 1980, and \$25 million was authorized for fiscal year 1980 for the program grants. The Federal share of such program grants was 80 percent.

The 1979 Act also increased the ADAP authorization amounts for fiscal year 1980 from \$525 million to \$569 million for air carrier airports and from \$85 million to \$98 million for general aviation airports. In addition, the Act amended the trust fund language (sec. 208(f)(1)(A) of the Airport and Airway Revenue Act of 1970; 49 U.S.C. 1742(f)(1)(A)) to include language to authorize obligations incurred under Title I of the 1970 Act, under the 1976 Act amendments or under the 1979 Act amendments; that is, "as such Acts were in effect on the date of enactment of the Aviation Safety and Noise Abatement Act of 1979."

## **2. Summary of prior law trust fund authorization purposes**

The following outline presents a summary listing of the Airport and Airway Trust Fund expenditure programs authorized under prior law.

1. *Airport planning*.—Grants to planning agencies for airport system planning and public agencies for airport master planning; also, airport noise compatibility planning grants for air carrier airports eligible for terminal development costs.

### **2. *Airport Development Aid Program (ADAP)*.—**

(a) *Airport construction*.—Construction, improvement or repair of a public airport (includes removal of airport hazards and construction of physical barriers and landscaping to diminish noise).

(b) *Airport terminal facilities*.—Nonrevenue-producing public-use areas which are directly related to movement of passengers and baggage at certificated air carrier airports having required safety and security equipment (includes baggage facilities and passenger-moving equipment); not including costs of construction of public parking facility for passenger automobiles or costs of construction, alteration, or repair of a hangar or any airport building unless used to house facilities or activities directly related to safety of persons at the airport. These facilities include multimodal terminal development and bond retirement for certain airports.

(c) *Land acquisition*.—Includes land or property interests for airport noise control purposes.



(d) *Airport-related equipment*.—Airport security equipment required by DOT regulations, snow removal equipment, noise suppressing equipment, navigation aids, and safety equipment required for airport certification.

(e) *Airport noise compatibility programs*.—Includes soundproofing of public buildings; local governmental units are eligible for project grants as well as airports.

3. *Facilities and Equipment Program (F&E)*.—Costs of acquiring, establishing, and improving air navigation facilities.

4. *Research, Engineering, Development, and Demonstration Program (R&D)*.—Projects in connection with FAA research and development activities.

5. *Operations and Maintenance Programs (O&M)*.—Flight check and maintenance of air navigation facilities; services provided under international agreements relating to the joint financing of air navigation services assessed against the U.S. Government.

6. *Other costs*.—Certain airline costs of international passenger security screening facilities.

### 3. Trust fund balance

As of the end of fiscal year 1980 (September 30, 1980), the Airport and Airway Trust Fund had a cash balance of \$5,442 million, of which \$3,686 million was the uncommitted balance. The uncommitted trust fund balance is estimated to be \$2.8 billion at the end of fiscal year 1981.

## II. DESCRIPTION OF TAX BILLS (S. 1047 AND S. 1272)

Two bills (S. 1047 and S. 1272) relating to Airport and Airway Trust Fund excise taxes presently are before the Committee on Finance. A summary of the tax provisions of the two bills, and also present and prior law, is presented in table 3. The following is a brief description of the two bills.

### A. Explanation of Provisions

#### 1. S. 1047—Senator Packwood (Administration Proposal)

##### *Aviation excise taxes*

Under this bill, the air passenger ticket tax would be increased to 6.5 percent, a rate midway between the present law 5-percent and the prior law 8-percent rates. The tax on air freight waybills would be restored to the prior law level of 5 percent. The international departure tax would be set at the previous tax of \$3 per person. The fuels taxes for noncommercial aviation would be increased over a five-year period, and the aircraft use tax would not be reinstated. The present law tax on aircraft tires and tubes would continue in effect.

In addition to the existing 4-cents-per-gallon manufacturers excise tax on gasoline, the Airport and Airway Trust Fund tax on gasoline used in noncommercial aviation would become 8 cents per gallon (i.e., a total of 12 cents) in fiscal year 1982 and increase to 32 cents per gallon (i.e., a total of 36 cents) in fiscal year 1986 and later years. During the phase-in period, the tax would be increased by an additional 6 cents per gallon on the first day in each of fiscal years 1983, 1984, 1985, and 1986.

The tax on jet or turbine fuels (i.e., other than gasoline) would be 20 cents per gallon for fiscal year 1982 and would increase by 15 cents per gallon on the first days of fiscal years 1983 and 1984. The increases on the first days of fiscal years 1985 and 1986 would be 8 cents and 7 cents per gallon respectively, to bring the tax to 65 cents per gallon in fiscal year 1986 and later years.

##### *Airport and Airway Trust Fund*

The Administration proposal would transfer the revenues from the aviation-related excise taxes (mentioned above) to the Airport and Airway Trust Fund (as of July 1, 1981, under the bill as introduced), and would not have any termination date for such transfers to the Trust Fund.

The Administration proposal also would amend the Trust Fund language to include expenditure purposes as amended by their authorization provisions (their Trust Fund authorization proposal—included in title I of H.R. 2930—would be for fiscal years 1981–1986), or for “other safety and regulatory activities undertaken by the Federal Aviation Administration pursuant to the Federal Aviation Act of 1958, as amended.”



### *Effective Date*

As introduced, the tax provisions of S. 1047 would have been effective for transportation beginning after June 30, 1981. The provisions relating to the Trust Fund transfers would have been effective on July 1, 1981.

#### **2. S. 1272—Senators Cannon and Kassebaum**

The tax rates proposed in this bill were set by the sponsors in view of the authorization levels in S. 508, as reported by the Senate Committee on Commerce, Science, and Transportation,<sup>1</sup> which would authorize the use of less than half the amount of trust fund receipts requested by the Administration for payment of operations and maintenance costs of the airway system and FAA administrative costs.

#### *Aviation excise taxes*

S. 1272 would reduce the air passenger ticket tax to 3 percent. The air freight waybill tax would be set at 2 percent. International departures would be taxed at \$1 per person. The tax on fuels (gasoline and nongasoline fuels) used in general aviation would be increased from the prior law rate of 7 cents to 8½ cents per gallon, including the 4-cents-per-gallon manufacturers excise tax on gasoline. The aircraft use tax of prior law would be reimposed for commercial aircraft only (i.e., those used in a "business of transporting persons or property for compensation or hire by air"), except it would not apply to aircraft exempted from the air transportation taxes under Code section 4281 (small aircraft on nonestablished lines) or Code section 4282 (transportation by air for other members of an affiliated group). There would be no change in the current tax on tires and tubes used on aircraft (i.e., they would be taxed at the general tax rates for nonhighway use of 5 cents per pound for tires and 10 cents per pound for tubes).

The trust fund taxes proposed for aviation fuels, air freight transportation, and aircraft use would expire on October 1, 1985.

#### *Airport and Airway Trust Fund*

The bill would transfer the revenues from the aviation-related excise taxes (mentioned above) to the Airport and Airway Trust Fund (as of 15 days after the date of enactment), and would terminate such transfers to the Trust Fund after September 30, 1985.

The bill also would amend the Trust Fund language to include expenditure purposes as amended by the authorization provisions in S. 508. (The Trust Fund authorizations in S. 508 would be for fiscal years 1981–1985).

### *Effective Date*

The provisions of S. 1272 would be effective 15 days after the date of enactment.

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<sup>1</sup> Airport and Airway System Development Act of 1981, S. Rept. No. 97–97, May 15, 1981.

TABLE 3.—COMPARISON OF AVIATION EXCISE TAX RATES: PRESENT AND PRIOR LAW AND ALTERNATIVE SENATE PROPOSALS

Tax	Present rate	Pre-Oct. 1, 1980 rate	Cannon-Kassebaum (S. 1272)	Packwood (S. 1047) (Administration)
Air passenger ticket tax.....	5 percent.....	8 percent.....	3 percent.....	6.5 percent.
Air freight waybill tax.....		5 percent.....	2 percent.....	5 percent.
International departure tax.....		\$3 per person...	\$1 per person...	\$3 per person.
Fuels tax for noncommercial aviation:				
Gasoline.....	4 cents/gal.....	7 cents/gal.....	8½ cents/gal.....	12-36 cents/gal. <sup>3</sup>
nongasoline (jet fuel, etc.).....		7 cents/gal.....	8½ cents/gal.....	20-65 cents/gal. <sup>3</sup>
Aircraft use tax.....		(1).....	(2).....	
Aircraft tires and tubes tax.....	(4).....	(4).....	(4).....	(4).

<sup>1</sup> From July 1, 1980, through Sept. 30, 1980, the use tax on civil aircraft was an annual tax of 2 parts: (1) a \$6.25 tax per plane, plus (2) a weight tax of  $\frac{7}{8}$  cents per pound for turbine-powered (jet) aircraft and  $\frac{1}{2}$  cent per pound for nonturbine-powered aircraft for each pound in excess of 2,500 pounds of maximum certificated takeoff weight.

Before July 1, 1980, the use tax on civil aircraft was an annual tax of two parts: (1) a \$25 tax per plane, plus (2) a weight tax of  $3\frac{1}{2}$  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.

<sup>2</sup> The use tax on aircraft would apply, at the pre-July 1, 1980 rates, to commercial aircraft only (i.e., those used in a "business of transporting persons or property for compensation or hire by air"), except that it would not apply to aircraft exempted from the air transportation taxes under Code section 4281 (small aircraft on nonestablished lines) or under Code section 4282 (transportation by air for other members of an affiliated group).

<sup>3</sup> The tax on noncommercial aviation fuels would be as follows (per gallon):

Period	Gasoline* (cents)	Nongasoline (jet fuel) (cents)
7/1/81-9/30/82.....	12	20
10/1/82-9/30/83.....	18	35
10/1/83-9/30/84.....	24	50
10/1/84-9/30/85.....	30	58
10/1/85 and later years.....	36	65

\*Includes the present 4-cents-a-gallon manufacturer's tax.

<sup>4</sup> Taxed at the general rates for nonhighway tires (5 cents per pound) and tubes (10 cents per pound).



## B. Estimated Revenue Effects of Aviation Excise Taxes

Table 4 presents estimated revenue projections for the aviation-related excise taxes for fiscal years 1982–1986 for the current law taxes, the Administration proposal (S. 1047), and under S. 1272.

TABLE 4.—PROJECTED AVIATION EXCISE TAX REVENUES UNDER PRESENT LAW AND PROPOSALS (S. 1047 AND S. 1272), FISCAL YEARS 1982–86

[In millions of dollars]

Item	1982	1983	1984	1985	1986
<b>Present law:</b>					
Ticket tax (5 percent)-----	1, 233	1, 434	1, 637	1, 832	2, 041
Noncommercial aviation gasoline tax (4 cents)—Highway Trust Fund....	12	14	14	6	6
Tires and tubes tax—Highway Trust Fund-----	1	1	1	( <sup>2</sup> )	( <sup>2</sup> )
Total receipts, present law-----	1, 246	1, 449	1, 652	1, 838	2, 047
<b>Administration proposal (S. 1047):</b>					
Ticket tax (6.5 percent)-----	1, 402	1, 863	2, 131	2, 380	2, 654
Waybill tax (5 percent)-----	98	126	141	159	179
International departure tax (\$3)-----	68	82	87	92	98
Fuels taxes <sup>1</sup> -----	140	257	392	501	615
Tires and tubes tax-----	1	1	1	1	1
Proposed law total (trust fund effect)-----	1, 709	2, 330	2, 752	3, 133	3, 547
General fund and highway fund receipts-----	167	-----	-----	-----	-----
Change from present law (unified budget effect)-----	630	881	1, 100	1, 295	1, 500
<b>S. 1272:</b>					
Ticket tax (3 percent)-----	740	860	982	1, 099	1, 225
Waybill tax (2 percent)-----	39	50	56	64	72
International departure tax (\$1)-----	23	27	29	31	33
Fuels taxes (8 <sup>N</sup> cents/gal.)-----	67	71	77	84	91
Aircraft use tax-----	34	36	38	40	42
Tires and tubes tax-----	1	1	1	1	1
Total trust fund-----	904	1045	1, 183	1, 319	1, 464
General fund and highway fund receipts-----	167	-----	-----	-----	-----
Change from present law (unified budget effect)-----	—175	—404	—469	—519	—583

<sup>1</sup> Proposed per gallon tax rates for noncommercial aviation gasoline are: Beginning Oct. 1, 1981, 12 cents; Oct. 1, 1982, 18 cents; Oct. 1, 1983, 24 cents; Oct. 1, 1984, 30 cents; Oct. 1, 1985, 36 cents. Proposed per gallon tax rates for noncommercial jet fuel are: Beginning July 1, 1981, 20 cents; Oct. 1, 1982, 35 cents; Oct. 1, 1983, 50 cents; Oct. 1, 1984, 58 cents; Oct. 1, 1985, 65 cents.

<sup>2</sup> Less than \$500,000.

Source: Office of the Secretary of the Treasury, Office of Tax Analysis.

### **III. TRUST FUND AUTHORIZATIONS**

In S. 508, the Senate Commerce Committee authorized \$9.5 billion for expenditures from the Airport and Airway Trust Fund for fiscal years 1981-1985. For the same period, the Administration requested trust fund authorizations that amount to \$13.8 billion. The major difference between the two programs is the amount of FAA operations and maintenance (O&M) expenditure from the trust fund and the inclusion of FAA administrative costs as permissible trust fund expenditures; the difference averages about \$1.1 billion a year in fiscal years 1982-1985. (See table 5.)

#### **A. Trust Fund Program Levels**

##### **1. Airport development and planning (ADAP)**

Both programs would remove large and medium hub airports from the Federal-aid program.

S. 508 would remove from the ADAP program after fiscal year 1981 40 commercial service airports, each of which enplaned more than 0.5 percent of the total number of passengers enplaned in calendar year 1979. After fiscal year 1982, the cut-off would apply to 29 additional airports, each of which enplaned more than 0.25 percent of the 1979 passenger total. In addition, any airport that enplanes more than 0.25 percent of the passenger total in each of 2 consecutive calendar years after 1979 also would become ineligible for the ADAP program. Furthermore, any airport otherwise eligible for the program could elect out of the program, but the election would require 60 days notice in advance of the fiscal year in which it would apply for the first time and would be permanent.

The Administration proposal after fiscal year 1981 would remove from ADAP eligibility 21 commercial service airports each of which enplaned more than 1.4 percent of the total number of passengers enplaned at all commercial service airports in calendar year 1979. After fiscal year 1982, the threshold for defederalization would drop to 0.5 percent of the passengers, and an additional 20 airports would become ineligible for the ADAP program.

Both S. 508 and the Administration proposal would remove the restriction against airport head taxes (or passenger facility charges) imposed by State and local governments for the airports to be made ineligible for ADAP funds. Thus, such airports would be expected to finance their ADAP costs for their own revenue sources, including aircraft landing fees and other charges.

##### **2. Airway facilities and equipment (F&E)**

This activity generally includes air navigational facilities which directly affect aviation safety. In S. 508, the Commerce Committee authorizes expenditures from the trust fund of \$400 million in fiscal year 1981, \$450 million in 1982, and which rise to \$750 million in 1985.



The committee also revises a provision in present law under which unspent appropriations (within the authorized limit) terminate at the end of a fiscal year. As a result unspent authorizations in any fiscal year would be added to the authorizations in subsequent fiscal years until spent. Over the fiscal year period 1981–1985, S. 508 would authorize a total of \$2.75 billion in expenditures; the Administration recommended \$2.05 billion for the same period.

### 3. Research, engineering and development (R,E & D)

Annual authorizations in this function are devoted to research engineering, development and demonstrations. Unspent appropriations would remain available in subsequent fiscal years until spent. Under S. 508, the authorization for fiscal year 1982 is 20 percent higher than for fiscal year 1981, but below the level recommended by the Administration. For fiscal years 1981–1985, S. 508 authorizes \$500 million, the Administration recommended \$585 million, with the recommended level in 1985 more than 25 percent greater than in S. 508.

### 4. Airway operations and maintenance (O & M); FAA administrative costs

The Commerce Committee bill would provide trust fund authorizations for operations and maintenance (O & M) expenditures of \$4.0 billion for the fiscal years 1981–1985. This amount is twice the level contained in S. 508 as initially introduced. The remainder of FAA's operations and maintenance and administrative costs would come out of the general fund revenues.

The Administration recommended that the trust fund revenues be used to pay nearly the entire FAA operations and maintenance budget, which would amount to \$8.9 billion for fiscal years 1981–1985. The Commerce Committee believes that the general taxpayer should pay part of the costs of the airway system in exchange for the benefits that are provided.

### 5. Other programs

Under the Administration proposal, \$250,000 per year would be authorized from the trust fund for training of State and local government employees in trust fund programs. There is no similar provision in S. 508.

## B. Trust Fund Expenditure Purposes

Under S. 508, as reported, the following additional expenditures purposes would be authorized from the Airport and Airway Trust Fund.—

*Airport development.*—

Fund.

(1) *Public-use airports.*—Modifies the definition of eligible air ports to include (in addition to public airports) privately-owned reliever airports used or to be used for public purposes.

(2) *Airport-related equipment.*—Aviation-related weather reporting equipment (previously allowed under the Facilities and Equipment program, if it was a navigational aid).

Also, S. 508 would remove certain larger air carrier airports from the ADAP grant program.

TABLE 5.—AIRPORT AND AIRWAY TRUST FUND AUTHORIZATIONS IN S. 508 (AS REPORTED) AND PROPOSED BY THE ADMINISTRATION, <sup>1</sup> FISCAL YEARS 1981–1985 <sup>2</sup>

[Fiscal years; millions of dollars]

Trust Fund Program	1981		1982		1983		1984		1985	
	Admin- istra- tion	S. 508	Admin- istra- tion	S. 508	Admin- istra- tion	S. 508	Admin- istra- tion	S. 508	Admin- istra- tion	S. 508
Airport development and planning (ADAP)---	450	450	450	450	450	450	450	450	450	450
Airway facilities and equipment (F. & E.)----	350	400	325	450	425	550	455	600	490	750
Research, engineering and development (R.E. & D.)-----	85	90	105	95	120	100	135	105	140	110
Airway operations and maintenance (O. & M.), FAA administrative costs <sup>3</sup> -----	525	4 700	1, 950	4 750	2, 050	4 800	2, 150	4 850	2, 250	4 900
Training of State-local government employees	( <sup>6</sup> )	-----	( <sup>6</sup> )	-----	( <sup>6</sup> )	-----	( <sup>6</sup> )	-----	( <sup>6</sup> )	-----
<b>Total, trust fund authorizations-----</b>	<b>1, 410</b>	<b>1, 640</b>	<b>2, 830</b>	<b>1, 745</b>	<b>3, 045</b>	<b>1, 900</b>	<b>3, 190</b>	<b>2, 005</b>	<b>2, 330</b>	<b>2, 210</b>

<sup>1</sup> The Administration proposal was introduced in H.R. 2930 (by request).

<sup>2</sup> The Administration proposal would provide trust fund authorizations for fiscal year 1986: ADAP, \$450 million; F. & E., \$525 million; R. E. & D., \$140 million; O. & M., \$2,350 million; and \$250,000 for training.

<sup>3</sup> Both proposals would continue the prior authorization for costs of services provided under international agreements rebating to the joint financing of air navigation services assessed against the U.S. Government.

<sup>4</sup> Under S. 508, the authorization from the trust fund is for maintenance expenses (and not operations costs), and are limited to costs incurred in the field and exclude the costs of engineering support and planning, direction, and evaluation activities.

<sup>5</sup> \$250,000 per year; not in S. 508.

NOTE.—See accompanying text for description of differences between Administration proposal and S. 508, as reported.