

SUMMARY OF REVISED ADMINISTRATION
PROPOSALS REGARDING AIRPORT AND AIRWAY
TRUST FUND EXCISE TAXES

Present law

Under present law (since October 1, 1980), there is a 5-percent excise tax on domestic air transportation of persons. Revenues from this tax presently go into the general fund. There is also a 4-cents-a-gallon manufacturer's excise tax on gasoline used by noncommercial aviation. In addition, the excise taxes on aircraft tires and tubes continue but revenues are retained in the Highway Trust Fund rather than being transferred to the Airport and Airway Trust Fund.

Prior law

Prior to October 1, 1980 (July 1, 1970-September 30, 1980), the tax on domestic air transportation of persons was 8 percent, and the revenues from the tax went into the Airport and Airway Trust Fund. Revenues from a series of other aviation excise taxes also went into the Airport and Airway Trust Fund ("Trust Fund"): \$3 international departure tax, 5-percent tax on domestic air transportation of property, 7-cents-a-gallon tax on fuels (gasoline and nongasoline) used by noncommercial aviation, the taxes on aircraft tires and tubes, and the annual aircraft use tax.^{1/}

Administration's revised proposal

Aviation excise taxes

Under the Administration's revised proposal (transmitted to the Congress by the Secretary of Transportation on March 19, 1981), the aviation excise taxes (except for the aircraft use tax) previously going into the Trust Fund would be reconstituted, at the following tax rates (with the revenues again going into the Trust Fund): 6.5-percent tax on domestic air transportation of persons, 5-percent tax on domestic air transportation of property, \$3 international departure tax, a gradually increasing tax on noncommercial aviation fuels (at differential rates for

^{1/} See footnote 1 of table 1 for the prior law tax rate.

aviation gasoline and nongasoline fuels^{2/}), and the continuance of the transfer of the present taxes on aircraft tires and tubes.

Effective date.--These proposed changes would be effective on July 1, 1981, and would not have an expiration date as under prior law.

Revenue effect.--The estimated revenue effect (FAA/Treasury projections) of the Administration's aviation excise tax proposal is presented in table 2 (for fiscal years 1981-1986).

Trust Fund authorizations

The Administration's proposed authorization levels from the Airport and Airway Trust Fund are shown in table 3 (for fiscal years 1981-1986).

Other tax-related item

As indicated in footnote 1 of table 3, the Administration's proposal would remove the current restriction against airport head taxes imposed by State and local governments for the largest airports to be made ineligible for ADAP funds.

^{2/} See footnote 2 in table 1 for the proposed tax rate schedule for aviation gasoline and nongasoline fuels.

Table 1. Comparison of Aviation Excise Tax Rates:

Present and Prior Law and Administration Proposal

<u>Tax</u>	<u>Present rate</u>	<u>Pre Oct. 1, 1980 rate</u>	<u>Administration's revised proposal</u>
Air passenger ticket tax	5%	8%	6.5%
Air freight waybill tax	---	5%	5%
International departure tax	---	\$3 per person	\$3 per person
Fuels tax for noncommercial aviation:			
gasoline	4 cents/gal.	7 cents/gal.	12-36 cents/gal. ²
nongasoline (jet fuel, etc.)	---	7 cents/gal.	20-65 cents/gal. ²
Aircraft use tax	---	<u>1/</u>	---
Aircraft tires & tubes tax	<u>3/</u>	<u>3/</u>	<u>3/</u>

1/ An annual tax of two parts: (1) a \$25 per plane 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."

2/ The tax on noncommercial aviation fuels would be as follows (per gallon)

<u>Period</u>	<u>Gasoline*</u>	<u>Nongasoline (jet fuel)</u>
7/1/81-9/30/82	12 cents	20 cents
10/1/82-9/30/83	18 cents	35 cents
10/1/83-9/30/84	24 cents	50 cents
10/1/84-9/30/85	30 cents	58 cents
10/1/85 and there- after	36 cents	65 cents

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

3/ Taxed at the general rates for nonhighway tires (5 cents per pound) and tubes (10 cents per pound).

Table 2.--Estimated Airport and Airway Trust Fund Excise Tax Revenues
Under Administration's Revised Proposal, Fiscal Years 1981-1986

(millions of dollars)

<u>Tax</u>	<u>1981</u> ^{1/}	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Air passenger ticket tax (6.5%)	42	1,766	1,970	2,189	2,423	2,709
Air freight waybill tax (5%)	11	107	125	146	172	202
International departure tax (\$3)	10	85	89	94	98	104
Fuels tax for noncommercial aviation	31	189	329	493	613	735
Taxes on aircraft tires and tubes	* /	1	1	1	1	1
Totals, Trust Fund Taxes	<u>94</u> ^{1/}	<u>2,148</u>	<u>2,514</u>	<u>2,923</u>	<u>3,307</u>	<u>3,751</u>

* Less than \$1 million.

^{1/} The proposed changes would be effective July 1, 1981.

Addendum:

Revenue Projections for Present Aviation Excise Taxes

5% air passenger tax ^{2/}	1,277	1,359	1,515	1,683	1,863	2,084
4 cents/gal. gasoline tax for noncommercial aviation ^{3/}	13	18	18	19	19	20
Aircraft tires & tubes tax ^{3/}	1	1	1	1	1	1
Totals	<u>1,291</u>	<u>1,378</u>	<u>1,534</u>	<u>1,703</u>	<u>1,883</u>	<u>2,105</u>

^{2/} Tax revenues would go into the general fund, absent further legislation.

^{3/} Tax revenues would go into the Highway Trust Fund (through Sept. 30, 1984), absent further legislation.

Source: Treasury Department, Office of Tax Analysis and Department of Transportation, FAA

Table 3. Administration's Proposed Airport and Airway Trust Fund
Authorizations, Fiscal Years 1981-1986
(millions of dollars)

<u>Program</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Airport development, & planning (ADAP) ^{1/}	450	450	450	450	450	450
Airway facilities & equipment (F&E)	350	325	425	455	490	525
Research, engineering & development (R,E&D)	85	105	120	135	140	140
Training of State-local government employees	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>	<u>2/</u>
FAA administrative costs, Airway operations, & maintenance (O&M) ^{3/}	525	1,950	2,050	2,150	2,250	2,350
Total, Trust Fund Authorizations	<u>1,410</u>	<u>2,830</u>	<u>3,045</u>	<u>3,190</u>	<u>3,330</u>	<u>3,465</u>

^{1/} Beginning in FY1982, the 21 largest airports would not be eligible for ADAP funds; after FY1982, the 41 largest airports would not be eligible. (The Administration's proposal would permit head taxes to be imposed by State and local governments at such airports.)

^{2/} \$250,000 per year.

^{3/} The proposal would allow the balance of trust fund moneys after the above categories (ADAP, F&E, R,E&D, and training) to be appropriated for U.S. costs of financing certain international air navigational services, all FAA operations and maintenance costs, and FAA safety and regulatory costs. The amounts shown are "not less than" for each year.

Prior Congressional action (96th Congress)

House Ways and Means Committee

The Ways and Means Committee approved a Committee amendment on May 28, 1980, to be offered as a separate title to H.R. 6721, as reported by the Public Works and Transportation Committee and the Science and Technology Committee. H.R. 6721 was not considered on the House floor.

The Ways and Means Committee amendment would have extended the then existing aviation excise taxes, with some modifications, and deposited these tax revenues in the Airport and Airway Trust Fund for five years (October 1, 1980 through September 30, 1985): 8-percent tax on domestic air transportation of persons through September 30, 1982, with a 5-percent tax thereafter; 5-percent tax on domestic air transportation of property (through September 30, 1985); 8 1/2-cents-a-gallon tax on fuels used by noncommercial aviation (through September 30, 1985); repeal of the aircraft use tax for noncommercial aviation aircraft (retained for commercial aircraft through September 30, 1985); and continuance of the transfer to the Trust Fund of the revenues from the taxes on aircraft tires and tubes.

Senate Finance Committee

The Finance Committee reported an amendment to H.R. 6571 (S. Rept. No. 96-997; September 26, 1980), which would have extended the existing aviation excise taxes for a one-year period (October 1, 1980 through September 30, 1981) generally at the prior law tax rates. However, the fuels taxes on noncommercial aviation fuels would have been 8 1/2 cents a gallon for the period January 1, 1981-September 30, 1981, and the aircraft use tax would have been repealed for noncommercial aviation aircraft. The revenues from these taxes would have gone to the Trust Fund for fiscal year 1981. H.R. 6571 was not considered on the Senate floor.