

[JOINT COMMITTEE PRINT]

**DESCRIPTION OF PROPOSALS  
(H.R. 2930 AND H.R. 2643)  
RELATING TO  
AVIATION EXCISE TAXES  
AND  
AIRPORT AND AIRWAY TRUST FUND  
AUTHORIZATIONS  
SCHEDULED FOR A HEARING  
BEFORE THE  
COMMITTEE ON WAYS AND MEANS  
ON OCTOBER 14, 1981**

---

PREPARED FOR THE  
COMMITTEE ON WAYS AND MEANS  
BY THE STAFF OF THE  
JOINT COMMITTEE ON TAXATION



OCTOBER 13, 1981

U.S. GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1981

84-947 O

JCS-54-81

# CONTENTS

---

	Page
Introduction.....	1
I. Present Law and Background.....	3
A. Aviation excise taxes.....	3
1. Overview.....	3
2. Present law.....	3
3. Prior law.....	4
B. Airport and Airway Trust Fund.....	6
1. Background.....	6
2. Summary of prior law trust fund author- ization purposes.....	7
3. Trust Fund balance.....	8
II. Description of Aviation Tax Proposals.....	9
A. Explanation of provisions.....	9
1. Administration proposal: Title II of H.R. 2930.....	9
2. 1980 Ways and Means Committee amend- ment.....	11
B. Estimated revenue effects of aviation taxes.....	14
III. Trust Fund Authorizations.....	15
A. Trust Fund program levels.....	15
1. Airport development and planning (ADAP).....	15
2. Airway facilities and equipment (F&E)....	16
3. Research, engineering and development (R,E&D).....	16
4. Airway operations and maintenance (O & M); FAA administrative costs.....	17
5. Other programs.....	17
6. Priority for airport and airway programs and limitations on spending.....	17
B. Trust Fund expenditure purposes.....	20

## INTRODUCTION

This pamphlet was prepared by the staff of the Joint Committee on Taxation for the hearing scheduled by the House Committee on Ways and Means on October 14, 1981, on legislative proposals (H.R. 2930 and H.R. 2643) concerning aviation excise taxes and the Airport and Airway Trust Fund.

The Administration aviation excise tax proposal is contained in title II of H.R. 2930 (introduced by request), which provides for re-establishment of and increases in certain aviation excise taxes and for transfer of the revenues to the Trust Fund. In 1980, the Ways and Means Committee approved an amendment (to have been offered as a separate title to H.R. 6721, 96th Cong.), which would have extended and modified aviation excise taxes and provided for transfer of the revenues to the Trust Fund. In the 97th Congress, the House Committee on Public Works and Transportation and the Committee on Science and Technology have reported a trust fund authorization bill (H.R. 2643; H. Rept. No. 97-24, Part I and Part II), which does not contain tax amendments under the jurisdiction of the Ways and Means Committee.

The first part of the pamphlet is a discussion of present law and background relating to the aviation excise taxes and Airport and Airway Trust Fund authorizations. This is followed by a summary description of legislative proposals relating to the trust fund taxes in the Administration proposal (H.R. 2930) and the 1980 Ways and Means Committee amendment, including projected revenue effects of the proposals. The third part discusses proposed trust fund authorization levels by program for fiscal years 1981-1986, under H.R. 2643 and the Administration proposal (H.R. 2930).



## I. PRESENT LAW AND BACKGROUND

### A. Aviation Excise Taxes

#### 1. Overview

The Airport and Airway Revenue Act of 1970 (Title II of Public Law 91-258) 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 currently 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 currently 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 (4.875 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 currently 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 gasoline (sec. 4041(c))	4 cents/gallon.
Aircraft tires tax (sec. 4071)	4.875 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 (where the layover does not exceed 6 hours). 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 along with the fare by the air carrier, for subsequent deposit by the Treasury into the Airport and Airway Trust Fund. Exemptions from these taxes were (and continue to be) 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 4-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

---

<sup>2</sup>The annual aircraft use tax consisted of two parts: (1) a \$25 annual per plane 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.

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. 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 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).

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>	( <sup>2</sup> ).
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 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 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." 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 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 during the period July 1, 1970-September 30, 1980.<sup>1</sup>

#### ***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 airport and airway obligations of the United States that could be incurred under Title I of the 1970 Act, as it was in effect on the date of enactment or, generally, under the Federal Aviation Act of 1958. 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 93-94) 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 specifically to 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 termi-

<sup>1</sup> Interest on the Trust Fund balance currently continues to accrue to the fund.



nal development (limited to 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 financing 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) authorized grants from the Trust Fund for airport noise compatibility planning and programs; \$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 provisions to also authorize liquidation of obligations incurred under the 1979 Act amendments (sec. 208(f)(1)(A) of the Airport and Airway Revenue Act of 1970; 49 U.S.C. 1742(f)(1)(A)); that is, "as such Acts were in effect on the date of enactment of the Aviation Safety and Noise Abatement Act of 1979."

### ***1981 amendment***

Under the Fiscal Year 1981 Airport Development Authorization Act (Part I of Subtitle A of Title 11 of the Omnibus Reconciliation Act of 1981—Public Law 97-35), the ADAP authorization for fiscal year 1981 was set at \$450 million. The amount included planning grants and noise compatibility programs under the 1979 Act (with the latter to be not less than \$25 million). The 1981 Reconciliation Act also provided an overall limit on ADAP obligations of \$1,050 million for fiscal years 1981 and 1982 combined, and stated that this limit would prevail if the conference agreement on the authorization legislation exceeded such amount.

In addition, the 1981 Act amended the trust fund provisions to also authorize liquidation of obligations incurred under the 1981 Act amendments as well as previously authorized purposes.

## **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.

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

(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 projects:***

(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 (includes baggage facilities and passenger-moving equipment) at air carrier airports, the sponsors of which certify that they have the required safety and security equipment; does not include costs of constructing public parking facilities for passenger automobiles or costs to construct, alter, or repair a hangar or any airport building unless used to house facilities or activities directly related to safety of persons at the airport. Authorized uses of funds also 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.

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

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

d. *Operations and Maintenance Programs (O&M)*.—Flight checking 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.

e. *Other costs*.—Certain airline costs of international passenger security screening facilities and related services.

### 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 \$3,803 million was the unobligated balance. The unobligated trust fund balance is estimated to be \$2.9 billion at the end of fiscal year 1981 (September 30, 1981).

## II. DESCRIPTION OF AVIATION TAX PROPOSALS

There is one bill (H.R. 2930—title II; the Administration proposal) relating to Airport and Airways Trust Fund excise taxes currently before the Ways and Means Committee. A summary of the tax provisions of the bill, and also present and prior law, is presented in table 3. Table 3 also shows the aviation excise tax rates under the 1980 Ways and Means Committee amendment. The following is a brief description of these aviation tax proposals.

### A. Explanation of Provisions

#### 1. Administration proposal: Title II of H.R. 2930 (introduced by request)

##### *Description of provisions*

The Administration proposal generally provides for reinstatement of the same aviation excise taxes as existed under prior law on September 30, 1980. However, certain tax rates under the bill would be different than they had been under prior law, and the aircraft use tax of prior law would not be reinstated.

##### *Aviation excise taxes*

Under the bill, the air passenger ticket tax would be 6.5 percent of amounts paid for taxable transportation, a rate midway between the 5-percent rate of present law and the 8-percent rate of prior law. The international departure tax would be reinstated at the prior law level of \$3 per person, and the air freight waybill tax would be reinstated at the prior law rate of 5 percent. The existing manufacturers excise taxes of 4.875 cents per pound on aircraft tires and 10 cents per pound on aircraft inner tubes would be continued.

The bill would reinstate the excise tax on gasoline used in non-commercial aviation. The amount of tax per gallon would be as follows: 8 cents before October 1, 1982, 14 cents in fiscal year 1983, 20 cents in fiscal year 1984, 26 cents in fiscal year 1985 and 32 cents after September 30, 1985. This tax would be in addition to the existing 4-cents-per-gallon manufacturers excise tax on gasoline; i.e., the total tax would be increased from 12 cents per gallon to 36 cents per gallon over the 5-year period.

The bill also would reinstate the excise tax on non-gasoline fuels (e.g., kerosene—jet fuel) used in noncommercial aviation. The amount of tax per gallon would be as follows: 20 cents before October 1, 1982, 35 cents in fiscal year 1983, 50 cents in fiscal year 1984, 58 cents in fiscal year 1985 and 65 cents after September 30, 1985.

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

Under the bill as introduced, revenues from the aviation excise taxes described above would be transferred to the Airport and Airway Trust Fund beginning July 1, 1981.

***Effective date***

As introduced, the tax provisions of H.R. 2930 would have applied to transportation beginning after June 30, 1981. The provisions relating to trust fund transfers would have been effective on July 1, 1981. There would be no expiration date on the transfer of the tax revenues to the Trust Fund, nor any expiration date on the aviation excise taxes.

## 2. 1980 Ways and Means Committee amendment

### *Description of provisions*

On May 28, 1980, the Committee on Ways and Means approved a committee amendment to extend the transfer of aviation taxes to the Airport and Airway Trust Fund. The committee amendment was to have been offered as a separate title to H.R. 6721 (96th Cong.), the Airport and Airway Improvement Act of 1980, as reported in 1980 by the Committee on Public Works and Transportation and the Committee on Science and Technology. H.R. 6721 was not considered by the House before the end of the 96th Congress.

H.R. 6721, as reported, would have provided a 5-year extension of program authorizations from the Trust Fund, or through fiscal year tended the use of the Trust Fund through fiscal year 1985, and generally would have extended, with some modifications, the aviation excise taxes which are dedicated to the Trust Fund through September 30, 1985.

### *Aviation excise taxes*

The committee amendment would have extended the 8-percent air passenger ticket tax through September 30, 1982, and reduced the rate of this tax to 5-percent on October 1, 1982. The prior 5-percent air freight waybill tax and the prior \$3 international departure tax were to be extended through September 30, 1985. In addition, the committee amendment repealed the aircraft use tax for noncommercial (general aviation) aircraft; and at the same time, the tax on fuel used by noncommercial aircraft would have been increased from 7 cents per gallon to 8½ cents per gallon (through September 30, 1985). The aircraft registration and use tax would have been retained only for commercial aircraft, through September 30, 1985.

Further, the committee amendment would have modified three aspects of the tax on air passengers. The amendment would have removed the existing 225-mile zone rule with respect to air travel between the United States and this zone and within this zone in Canada and Mexico, effective when the Secretary of the Treasury reached a satisfactory agreement with Canada and/or Mexico regarding the tax treatment of such air travel with that country. Also, the 6-hour lay-over rule for determining whether a flight is an international flight for purposes of the \$3 international departure tax would have been changed to a 12-hour rule. In addition, the committee amendment included the provisions of H.R. 4725 (96th Cong.) as previously reported by the committee (H. Rept. 96-1046). H.R. 4725 would have removed the present requirement that airline tickets show amounts paid and the ticket tax for each segment of a trip where the ticket shows amounts paid by segments. The requirement to show the total of the air fare and the ticket tax for the total trip would be retained.

*Airport and Airway Trust Fund*

The committee amendment would have extended the transfer of aviation tax revenues to the Airport and Airway Trust Fund, ber 30, 1985. The committee amendment also would have generally approved the trust fund expenditure purposes as contained in H.R. 6721, as reported by the Committee on Public Works and Transportation, except that the cost of ground access outside of an airport was not to be an eligible expenditure purpose from the Trust Fund.

*Effective date*

The provisions of the committee amendment generally would have been effective through September 30, 1985, except that the air passenger ticket tax would have been at a 5-percent rate for October 1, 1982 and thereafter.

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

Tax	Present rate	Pre-Oct. 1, 1980 rate	Administration (H.R. 2930)	1980 Ways and Means amendment <sup>1</sup>
Air passenger ticket tax	5%	8%	6.5%	8%/5% <sup>2</sup> .
Air freight waybill tax		5%	5%	5%
International departure tax		\$3/person	\$3/person	\$3/person.
Fuels tax for noncommercial aviation:				
Gasoline	4¢/gal.	7¢/gal.	12-36¢/gal. <sup>3</sup>	8½¢/gal.
Nongasoline (jet fuel, etc.)		7¢/gal.	20-65¢/gal. <sup>3</sup>	8½¢/gal.
Aircraft use tax		( <sup>4</sup> )	None	( <sup>5</sup> ).
Aircraft tires and tubes tax	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> )	( <sup>6</sup> ).

<sup>1</sup> Committee amendment, was to have been offered as a separate title to H.R. 6721 (96th Congress), approved on May 28, 1980. The amendment would have extended the rates indicated through September 30, 1985, unless otherwise noted.

<sup>2</sup> 8 percent through Sept. 30, 1982, and 5 percent thereafter.

<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> From July 1, 1980, through Sept. 30, 1980, the use tax on civil aircraft was an annual tax of two parts: (1) a \$6.25 per plane tax, plus (2) a weight tax of ⅞ cent per pound for turbine-powered (jet) aircraft and ½ cent per pound for nonturbine-powered aircraft for each pound in excess of 2,500 pounds of maximum certificated take-off weight.

Before July 1, 1980, the use tax on civil aircraft was an annual tax of two parts: (1) a \$25 per plane 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.

<sup>5</sup> Extend the use tax only for commercial aircraft (through Sept. 30, 1985).

<sup>6</sup> Taxed at the general rates for nonhighway tires (5 cents per pound before January 1, 1981, and 4.875 cents per pound thereafter) and inner 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 present law taxes and the Administration proposal (H.R. 2930).

TABLE 4.—PROJECTED AVIATION EXCISE TAX REVENUES UNDER PRESENT LAW AND THE ADMINISTRATION PROPOSAL (H.R. 2930), FISCAL YEARS 1982–1986

[In millions of dollars]					
Item	1982*	1983	1984	1985	1986
<b>Present law:</b>					
Ticket tax (5%)-----	1, 080	1, 435	1, 640	1, 830	2, 040
Noncommercial aviation gasoline tax (4 cents)—Highway Trust Fund-----	14	14	16	6	6
Tires and tubes taxes—Highway Trust Fund-----	1	1	1	(1)	(1)
Total receipts, present law----	1, 095	1, 450	1, 657	1, 836	2, 046
<b>Administration proposal (H.R. 2930):</b>					
Ticket tax (6.5%)-----	1, 402	1, 863	2, 131	2, 380	2, 654
Waybill tax (5%)-----	98	126	141	160	179
International departure tax (\$3)-----	68	82	87	92	98
Fuels taxes—noncommercial aviation <sup>2</sup> -----	140	257	392	501	615
Tires and tubes taxes-----	1	1	1	1	1
Proposed total receipts (trust fund effect)-----	1, 709	2, 330	2, 752	3, 134	3, 547
General fund and highway fund receipts-----	167				
Change from present law (unified budget effect)-----	614	880	1, 095	1, 298	1, 501

\*The fiscal year 1982 amounts for the Administration proposal were based on the assumption of an effective date of October 1, 1981.

<sup>1</sup> Less than \$500,000.

<sup>2</sup> Proposed per gallon tax rates for noncommercial aviation gasoline (including the existing 4-cents-per gallon manufacturers tax) are: Beginning July 1, 1981, 12 cents; Oct. 1, 1982, 18 cents; Oct. 1, 1983, 24 cents; Oct. 1, 1984, 30 cents; Oct. 1, 1985, and thereafter, 36 cents. Proposed per gallon tax rates for non-commercial jet fuel are: Beginning July 1, 1981, 20 cents; October 1, 1982, 35 cents; Oct. 1, 1983, 50 cents; Oct. 1, 1984, 58 cents; Oct. 1, 1985, and thereafter, 65 cents.

SOURCE: Office of Tax Analysis, Office of the Secretary of The Treasury, based upon the July 1981 FAA projection.



### III. TRUST FUND AUTHORIZATIONS

In H.R. 2643,<sup>1</sup> the House Committee on Public Works and Transportation and the Committee on Science and Technology reported a bill which authorizes expenditures from the Airport and Airway Trust Fund. The bill, *as reported*, provides Trust Fund authorizations for fiscal years 1981, 1982 and 1983 for most of the spending functions and for fiscal years 1981 and 1982 for research, engineering, and development (R.E & D).<sup>2</sup> Total Trust Fund authorizations over the three-year period amount to \$5.0 billion.

The Administration's program, which is contained in title I of H.R. 2930, would provide authorization for \$7.3 billion from the Trust Fund over the same three-year period and an additional \$10 billion for fiscal years 1984-1986.

The amounts for each function in each of the fiscal years is presented in table 5.

#### A. Trust Fund Program Levels

##### 1. Airport development aid program (ADAP)

**H.R. 2643.**—Under the reported bill, \$450 million would be authorized each year for fiscal years 1981-1983 for project grants from the Trust Fund for airport development and airport planning, and for airport noise compatibility planning and programs. No obligations could be incurred under this authority after September 30, 1983, but previously incurred obligations could be liquidated after that date. Obligations could not be incurred for projects at privately-owned public use airports unless appropriate assurances were received that the airports would continue as public use airports during the economic life of the Federally subsidized facility.

<sup>1</sup> "Airport and Airway Improvement Act of 1981" reported by the Committee on Science and Technology (regarding R&D) on April 27, 1981 (H. Rept. 97-24, Part I) and by the Committee on Public Works and Transportation (H. Rept. 97-24, Part II).

<sup>2</sup> Subsequent to the reporting of H.R. 2643, two legislative actions have been taken with respect to fiscal year 1981, 1982 and 1983 trust fund authorizations.

Under the Fiscal Year 1981 Airport Development Authorization Act (Subtitle A of Title 11 of the Omnibus Reconciliation Act of 1981—Public Law 97-35, enacted August 13, 1981), the ADAP authorization for fiscal year 1981 was set at \$450 million. (This included amounts for planning grants and noise compatibility programs, with the latter to be not less than \$25 million.) The 1981 Act also provided an overall limit on ADAP obligations of \$1,050 million for fiscal years 1981 and 1982 combined, and stated that this limit would prevail if the conference agreement on the authorization legislation exceeded such amount.

On September 17, 1981, the House Committee on Public Works and Transportation approved a committee amendment, to be offered to H.R. 2643, which would set the ADAP authorization at \$600 million for each of the fiscal years 1982 and 1983, and drop the reference to fiscal 1981 authorizations for ADAP and the other trust fund programs (since prior legislation had taken care of fiscal 1981).

The reported bill provides an apportionment formula for primary airports,<sup>3</sup> with minimum and maximum amounts for any primary airport in any fiscal year; primary airport apportionments may not exceed 45 percent of the ADAP authorization for the corresponding fiscal year. The apportionment to States, Puerto Rico and insular areas would be limited to 15 percent of the ADAP authorization. The balance of the authorized amount would constitute a fund which could be distributed at the Secretary's discretion for ADAP purposes.

**H.R. 2930.**—The Administration proposal would authorize \$450 million for each of 6 years (fiscal years 1981–1986) for the same general purposes, except that after September 30, 1982, the Administration proposal would make the 41 largest airports (defined in terms of passengers enplaned) ineligible for further ADAP assistance. (Title III of H.R. 2930 would remove the present prohibition against State or local airport head taxes or fees for those airports made ineligible for ADAP funds.) Apportionment formulas, similar to those in H.R. 2643, are specified for primary airports, States, Puerto Rico, and insular areas. This bill also would provide for block-grants under the apportionment to States and a Secretarial discretionary fund.

## 2. Airway facilities and equipment (F&E) <sup>4</sup>

**H.R. 2643.**—Authorizations would be provided which total \$1.1 billion for fiscal years 1981, 1982 and 1983. The funds would be used for air navigation facilities, and at least 20 percent of the total amount appropriated must be used for acquiring and installing air navigation facilities at commercial service and reliever airports.

**H.R. 2930.**—The Administration proposal also would authorize \$1.1 billion for fiscal years 1981–1983 in the same annual amounts as in H.R. 2643. In addition, the Administration proposal would authorize \$1.47 billion for fiscal years 1984–1986.

## 3. Research, engineering and development (R,E&D) <sup>5</sup>

**H.R. 2643.**—Under the bill as reported, \$85 million per year would be authorized for fiscal years 1981 and 1982, and the total would be distributed in specific amounts in each fiscal year among the following activities: air traffic control, navigation, aviation weather, aviation medicine, air traffic control, and computer modernization. In addition, authorization is provided for increases in employee pay and benefits. The amount for computer modernization more than doubles from 1981 to 1982, with most of the increase offset by a large reduction in the amounts for air traffic control.

**H.R. 2930.**—Under the Administration proposal, increasing amounts would be authorized from fiscal year 1981 through 1985, and then the same amount for fiscal 1986. The amounts would increase from \$85 million in 1981 to \$140 million for 1985 and for 1986.

<sup>3</sup> Primary airport means a commercial service airport which has enplaned 0.01 percent of the aggregate annual enplanements at all commercial service airports.

<sup>4</sup> The actual fiscal 1981 Trust Fund appropriation for F&E was \$350 million (P.L. 96-400). The House-passed fiscal 1982 appropriation bill (H.R. 4209) amount is \$334 million.

<sup>5</sup> The actual fiscal 1981 Trust Fund appropriation for R,E&D was \$85 million. The House-passed fiscal 1982 appropriation amount is \$80 million.

#### 4. Airway operations and maintenance (O&M)<sup>6</sup>; FAA administrative costs

**H.R. 2643.**—Through fiscal year 1983, this bill would authorize almost \$2.4 billion from the Trust Fund for O&M—\$525 million specifically for fiscal 1981, and an estimated \$907 million in 1982, and \$946 million in 1983. The Trust Fund authorizations for 1982 and 1983 are set at not to exceed 50 percent of actual O&M appropriations for those years, and these figures are as indicated in the Public Works Committee report on the bill as being equal to FAA estimates of 50 percent of the operating and maintenance costs for the air traffic control system.<sup>7</sup>

Expenditures could be made for the operation and maintenance of the domestic air navigation system and to meet commitments made under international agreements for joint financing of air navigation systems. Under the bill, O&M funds may be used only for expenses incurred in the field, which primarily are salaries of air traffic controllers, and may not be used for the costs of engineering support and planning, direction, and evaluation activities. The bill also would reduce permissible trust fund obligations or expenditures for O&M in a fiscal year according to shortfalls in ADAP obligations for that fiscal year and shortfalls in F&E obligations in the previous year.

**H.R. 2930.**—For fiscal years 1981 through 1983, the Administration proposal would authorize \$4.5 billion for O&M expenditures from the Trust Fund, which is \$2.1 billion more than the amount authorized in H.R. 2643. In addition, the Administration would authorize \$6.75 billion from the Trust Fund for fiscal years 1984 through 1986.

#### 5. Other programs

Both bills would authorize \$250,000 per year from the Trust Fund for fiscal years 1981–1983 (and 1984–1986 as well in the Administration proposal) for the costs incurred in training State and local government employees to assist in carrying out the purpose of the legislation.

In addition, H.R. 2643 would authorize the following amounts from the Trust Fund for grants for the continuation of the Explosive Detection K-9 Team Training Program for detecting explosives at airports and aboard aircraft: not more than \$37,500 nor less than \$32,500 for fiscal 1981 and not more than \$150,000 nor less than \$130,000 for each of fiscal years 1982 and 1983.

#### 6. Priority for airport and airway programs and limitations on spending

The reported bill (H.R. 2643) would limit appropriation of amounts from the Airport and Airway Trust Fund to those purposes specified in the bill. No amounts could be appropriated from the Trust Fund for any fiscal year to carry out any Department of Transportation admin-

<sup>6</sup> For fiscal 1981, P.I. 96-400 appropriated \$525 million from the Trust Fund for O&M. The House-passed fiscal 1982 appropriation amount is \$850 million. The remainder of the \$2,306 million O&M appropriation (\$1,456 million) is from the general fund.

<sup>7</sup> In its report on the bill, the Committee on Public Works and Transportation states its belief "that it is fair for the users to pay half the costs of operating and maintaining a system that benefits users much more than the general public. It is unfair to require, as did prior law, that the general taxpayer pay 82 percent of these costs." (H. Rept. 97-24, Part II, pp. 9-10.)

istrative expenses other than those authorized in the reported bill for operation and maintenance expenses of the air navigation system.

The Administration bill, on the other hand, does not contain these limitations.

Under the reported bill, funds apportioned may be obligated through the two fiscal years following the year in which they were apportioned. Funds apportioned to States may not be distributed through block grants, in contrast to the Administration bill.

As under present law, both bills provide that amounts authorized for appropriation from the Trust Fund shall remain available until expended airway facilities and equipment (F&E) and research, engineering and development (RE&D).

TABLE 5.—AIRPORT AND AIRWAY TRUST FUND AUTHORIZATIONS IN H.R. 2643 (AS REPORTED)<sup>1</sup> AND PROPOSED BY ADMINISTRATION (H.R. 2930),<sup>2</sup> FISCAL YEARS 1982–1986

Program	1981*		1982*		1983*		1984 <sup>3</sup>	1985 <sup>3</sup>	1986 <sup>3</sup>
	H.R. 2930	H.R. 2643	H.R. 2930	H.R. 2643	H.R. 2930	H.R. 2643	H.R. 2930	H.R. 2930	H.R. 2930
Airport development and planning (ADAP).....	450	450	450	450	450	450	450	450	450
Airway facilities and equipment (F&E).....	350	350	325	325	425	425	455	490	525
Research engineering and development (R, E&D).....	85	85	105	85	120	( <sup>3</sup> )	135	140	140
Airway operations and maintenance (O&M); FAA administrative costs.....	525	<sup>4</sup> 545	1, 950	907	2, 050	946	2, 150	2, 250	2, 350
Total trust fund authorizations <sup>5</sup> .....	1, 410	1, 430	<sup>6</sup> 2, 830	1, 767	3, 045	1, 821	3, 190	3, 330	3, 465

\*See footnotes 2, 4, 5, and 6 in part III regarding other legislative action relating to trust fund authorizations and appropriations.

<sup>1</sup> Reported from Committee on Science and Technology on Apr. 27, 1981 (H. Rept. 97-24, part I); reported from Committee on Public Works and Transportation on May 19, 1981 (H. Rept. 97-24, part II).

<sup>2</sup> Administration bill introduced by request.

<sup>3</sup> Reported bill (H.R. 2643) does not authorize appropriation for this function in 1983 or any function for 1984, 1985, or 1986.

<sup>4</sup> Includes \$20 million in other expenses chiefly for security and noise compatibility programs.

<sup>5</sup> Both bills include \$250,000 in each fiscal year for training State and local government employees.

<sup>6</sup> In the Administration's fiscal 1982 budget amendment proposal (submitted on Sept. 30, 1981; H. Doc. 97-94, p. 48), the following trust fund amounts were proposed: F&E—\$285 million; R, E&D—\$92 million; and O&M—\$1,716 million. This would make the revised trust fund total authorization at \$2,543 million.

## B. Trust Fund Expenditure Purposes

Under both bills, the following additional expenditures purposes would be authorized from the Airport and Airway Trust Fund.

(1) *Airport development.*—

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

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

(2) *State and local government training.*—Costs (up to \$250,000 per year) for training State and local employees to assist in carrying out the purposes of the legislation.

In addition, H.R. 2643 as reported would authorize certain amounts from the Trust Fund for grants for the Explosive Detection K-9 Team Training Program for detecting explosives at airports and aboard aircraft.

(20)

○