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## ALASKA AIR CARRIERS ASSOCIATION

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### **Board of Directors for 2016-2017**

January 1, 2016

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Transmitted Via Email: [scott\\_leathard@sullivan.senate.gov](mailto:scott_leathard@sullivan.senate.gov);

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*Megan Matthieu*  
NORTHERN AIR CARGO

**SUBJECT: AVIATION FEDERAL EXCISE TAXES**

*Mike Laughlin*  
REGAL AIR

Dear Alaska Leaders:

*Norman Chance*  
Sky Airparts International

*Chuck Miller*  
WINGS OF FREEDOM

The Alaska Air Carriers Association (AACOA) appreciates your work to date on the Federal Excise Tax (FET) law. The multiple ambiguous aspects of the excise tax regulation, and seemingly inconsistent IRS interpretations, continue to create confusion in the industry and threaten the ability of businesses to comply.

*Chris Matthews*  
WRIGHT AIR SERVICE

### **Executive Director**

*Jane Dale*  
ALASKA AIR  
CARRIERS  
ASSOCIATION

AACA requested the IRS offer education in lieu of continued audits so all Alaskan air carriers could be better informed on tax liability determinations. There has been little effort in terms of offering education and the threat of new audits remains a concern.

Most recently AACOA worked collaboratively with the IRS (through the assistance of the delegation) on proposed changes to the FET law to address terminology differences between the IRS and the FAA. Commercial operators are more familiar with the FAA rules and definitions than they are with the IRS rules and definitions.

AACA proposed to:

- Eliminate the term “established line” and replace it with the FAA’s definition for an on-demand air carrier, and
- Amend the IRS regulations to redefine a small aircraft to be consistent with FAA’s terminology, 12500lbs.

Concerned there would be a reduction in taxes collected, the IRS requested AACA resubmit scenarios where collecting FETs on the transportation of persons or property should be exempt. In Alaska, those scenarios are endless and perhaps limited only by one’s own imagination. This action would continue the arbitrary decision making on whether FETs should be collected or not.

The membership desires a clear distinction between when commercial business aircraft operators pay federal excise taxes (FET) on fuel or collect FETs on the transportation of persons or property.

AACA desires to resume discussions with the IRS and seek final resolution to this long standing issue. Given the continued gravity of the situation, and the severity of its effects upon aviation businesses, we ask you to assist AACA and seek protection for your constituents through better defined IRS federal excise tax law. Perhaps re-engaging the IRS on determining a reasonable weight compromise for small aircraft would be most beneficial.

Thank you for considering action on this very challenging topic that threatens business viability. Alaskan air carriers sincerely want to comply with the regulation, but its ambiguity results in their continued precarious vulnerability.

On behalf of AACA membership, we sincerely look forward to resolving this issue.

Best regards,

Jane Dale, Director  
Alaska Air Carriers Association

Matt Atkinson, President  
Alaska Air Carriers Association

Enclosure – Draft Federal Excise Tax Bill addressing changes.