

INTERNAL REVENUE SERVICE

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JUN 21 2001

[REDACTED]

Dear [REDACTED]:

I am responding to your letter to Mr. Floyd Williams dated April 26, 2001, on behalf of your constituent, [REDACTED]. She requested information about the taxes paid by airline travelers. As requested, I responded directly to [REDACTED]. A copy of our letter to her is enclosed.

I hope this information is helpful. If you have any questions, please contact me at ([REDACTED])
[REDACTED]

Sincerely,

Paul F. Kugler
Associate Chief Counsel
(Passthroughs and Special Industries)

Enclosure

INTERNAL REVENUE SERVICE

Index Number: 4261.00-00

JUN 21 2001



Dear [REDACTED]

I am responding to your inquiry to [REDACTED] requesting certain information on the taxes that are paid by airline travelers. By letter dated April 26, 2001, [REDACTED] asked me to respond directly to you on the following questions:

1. What happens to the dollar amounts listed as "taxes" on an airline ticket when the ticket is unused for air transportation and a refund is not provided?
2. What happens to tax payments when an airline ticket is issued and the tax is obtained by the Airline Regulatory Commission?
3. What is the time period from collection to remittance during which the tax is possessed by the airline company?
4. Are there any situations in which a ticket purchaser can obtain a refund of taxes when the ticket is not used and, if so, what is the procedure for obtaining it?

My office has jurisdiction over the excise tax on the transportation of persons by air imposed by § 4261 of the Internal Revenue Code (the Code). This response assumes the excise tax is the tax to which you refer.

General Information

Federal excise tax is imposed on the amount paid for taxable transportation of persons by air [Section 4261(a) of the Code]. The tax is to be paid by the person making the payment subject to the tax [Section 4261(d) of the Code]. Every person receiving any payment for taxable air transportation is to collect the amount of tax from the person making the payment (Section 4291 of the Code).

Answer to Question 1

The tax applies to the amount paid for taxable transportation and not to the actual transportation itself. The tax attaches at the time the payment is made. The fact that the transportation never takes place does not affect the taxability of the payment. The transportation tax properly collected may be refunded to the purchaser only to the extent it is attributable to an amount refunded to the purchaser. The tax that is collected but not refunded is to be paid over to the Government.

The tax is paid into the Airport and Airway Trust Fund (the Trust Fund). Amounts in the Trust Fund are used to plan, construct, develop, operate, and maintain air traffic control, air navigation, and communications for the airway system. In addition, certain portions of the budget of the Department of Transportation concerned with air transportation and air safety, including over half of the expenditures of the Federal Aviation Administration (FAA), come from the Trust Fund.

Answer to Question 2

My office has no information concerning the "Airline Regulatory Commission" you referenced. You may want to contact the FAA for assistance with this question.

Answer to Question 3

The taxes collected by the airlines are generally deposited bi-weekly. They are reported on a quarterly federal excise tax return.

Answer to Question 4

Typically, the airline will refund the transportation tax to the purchaser when it refunds the amount paid for the taxable transportation. If the purchaser does not receive a refund of the amount paid for the taxable transportation, no refund of the tax is appropriate.

I hope this information is helpful. If you have any questions, please contact [REDACTED]
[REDACTED]

Sincerely,

Paul F. Kugler
Associate Chief Counsel
(Passthroughs and Special Industries)