

## **ASTA, BTC Issue Advisory on Lapsed Airline Ticket Taxes**

**Alexandria, Va., Radnor, Pa., July 26, 2011** - The American Society of Travel Agents (ASTA) and Business Travel Coalition (BTC) are issuing an advisory to travel management companies, travel agents and corporate travel departments regarding potential issues with the just-lapsed federal taxes on U.S. air travel as well as steps they can take to safeguard their interests.

As of midnight on Friday, July 22, the U.S. Congress failed to reauthorize the U.S. Federal Aviation Administration (FAA) with a major sticking point being legislative language that would make it more difficult for unions to organize within the airline industry; a contentious issue that may not be quickly resolved.

U.S. federal government authority has now lapsed to collect the 7.5 percent airline ticket tax, including the 7.5 percent tax on the sale of frequent flyer miles, the \$3.70 per segment fee, the \$16.30 international arrival/departure tax and the U.S. \$8.20 departure tax for flights between Alaska/Hawaii and the U.S. mainland. It is estimated that these fees can amount to some \$25 million dollars a day.

Given this development, airlines can no longer collect these taxes. However, over the weekend, many airlines appeared to have increased fares to keep ticket prices the essentially at the same levels.

Regarding the details of how this will affect agents, Tony Gonchar, ASTA CEO said: "It is the belief of ASTA and BTC that there won't be any retroactive tax collections, but that the tax will apply to a reissued ticket in cases where the ticket was issued during the no-tax period and exchanged once the tax is restored."

"Until details are announced, ASTA and BTC are recommending that their members begin thinking about how they will track tickets that might be eligible for a tax refund. This would include tickets issued prior to the ticket expiration date for travel during the expired period. Until the taxes are reinstated, the 'expired period' will remain a moving target," warned BTC Chairman Kevin Mitchell.

These developments have raised issues for all air travelers. What happens where tickets purchased up through midnight Friday included the tax, but travel will be after the FAA's authority to collect the tax has expired? Complicating matters further, some travelers may have begun travel prior to midnight Friday and concluded travel afterward, and as such, could be owed a refund on one portion of the trip.

The last time U.S. federal authority to tax airline passengers lapsed was in 1996 and 1997. Travelers seeking a tax refund during that period were required to submit an excise tax refund application, along with a copy of their ticket receipt, to the IRS. Travel agents played a pivotal role in helping customers apply for these refunds. Please note that the

airlines are required to remit all taxes to the IRS, so an excise tax refund request would, once again, likely need to be made directly to the IRS rather than to the airline.

It is not yet known how the IRS will handle this situation this time. As a result, the industry is looking for the IRS to: **(1)** confirm that travelers are eligible for a tax refund of any ticket containing applicable taxes with travel dates during the expired period; **(2)** outline the procedures for processing tax refund requests; and **(3)** confirm that the tax cannot be retroactively applied to tickets issued during the expired period.

In addition to these issues, there are a number of unanswered questions regarding the application of the tax with respect to ticket exchanges. For now the IRS is simply stating that it “will continue to work with the airline industry to address issues relating to the collection and payment of the taxes involved. Taxpayers do not need to take any action at this time. The IRS will provide further guidance on this issue in the near future.”

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#### **About BTC**

Founded in 1994, the mission of the Business Travel Coalition is to bring transparency to industry and government policies and practices so that the managed travel community can influence issues of strategic importance to their organizations.

#### **About ASTA**

The mission of the American Society of Travel Agents (ASTA) is to facilitate the business of selling travel through effective representation, shared knowledge and the enhancement of professionalism. ASTA seeks a retail travel marketplace that is profitable and growing and a rewarding field in which to work, invest and do business.