



BARBERA & WATKINS, LLC
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QUICK FACT SHEET
FEDERAL EXCISE TAX ON CARRIAGE OF PASSENGERS BY AIR

GENERALLY SPEAKING:

Subject to exclusions, the federal excise tax applies to taxable transportation of persons by air ("FET"). The tax is generally triggered any time one person or entity provides an aircraft with crew to another for the carriage of passengers and for compensation.

Currently a tax rate of 7.5% plus a per passenger segment fee (currently as of 2016, \$4.00 per domestic segment) is imposed on the amount paid for transportation of persons. A domestic segment is any segment consisting of one takeoff and one landing which is commercial transportation. The domestic segment fee does not apply to any domestic segment beginning or ending at a rural airport. A rural airport is an airport which has fewer than 100,000 commercial passengers per year, is not located within seventy-five miles of another airport which is not a rural airport and is receiving essential air service subsidies.

Taxable transportation by air is defined as transportation that begins and ends in the United States or at any place in Canada or Mexico not more than 225 miles from the nearest point on the border of the continental United States or transportation that is directly or indirectly from one port or station in the United States to another port or station in the United States, but only if it is not a part of uninterrupted international air transportation. Therefore, certain international air travel is not subject to FET; however, it is subject to a tax on the use of international travel facilities. The international travel facilities tax is imposed at a current rate of \$17.80 per passenger for any amount paid for international taxable transportation which begins or ends in the United States.

The per passenger tax rate is \$8.90 for certain flights beginning or ending in Alaska or Hawaii. The portions of flights to and from Hawaii or Alaska, which pass outside of the border or three nautical miles of the United States, are exempt from federal excise tax. Flights between points within Hawaii or Alaska are subject to the entire 7.5% tax.

Flights that qualify for federal excise tax may be eligible for a fuel tax refund.

EXEMPTIONS:

Aircraft having a maximum certificate takeoff weight of 6,000 pounds or less, not operated on an established line and that are not jet aircraft may be exempted by the small aircraft exemption.

There is an exemption for transportation where the transportation provider and the payor are corporations that are members of an affiliated group. There are special rules regarding limited liability companies, S corporations and other disregarded entities and issues regarding management companies.

COLLECTING AND REMITTING:

The form used for remitting FET is IRS Form 720. It requires quarterly filing. Deposits of tax are generally made on a semimonthly basis.

TO NOTE:

There is a separate federal excise tax on taxable transportation of property by air. Rev 4/16

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