BILL FILED TO RESOLVE MANAGED AIRCRAFT TAX CONTROVERSY

News / Business aviation

Rep. Pat Tiberi (R-Ohio) last week introduced H.R. 3608 to clarify that aircraft management services are not commercial operations subject to the 7.5-percent air transportation **tax**. The bill is similar to legislation that the lawmaker introduced in 2014 in attempt to clear up the **controversy** surrounding a 2012 IRS Chief Counsel opinion that deemed management services as commercial activities subject to commercial transportation taxes.

The IRS in 2013 agreed to halt enforcement of that opinion while it worked on policy guidance. But several changes within the agency has long delayed release of the guidance. Meanwhile, management company audits have continued even though IRS is not enforcing the opinion. “Many management companies are small- to medium-sized businesses and unable to bear the significant financial burden after being found liable for past taxes they may no longer even be able to collect from clients, in addition to the costs of appealing an IRS audit,” said Scott O’Brien, NBAA senior manager of tax and finance policy.

The introduction by Tiberi, a senior House Ways and Means Committee member, signals Congress’s continued interest in the resolution of the issue and could lead to the offering of the

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measure as an amendment to a must-pass bill. Long-term FAA reauthorization has been eyed as one potential vehicle, but that bill has been pushed off, possibly into 2016. “This is an important piece of legislation for numerous small aviation businesses that are vulnerable to potentially enormous tax assessments,” said NATA president and CEO Tom Hendricks.

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