

## New Guidance on Tax Holiday Suspension for Air Transportation Federal Excise Tax

As previously reported, one of the benefits from the Coronavirus Aid, Relief, and Economic Security (CARES) Act was that the 7.5 percent air transportation federal excise tax (FET) that applies to commercial operations, including charter flights conducted under Part 135 of the Federal Aviation Regulations, was suspended effective March 27, 2020, through January 1, 2021. Payment of FET on certain Part 91 flights, such as time sharing flights, for which FET applies has also been suspended for the same period. Additionally, the \$0.043 per gallon portion of the fuel tax was also suspended during that period (the \$.01 cents per gallon tax to fund the leaking underground storage tank fund is not included in the suspension).

New guidance was recently issued that clarifies that the so-called FET tax holiday applies when the actual payment of the FET is made, not when the flight to which the FET applies is taken. In other words, if payment for a flight is made in October 2020, but the flight is not taken until April 2021, no FET will be collected for the flight. Unlike the FET, however, the fuel tax holiday applies only for flights conducted through December 31, 2020.

Since private charter jet card programs provide for upfront payment for the flight hours purchased, those interested in procuring private charter services for multiple flights in 2021 should consider purchasing jet cards prior to the end of this year to avoid having to pay the FET on flights taken after December 31, 2020.

A number of charter jet card programs build in the FET as part of the hourly payment while other programs charge separately. Jet card holders should check with their program operators to learn how they are going to address the FET suspension in their pricing.



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