

FOR: Distribution

/s/ August 12, 2005

MEMORANDUM FROM: Rear Admiral Samuel P. De Bow, Jr., NOAA
Director

SUBJECT: Clarification Regarding Administrative Overhead Fees and
Transportation Tax Charged by the U.S. Department of
Interior for Aviation Services Procurement

It has come to my attention that there has been some confusion regarding the fees associated with chartering aircraft using the “Reimbursable Interagency Agreement between NOAA and the U.S. Department of Interior (DOI), National Business Center, Aviation Management (AM) for Aviation Services Procurement.” As of January 1, 2005, these fees became the responsibility of the Line Office requesting services and are directly billed to the user. This memorandum serves to clarify the DOI AM charges associated with the use of the interagency agreement over and above what the vendor charges for the flight.

NOAA offices utilizing the DOI AM “Aircraft Rental Agreement” procurement system are assessed an administrative overhead fee equal to 14% of the actual amount paid to the aircraft vendor for services rendered. In addition, all miscellaneous services provided by DOI are subject to the 14% administrative fee in accordance with DOI AM Operational Procedures Memorandum (OPM) No. 05-06 which is posted on the NOAA aviation safety Web site at: <http://www.nmao.noaa.gov/aviationsafety/nonnoaa.html>

If the aircraft is procured for NOAA by DOI AM under the “Call-When-Needed” or “Exclusive Use” procurement documents, the administrative overhead fees associated with those services are assessed at the rates below:

<u>Annual Cost per individual aircraft</u>	<u>Percentage</u>
\$0 - \$250,000	11%
\$250,001 - \$500,000	9%
\$500,001 - \$1,500,000	7%
\$1,500,001 – above	6%

Chartered services for aircraft that exceed 6000 pounds in weight are additionally subject to a transportation tax. The rate could be 7.5% for transportation of persons, 6.25% for transportation of cargo, or a combination in accordance with IRS Publication 510 which states that the person (agency) ordering the service is responsible for the tax. DOI collects this fee from NOAA at the time of billing. When obtaining a cost estimate from

the aircraft vendor, if you believe the aircraft you are chartering may exceed 6000 pounds, you should ask the vendor about the aircraft weight and associated charges and figure this tax into your cost estimate.

In addition to the fees described above, DOI AM will charge the NOAA office requesting contracting services for reimbursement of any travel or per diem costs incurred for site visits to vendors not currently on the DOI AM Aircraft Source List, or for other travel incurred specifically on behalf of that NOAA office. If you have any questions, please contact your Line Office representative listed on the NOAA Aviation Safety Web site <http://www.aviationsafety.noaa.gov>

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