

Trust Fund Taxes: IRS Certifications versus Income Statements

Question: In the "ATO Data Package for Stakeholders," total user tax for FY 2004 is \$9,579 million. Other public documents, such as the budget, show total FY 2004 Trust Fund tax receipts (not including interest) of \$9,174 million. What accounts for the difference between these two numbers?

Response: The difference of approximately \$405 million between the data package and the total published in the budget results from different data sources, each of which is appropriate to its purpose. The \$9,174 million is based on official income statements from the Treasury Department. These income statements reflect monthly allocations of estimated excise tax payments that are made prior to the quarterly tax forms being submitted and processed. Treasury allocates these estimated tax payments, which are not detailed by type of tax, to the various trust funds and the general fund based primarily on the previous year's distribution. These allocations are the receipts that actually get credited to the Trust Fund in a given fiscal year, and therefore they are the appropriate source for budget purposes.

As noted in the data package, page 17 ties to IRS-certified totals. These quarterly certifications reflect tax forms filed with IRS, which do detail payments by type of tax.¹ They are therefore a more accurate reflection of tax receipts generated by aviation activity in a given fiscal year, even though those figures may not be fully credited to the Trust Fund in that fiscal year due to the six-month lag between the end of a quarter and the release of the certification. However, differences between the original income statement and the certifications are reflected in future income statements, meaning that the certified totals are ultimately credited to the Trust Fund. (For example, any difference resulting from the FY 2004 fourth quarter certification would be reflected in the income statement for the FY 2005 second quarter.) For the analytical purposes for which the data package is intended, the certified figures are appropriate because they show the best available picture of the Trust Fund taxes generated by the FY 2004 aviation activity that the rest of the data package discusses.

Stakeholders may also note that the data package tax categories differ slightly from the categories that FAA has reported in the past. All taxes that go into the Trust Fund are reflected on page 17, but we have re-categorized them in order to tie more closely to the level of detail we receive from the IRS and to be more useful for analysis by user group. For instance, we have broken up "Fuel Tax" into "Commercial Fuel Tax," "GA Turbine Fuel Tax," and "GA Avgas Tax" because we have that level of detail. On the other hand, we have consolidated the passenger ticket tax, rural airport tax, and frequent flyer tax into a single "Passenger Tax" column because all taxes are 7.5% taxes on the value of tickets (or frequent flyer miles) and they are consolidated on the tax reports we receive. (Breakouts published historically have reflected internal estimates.)

¹ The six tax types included in the IRS detail for the Aviation Trust Fund are Transportation of Persons, Transportation of Property, Use of International Air Facilities, Commercial Aviation Fuel, Non-commercial Aviation Fuel Other Than Gas, and Non-commercial Aviation Gasoline.