



JOINT COMMITTEE ON TAXATION

July 12, 2016

JCX-66-16

**DESCRIPTION OF AN AMENDMENT IN THE NATURE OF  
A SUBSTITUTE TO THE PROVISIONS OF H.R. 3608,  
A BILL TO AMEND THE INTERNAL REVENUE CODE OF 1986 TO  
EXEMPT AMOUNTS PAID FOR AIRCRAFT MANAGEMENT SERVICES  
FROM THE EXCISE TAXES IMPOSED ON TRANSPORTATION BY AIR**

The Chairman's amendment in the nature of a substitute modifies H.R. 3608 by providing that, in the case of an aircraft owner that is an entity wholly-owned by a person (such as in the case of a limited liability company wholly-owned by an individual), an amount paid by the owner of the entity to an aircraft management company shall be considered as paid directly by the aircraft owner for purposes of determining the exemption from Federal excise tax imposed on amounts paid for transportation by air. This amendment is meant to accommodate individuals who, for insurance or other business reasons, own aircraft through a wholly-owned business entity.

The Chairman's amendment in the nature of a substitute also makes clerical changes to the bill.

The following presents the estimated Federal fiscal year budget effects of the Chairman's amendment.

The Chairman's amendment is estimated to reduce Federal fiscal year budget receipts by less than \$500,000 for the period 2017-2026.<sup>1</sup>

---

<sup>1</sup> It has been represented that, beginning in 2013, the Internal Revenue Service suspended tax assessment activities related to payments made to management companies to allow for the development and issuance of further administrative guidance by the agency. Further guidance on this topic has not been issued. The current suspension has been taken into account in estimating the revenue effect of the proposal.