

12billion.org airline fuel tax brief:



Amidst Transportation Funding Crisis, Airlines Get \$123 Million State Tax Break

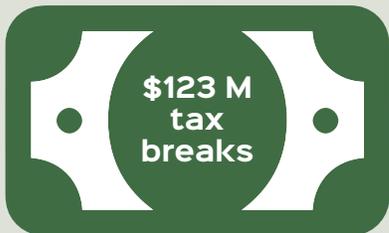
SUMMARY: Commercial airlines in Washington enjoy an estimated \$123 million in annual tax breaks on their jet fuel purchases — the second largest state tax break in the country for airlines on jet fuel.¹ Yet, at the same time, the State is in an infrastructure and transportation funding crisis that has even resulted in proposals to raise taxes and increase fees on travelers.²



Washington State Tax Breaks to Airlines Second Largest in the Country

While lawmakers propose tax increases to cover risky infrastructure shortfalls, airlines receive an estimated \$123 million in tax breaks in Washington on an estimated 482 million gallons of jet fuel each year. There are two distinct tax breaks:

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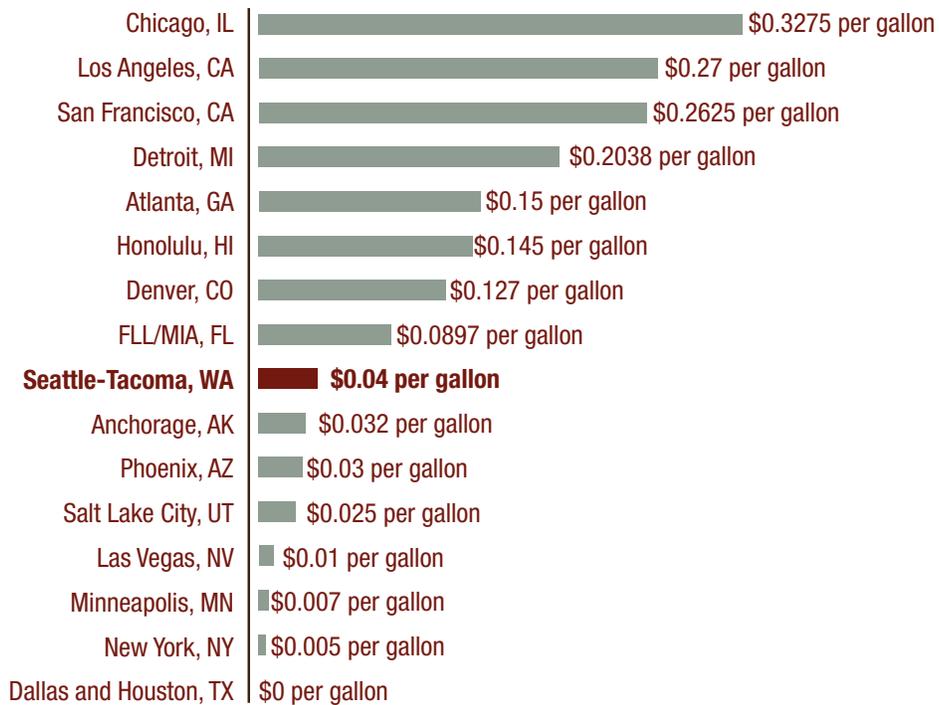


- Airlines are exempt from the \$0.11 per gallon jet fuel excise tax, at a cost of an estimated \$58 million to the state each year.
- Airlines are also exempt from sales tax on fuel used out of state, at a cost of an estimated \$65 million to taxpayers each year.

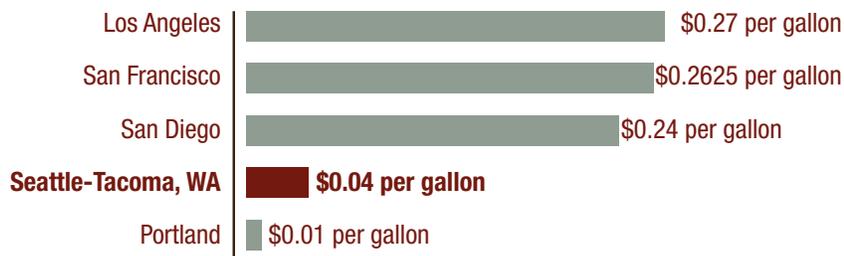
Airlines pay lower fuel taxes in Washington than at airport hubs and port cities in other states.

Washington is one of only 6 states that only taxes airlines on the fuel used within the state.³ Factor in the two tax breaks and Washington's cumulative tax on jet fuel is lower than many other major airport hub states.⁴

Airport Hub States' Effective Jet Fuel Tax Rates



West Coast Port Cities' Effective Jet Fuel Tax Rates



SeaTac has over \$1.4 billion in capital needs – who will pay?

- SeaTac has one of the largest capital needs of all major airports in the United States
- The federal government is requiring greater state funding for airport projects.
- Airports are looking for increased infrastructure funding, even from passengers.

\$1.454 billion SeaTac
Capital Needs 2013-2017



The Airports Council International – North America (ACI-NA) study of U.S. Airport Capital Needs for 2013 through 2017 found that SeaTac is among the top 10 airports in the U.S. with over \$1 billion in capital needs, with \$1.454 billion in capital needs between 2013 and 2017.

Testifying before Congress in June 2014 to urge Congress to allow airports to charge passengers higher fees

to pay for infrastructure costs, Mark Reis, managing director of the Seattle-Tacoma International Airport and chair of Airports Council International-North America, stated: “Airports have been doing more with less. The reality is that we have hit a wall.”⁵

To make matters worse, in 2012, the federal government doubled the amount that state and local governments are required to provide in matching funds to receive millions of dollars in federal airport grants, from 5 to 10 percent.⁶ A recent Washington State Department of Transportation (WSDOT) study on state airport investment noted that: “In many cases, the study finds that the State is unable to contribute its 5% match for eligible projects.”⁷

While commercial airlines do not pay Washington’s \$0.11 per gallon aviation fuel tax, the WSDOT study found that: “Washington state airports, across all categories rely on state and federal grants to accomplish preservation and capital improvement projects.”⁸

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—Mark Reis, managing director of the Seattle-Tacoma International Airport and chair of Airports Council International—North America

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—WSDOT Airport Investment Study

Risks of State Airport Funding Gap Revealed

- Less than 10% of needed airport funding will be available over the next 20 years if current funding levels continue.
- State study found thousands of potential jobs at risk if funding gap goes unfixed.

WSDOT's Airport Investment Study released in May, 2014 estimates that the state's \$169 million funding gap for the state's airport system, excluding SeaTac, over the next 20 years could

cost the state \$2 billion in economic output, 13,600 unrealized jobs, and \$74 million in uncollected tax revenue.⁹

According to WSDOT:



95% of the state's aviation fund comes from the 11 cent per gallon excise tax...

"The first phase of the Airport Investment Study found that the state's 134 public-use airports will need \$3.6 billion in projects during the next 20 years. WSDOT's Airport Aid Program provides an average of \$1.1 million in state airport grants per year."¹⁰

95% of the state's aviation fund comes from the 11 cent per gallon excise tax, from which commercial airlines are exempt.¹¹ However, the WSDOT study also revealed that of 134 airports in the state, Washington's 16 primary commercial service airports received 73% of Airport Improvement Program (AIP) grants between 2004 and 2013.¹²

Washington's annual state aviation program is funded less per aircraft than any of the other states WSDOT compared.

Beyond SeaTac: At risk if other state airports remain underfunded as well



economic output



13,600 jobs

The WSDOT study compared Washington's state aviation funding to a number of states across the country. Washington's annual state aviation program is funded less per aircraft than any of the other states WSDOT compared.

Next Steps

The entire state benefits from a robust aviation industry, which requires responsible, long-term investment in airport infrastructure. Transportation funding is a top priority in the 2015 legislative session. Funding the state's aviation system, and requiring airlines to pay their fair share, will enable Washington to remain a leader in global trade.

“Our trade-dependent state cannot afford another delay. A strong infrastructure is essential if Washington is to remain a competitive place to do business.”

The Seattle Times Editorial January 3, 2015¹³

12billion.org: Raising awareness about tax breaks on jet fuel for airlines

12billion.org is a first-of-its-kind analysis of all 50 states' tax codes revealing that airlines reap the benefits of tax breaks worth over an estimated \$1 billion on 12 billion gallons of jet fuel in 2013. At the same time, airfare has increased faster than the cost of inflation even as fuel prices drop,¹⁴ and travelers have grown to accept the airlines' creative new fees, which are expected to bring in \$28.5 billion in 2014.¹⁵

Endnotes

- 1 <http://www.12billion.org/states/WA.pdf>
- 2 <http://www.therepublic.com/view/story/3b6e7bfc983f4d06835c8be34d0b15d8/WA--Legislature-5-Things>
- 3 North Carolina, Louisiana, New York, New Jersey and Hawaii are the others.
- 4 <http://taxfoundation.org/blog/combined-effective-commercial-jet-fuel-tax-rates-and-fees-state> and <http://ilga.gov/house/committees/98Documents/RevenueAndFinance/Hearing20140409/Airlines%20for%20America%20Testimony%201%204914.pdf>. Page 4.
- 5 <http://blogs.rollcall.com/the-container/yet-another-funding-decision-looms-for-congress-how-to-pay-for-airports/>
- 6 <http://www.wsdot.wa.gov/NR/rdonlyres/0CABC6C4-4071-46F1-9BF8-4A02281EA596/0/2014WAAirportInvestmentStudy3.pdf>
- 7 <http://www.wsdot.wa.gov/NR/rdonlyres/401BED82-8EEB-43BB-9133-6B02879241FB/0/1ExecutiveSummary.pdf> page 8
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- 9 <http://www.wsdot.wa.gov/NR/rdonlyres/401BED82-8EEB-43BB-9133-6B02879241FB/0/1ExecutiveSummary.pdf>
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- 15 <http://www.latimes.com/business/la-fi-airlines-warned-not-to-be-greedy-with-passenger-fees-20141107-story.html>



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Airline Tax Policy

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