



February 10, 2012



The Honorable John Mica
United States House of
Representatives
Chairman, Committee on
Transportation and Infrastructure
2165 Rayburn House Office Building
Washington, DC 20515

The Honorable Nick Rahall
United States House of
Representatives
Ranking Member, Committee on
Transportation and Infrastructure
2163 Rayburn House Office Building
Washington, DC 20515



The Honorable John J. Duncan, Jr.
United States House of
Representatives
Chairman, Subcommittee on
Highways and Transit
B-376 Rayburn House Office
Building
Washington, DC 20515

The Honorable Peter DeFazio
United States House of
Representatives
Ranking Member, Subcommittee on
Highways and Transit
B-375 Rayburn House Office
Building
Washington, DC 20515



Dear Chairman Mica, Chairman Duncan, Ranking Member Rahall and Ranking Member DeFazio,

We are writing to express our strong support for inclusion of a provision in H.R. 7, the American Energy and Infrastructure Jobs Act of 2012, that would correct a problem created by the 2005 Highway Bill. The onerous provision we seek to have repealed altered the collection of fuel taxes for business and general aviation fuel providers, which has had a significant financial impact on the aviation industry.

Before enactment of the 2005 Highway Bill, jet fuel intended for noncommercial use was taxed at a rate of 21.9-cents per gallon (CPG). While the tax on aviation jet fuel remains at 21.9 CPG, the Highway Bill mandated that all taxes on aviation jet fuel be collected at the same rate as the tax for highway diesel fuel, 24.4 CPG. Aviation fuel providers must register with the Internal Revenue Service (IRS) as an "ultimate registered vendor" and then file claims with the IRS to be reimbursed for the 2.5 CPG difference between the amount of tax paid and the amount actually owed. The change was made amid concerns that highway truck drivers were buying aviation jet fuel and mixing that fuel with another substance to make it operable in highway trucks, thus avoiding purchase of highway diesel fuel and the higher taxes. However, there is no documented evidence of widespread fuel fraud of this nature.

Since October 1, 2005, practically all taxes collected for non-commercial jet fuel used in general aviation have been deposited in the Highway Trust Fund instead of the Airport and Airway

Trust Fund, where the funds are desperately needed. Today, in order for revenue from jet fuel taxes to be deposited in the Airport and Airway Trust Fund, the fuel vendor must go through an arduous registration process and then deal with a substantial administrative burden to maintain records for the IRS that were not previously required. The administrative hassle associated with this process has resulted in many fuel providers opting to pass the additional tax on to the end user and forego the process of applying for a refund. There is no requirement for vendors to register with the IRS; it is purely voluntary. When these fuel vendors forgo the refund process, due to its administrative burden, the aviation trust fund receives no revenue from the taxes collected on the sale of that aviation jet fuel because non-commercial end users are not permitted to apply for the refund themselves. This diversion of aviation fuel taxes revenue has cost the Airport and Airways Trust Fund approximately \$50 million annually since the Highway Bill's enactment and is anticipated to cost another \$500 million over the next ten years. This policy has increased Highway Trust Fund revenues at the expense of the Airport and Airway Trust Fund.

This provision is a solution in search of a problem, as evidence of large scale fraud in the sale of jet fuel has never been demonstrated. In fact, this provision is harming our national airspace system by depriving it of funds needed to enhance safety and efficiency. It is imperative that all revenue from taxes on jet fuel, used in aviation, are deposited in the Airport and Airway Trust Fund, which is why we respectfully request the inclusion of a provision in H.R. 7 that would repeal the so-called fuel fraud provision.

Sincerely,



Greg Principato
President
Airports Council International-North America



Paula Derks
President
Aircraft Electronics Association



Selena Shilad
Executive Director
Alliance for Aviation Across America



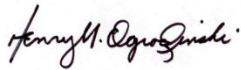
Craig Fuller
President and CEO
Aircraft Owners and Pilots Association



Matt Zuccaro
President
Helicopter Association International



James K. Coyne
President and CEO
National Air Transportation Association



Henry M. Ogrodzinski
President and CEO
National Association of State Aviation Officials



Edward Bolen
President and CEO
National Business Aviation Association

Cc: The Honorable Dave Camp
The Honorable Sander M. Levin