

104TH CONGRESS
2D SESSION

H. R. 3111

To amend the Internal Revenue Code of 1986 to clarify the treatment of frequent flyer mileage awards.

IN THE HOUSE OF REPRESENTATIVES

MARCH 19, 1996

Mrs. KENNELLY introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to clarify the treatment of frequent flyer mileage awards.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. CLARIFICATION OF TREATMENT OF FREQUENT**
4 **FLYER MILEAGE AND AWARDS.**

5 (a) IN GENERAL.—Part III of subchapter B of chap-
6 ter 1 of the Internal Revenue Code of 1986 is amended
7 by redesignating section 137 as section 138 and by insert-
8 ing after section 136 the following new section:

1 **“SEC. 137. FREQUENT FLYER MILEAGE AND AWARDS.**

2 “(a) IN GENERAL.—If an individual receives a fre-
3 quent flyer benefit as a result of the purchase in a trade
4 or business of property or services—

5 “(1) no amount shall be includable in such indi-
6 vidual’s gross income by reason of receiving such
7 benefit,

8 “(2) no deduction otherwise allowable for the
9 purchase of such property or services shall be re-
10 duced by reason of such benefit, and

11 “(3) no deduction shall be allowed for the por-
12 tion of any transportation purchased using such a
13 benefit.

14 “(b) FREQUENT FLYER BENEFIT.—For purposes of
15 this section, the term ‘frequent flyer benefit’ means any
16 right to receive (or the receipt of) air transportation serv-
17 ices or other benefit for an individual for free or at a re-
18 duced cost by reason of prior purchases of property or
19 services. Such term shall include such a right only if the
20 value of such right is de minimis relative to the cost of
21 property or services purchased in order to receive such
22 right.”

23 (b) CLARIFICATION OF TREATMENT UNDER REIM-
24 BURSEMENT ARRANGEMENTS.—Subsection (c) of section
25 62 of such Code is amended by adding at the end the fol-
26 lowing new flush sentence:

1 “An arrangement shall not be treated as described in
2 paragraph (2) merely because it permits the employee to
3 retain a frequent flyer benefit (as defined in section
4 137(b)).”

5 (c) CLERICAL AMENDMENT.—The table of sections
6 for part III of subchapter B of chapter 1 of such Code
7 is amended by striking the last item and inserting the fol-
8 lowing new items:

“Sec. 137. Frequent flyer mileage and awards.

“Sec. 138. Cross references to other Acts.”

9 (d) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to taxable years ending after the
11 date of the enactment of this Act.

○