

105TH CONGRESS  
2D SESSION

# S. 2542

To amend the Internal Revenue Code of 1986 to modify the tax on commercial aviation to and from airports located on sparsely populated islands.

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## IN THE SENATE OF THE UNITED STATES

OCTOBER 2, 1998

Mr. CHAFEE introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to modify the tax on commercial aviation to and from airports located on sparsely populated islands.

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. MODIFICATION OF TAX ON AIR TRANSPOR-**  
4                       **TATION TO AND FROM SPARSELY POPU-**  
5                       **LATED ISLANDS.**

6       (a) IN GENERAL.—Subsection (e) of section 4261 of  
7       the Internal Revenue Code of 1986 is amended by redesignig-  
8       nating paragraphs (4) and (5) as paragraphs (5) and (6)  
9       and by inserting after paragraph (3) the following new  
10      paragraph:

1           “(4) SEGMENTS TO AND FROM CERTAIN ISLAND  
2 AIRPORTS.—

3           “(A) EXCEPTION FROM SEGMENT TAX.—

4           The tax imposed by subsection (b)(1) shall not  
5 apply to any domestic segment beginning or  
6 ending at an airport which is a qualified island  
7 airport for the calendar year in which such seg-  
8 ment begins or ends (as the case may be).

9           “(B) QUALIFIED ISLAND AIRPORT.—For  
10 purposes of this paragraph, the term ‘qualified  
11 island airport’ means, with respect to any cal-  
12 endar year, any airport if—

13           “(i) such airport is located on an is-  
14 land having a population of 20,000 or less  
15 (determined under the 1990 decennial cen-  
16 sus), and

17           “(ii) during the second preceding cal-  
18 endar year—

19           “(I) there were 400,000 or fewer  
20 commercial passengers departing by  
21 air from such airport, and

22           “(II) 50 percent or more of the  
23 initial flight segments of such com-  
24 mercial passengers are 100 miles or  
25 less.

1           “(C) TICKET TAX.—In the case of any do-  
 2           mestic segment beginning or ending at an air-  
 3           port which is a qualified island airport for the  
 4           calendar year in which such segment begins or  
 5           ends (as the case may be), subsection (a) shall  
 6           be applied by substituting ‘10 percent’ for ‘7.5  
 7           percent’ and paragraph (6) shall not apply. A  
 8           rule similar to the rule of paragraph (1)(C)(ii)  
 9           shall apply for purposes of this subparagraph.”

10       (b) CONFORMING AMENDMENT.—Clause (i) of sec-  
 11       tion 4261(e)(1)(C) of such Code is amended by striking  
 12       “Paragraph (5)” and inserting “Paragraph (6)”.

13       (c) EFFECTIVE DATE.—

14           (1) IN GENERAL.—The amendments made by  
 15       this section shall apply to transportation beginning  
 16       7 days after the date of enactment of this Act.

17           (2) TREATMENT OF AMOUNTS PAID.—The  
 18       amendments made by this section shall not apply to  
 19       amounts paid before 7 days after the date of enact-  
 20       ment of this Act.

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