

107TH CONGRESS
2D SESSION

H. R. 4374

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

IN THE HOUSE OF REPRESENTATIVES

APRIL 16, 2002

Mr. MEEKS of New York (for himself and Mr. FOLEY) 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. SHORT TITLE.**

4 This Act may be cited as the “Frequent Flyer Tax-
5 Free Liability Act of 2002”.

6 **SEC. 2. FINDINGS.**

7 Congress finds as follows:

8 (1) Individuals should be able to receive and
9 use frequent flyer benefits for business or personal
10 use without incurring tax liability.

1 (2) Taxation of frequent flyer benefits would
 2 raise a myriad of questions, including questions re-
 3 garding timing, valuation, and foreign airlines, with-
 4 out obvious answers.

5 (3) Taxation of frequent flyer benefits would re-
 6 sult in additional paperwork for consumers, airlines,
 7 hotels, car rental companies, credit card issuers, and
 8 the Internal Revenue Service.

9 (4) Clarifying that frequent flyer benefits are
 10 not taxable will encourage people to travel and aid
 11 the economy of the United States.

12 (5) The traveling public pays too much in taxes
 13 for travel-related services.

14 **SEC. 3. CLARIFICATION OF TREATMENT OF FREQUENT**
 15 **FLYER MILEAGE AND AWARDS.**

16 (a) IN GENERAL.—Part III of subchapter B of chap-
 17 ter 1 of the Internal Revenue Code of 1986 is amended
 18 by redesignating section 140 as section 141 and by insert-
 19 ing after section 139 the following new section:

20 **“SEC. 140. FREQUENT FLYER MILEAGE AND AWARDS.**

21 “(a) IN GENERAL.—If an individual receives a fre-
 22 quent flyer benefit as a result of the purchase of property
 23 or services—

1 “(1) no amount shall be includible in such indi-
2 vidual’s gross income by reason of receiving such
3 benefit,

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

7 “(3) no deduction shall be allowed for the por-
8 tion of any travel-related service purchased using
9 such a benefit.

10 “(b) FREQUENT FLYER BENEFIT.—For purposes of
11 this section, the term ‘frequent flyer benefit’ means any
12 right to receive (or the receipt of) travel-related services,
13 including air transportation services, lodging, automobile
14 rental services, and passenger cruise ship accommoda-
15 tions, for an individual for free or at a reduced cost by
16 reason of prior purchases of property or services. Such
17 term shall include such a right only if the value of such
18 right is de minimis relative to the cost of property or serv-
19 ices purchased in order to receive such right.”.

20 (b) CLARIFICATION OF TREATMENT UNDER REIM-
21 BURSEMENT ARRANGEMENTS.—Subsection (c) of section
22 62 of such Code is amended by adding at the end the fol-
23 lowing new flush sentence:

24 “An arrangement shall not be treated as described in
25 paragraph (2) merely because it permits the employee to

1 retain a frequent flyer benefit (as defined in section
2 140(b)).”.

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

“Sec. 140. Frequent flyer mileage and awards.

“Sec. 141. Cross references to other Acts.”.

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

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