

108TH CONGRESS
1ST SESSION

H. R. 1139

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

IN THE HOUSE OF REPRESENTATIVES

MARCH 6, 2003

Mr. MEEKS of New York 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 2003”.

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 inserting after section 139 the following new section:

19 **“SEC. 139A. FREQUENT FLYER MILEAGE AND AWARDS.**

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

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

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

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

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

17 (b) CLARIFICATION OF TREATMENT UNDER REIM-
18 BURSEMENT ARRANGEMENTS.—Subsection (c) of section
19 62 of such Code is amended by adding at the end the fol-
20 lowing: “An arrangement shall not be treated as described
21 in paragraph (2) merely because it permits the employee
22 to retain a frequent flyer benefit (as defined in section
23 139A(b)).”.

24 (c) CLERICAL AMENDMENT.—The table of sections
25 for part III of subchapter B of chapter 1 of such Code

1 is amended by inserting after the item relating to section
2 139 the following new item:

“Sec. 139A. Frequent flyer mileage and awards.”.

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

○