118TH CONGRESS
1ST SESSION

S. 1550

To amend the Internal Revenue Code of 1986 to include fees paid by airline passengers for goods and services offered during the course of a flight as amounts paid for taxable transportation.

IN THE SENATE OF THE UNITED STATES

MAY 11, 2023

Mr. SCHATZ 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 include fees paid by airline passengers for goods and services offered during the course of a flight as amounts paid for taxable transportation.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Lower Fees, Better Airports Act of 2023".

SEC. 2. FEES PAID BY AIRLINE PASSENGERS FOR GOODS AND SERVICES OFFERED DURING FLIGHT.

(a) IN GENERAL.—Section 4261(e) of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:

"(6) FEES PAID FOR GOODS AND SERVICES.—

"(A) IN GENERAL.—Any amount paid to an air carrier (or any related person) for any applicable product in connection with taxable transportation shall be treated for purposes of subsection (a) as an amount paid for taxable transportation, and such amount shall be taxable under subsection (a) without regard to any other provision of this subchapter.

"(B) APPLICABLE PRODUCT IN CONNECTION WITH TAXABLE TRANSPORTATION.—For purposes of this paragraph, the term 'applicable product in connection with taxable transportation' means any good or service which is related to taxable transportation and which is offered prior to or during such taxable transportation, including—

"(i) any service related to ticketing, booking, or the purchase of such taxable transportation (including payment processing and the change or cancellation or any ticket or reservation), regardless of whether such service is offered or provided electronically, by telephone, or in person,

"(ii) the direct purchase of frequent flyer miles or qualifying points toward airline status from a frequent flyer or similar program, including any subscriptions related to such purchase,

"(iii) the ability to redeem frequent flyer miles or points for transportation of persons by air or to accelerate the accumulation of frequent flyer miles or points,

"(iv) any service relating to seating or boarding, including seat assignments, upgrades to a higher level seating product, priority boarding, or early check-in,

"(v) the transportation (whether checked or carry-on) of any baggage, animal, or other property of the passenger,

"(vi) any in-flight food or beverage,

"(vii) any in-flight entertainment or wireless internet service,

"(viii) any accommodation or assistance provided for an unaccompanied minor passenger, "(ix) membership in an airline club or similar program that entitles the passenger to—

"(I) free or discounted transportation by air, or

"(II) goods or services described in any other clause of this subparagraph, and

"(x) any other good or service identified by the Secretary for purposes of this paragraph.

"(C) REGULATIONS.—Not later than 24 months after the date of enactment of this paragraph, the Secretary shall issue such regulations or other guidance as the Secretary determines necessary to carry out the purposes of this paragraph.".

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendment made by this section shall apply to amounts paid after the date of the enactment of this Act.

(2) SPECIAL RULE FOR APPLICABLE PRODUCTS IDENTIFIED BY THE SECRETARY.—In the case of any good or service identified by the Secretary of the

Treasury (or the Secretary's delegate) pursuant to section 4161(e)(6)(B)(x) of the Internal Revenue Code of 1986 (as added by subsection (a)), the amendment made by this section shall apply to amounts paid after the earlier of—

(A) the date determined by the Secretary of the Treasury (or the Secretary's delegate), or

(B) the date that is 12 months after the date on which the Secretary of the Treasury (or the Secretary's delegate) identified such good or service pursuant to such section.

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