

## AIRLINE RULE

In order to expressly reflect a taxpayer airline's capacity share revenues (all seats on another airline's aircraft are bought and sold to passengers by the taxpayer airline) and codeshare revenues (two airlines have a contract allowing them to sell seats on each other's aircraft under detailed transportation terms and conditions) in the apportionment sales factor, changes to the model airline rule are needed.

Suggested changes to facilitate discussion are as follows:

Modify the definition of "Transportation revenue":

"Transportation revenue" means sales from transporting passengers, freight, and mail as well as liquor sales, pet crate rentals, **baggage fees**, etc. **"Transporting passengers" may include transportation sold to passengers on aircraft owned, leased, or used under contract by the taxpayer airline.**

Modify the "Sales (Transportation Revenue) Factor:

The transportation revenue derived from transactions and activities in the regular course of the trade or business of the taxpayer and miscellaneous sales of merchandise, etc., are included in the denominator of the revenue factor. (See Article IV.1. and Regulation IV.1.) Passive income items such as interest, rental income, dividends, etc., will not be included in the denominator nor will the proceeds or net gains or losses from the sale of aircraft be included. The numerator of the revenue factor is the total revenue of the taxpayer in this state during the income year. The total revenue of the taxpayer in this state during the income year is the result of the following calculation:

The ratio of departures of aircraft in this state weighted as to the cost and value of aircraft by type, as compared to total departures similarly weighted multiplied by the ~~total~~ transportation revenue. The product of this calculation is to be added to any non-~~flight-transportation~~ revenues directly attributable to this state.