

Multistate Tax Commission



EUGENE F. CORRIGAN, Executive Director

February 26, 1982

TO: UNIFORMITY COMMITTEE
FROM: EUGENE F. CORRIGAN, EXECUTIVE DIRECTOR
RE: AIRLINE REGULATIONS

As requested, I have talked to Dave West, of the Air Transport Association, to ask the two questions which were posed at the January meeting. In response, he said that:

1) It would not be feasible to use number of tickets by origin for a factor because tickets are sold by 25,000 travel agents and 6,000 airline offices for some 100 airlines operating out of hundreds of airports of various sizes. He said that there is no relationship between numbers of tickets sold by point of origin and actual departures.

2) Passenger departures are determined solely by coupons so that every plane boarding by a passenger, even in the same multileg trip, constitutes a new departure. This approach, then, has no advantage over the lift-off proposal in the December 30, 1981 draft of the airline regulations.

The airlines do not like any system which does not utilize revenue miles in such a way that flyover miles are included in a denominator but excluded from the numerator. This is objectionable in our opinion, because of the nowhere income aspect.

In the case of Colorado and Montana, at least one or two airlines are using revenue miles and including flyover miles in a numerator for at least part of the calculation, as I understand it. But Dave West tells us that that is being done on virtually a manual or exception basis since airlines do not maintain records of flyover miles by state (nor by water, for that matter, e.g. California to Hawaii); and that it would not be feasible to do this on a regular basis for all states, currently. Whereas it might be possible to do

so on a prospective basis, that would be so only if the airlines were convinced of the need and desirability of doing so. Even then, miles flown over water would be lost. In my opinion, any method which excludes flyover miles and ocean miles will result in less revenue than will the December 30 proposal.

Consequently, it appears that the proposal in the draft of December 30, 1981 has the best potential to produce full accountability in a manner most easily adaptable to the needs of the states and to the records of the airlines in order to arrive at fair and reasonable results according to state standards.

Several states have matters on hold in this area pending a recommendation by the Uniformity Committee. Time is of the essence in at least one state which needs to know what the recommendation will be as soon as possible.

I wonder, therefore, if it might be possible to have comments on the December 30 proposal within the next few days, either by letter or by phone. Any such responses should, of course, be directed to Horace Gailey. I am sending this letter directly to you Committee members in order to expedite matters; and I am doing so with Horace's knowledge and assent.

You may care to note that the word "similarly" is misspelled three times in the December 30 draft:

- 1) In the second paragraph of Section (3)(ii)B;
 - 2) In the second paragraph of Section (3)(iii);
- and
- 3) In the second paragraph of Section (3)(iv).

EFC/gh
cc: Dave West