

Legislative Agenda Summaries – Illinois Aviation Trades Association (IATA)

Aviation Funds

Senate Bill 482 (Sen. Cullerton D-6, Chicago; Rep. Zalewski D-23, Riverside) became the vehicle for state compliance with federal law regarding aviation fuel taxes and ultimately established a new fund to hold 1.25% of aviation fuel taxes, which is the portion of fuel taxes the Federal Aviation Administration (FAA) deemed not to be grandfathered. SB 482 was amended for this purpose in the House, and the Senate is expected to concur when they return during the fall veto session. Negotiations remain pending regarding a distribution formula for revenue in that fund.

Background

As a result of federal mandates, negotiations took place to insulate taxes related to aviation fuel so that those funds were only used for aviation-related purposes. IATA advocated for a priority rating system to distribute funds and ensure that the funds were not unfairly apportioned.

Federal regulations prohibit state aviation fuel taxes from being used for anything other than “aviation-related purposes” at most airports in Illinois. For continued federal funding, the Federal Aviation Administration (FAA) has requested that state and local governments submit a plan to the FAA by December 2015 to correct state laws and regulations.

The FAA held that “State and local officials should prepare an action plan to initiate the process to amend any non-compliant State laws and local ordinances as necessary to conform to federal law on use of aviation fuel tax revenues” and “should submit an action plan to the FAA within a year of the effective date of this notice,” which was effective on December 8, 2014.

Effective December 1, 2017, the Illinois Department of Revenue developed a new sales tax return (ST-70) for reporting sales of aviation fuel in anticipation of the legislation required to bring Illinois into compliance with FAA regulations.

Alternative Language Regarding Distribution of Aviation Fuel Tax Revenue

Recent attempts at legislation have included a newly proposed Section 6z-20.1 of the State Finance Act, 30 ILCS 105, to create a State Aviation Program Fund, which will contain the federally mandated portion of state sales taxes on aviation fuel (i.e. 1.25%).

IATA had concerns with two initial legislative proposals during this session regarding Section 6z-20.1, stating either that:

- (1) “Grants to units of local government from the Fund shall be distributed proportionately based on enplanements”; or

- (2) “Moneys shall be distributed on a quarterly basis directly to units of local government containing those airports,” with “those airports” based on a formula whereby “Each purchaser of aviation fuel in the State shall, at the time of purchase, designate an airport in the State at which the aviation fuel will be used.”

Both distribution formulas would eliminate the opportunity for many airports to obtain any financing from the fund. In the end, distribution of aviation fuel revenue based on a priority rating system is more consistent with best practices and would not prohibit the use of funds in the manner envisioned in the remaining language of legislative proposals.