

Congress of the United States
Washington, DC 20515

April 25, 2012

The Honorable Dave Camp
Chairman
Committee on Ways & Means
1102 Longworth House Office Building
Washington, DC 20515

Dear Chairman Camp:

We are writing to express our support for inclusion of a provision in the next highway reauthorization legislation that would repeal a fuel fraud provision originally included in section 11161 of H.R. 3, the *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users* (SAFETEA-LU), in the 109th Congress. We appreciate your attention to this matter and consideration of our request.

The provision in section 11161 altered the collection of fuel taxes for business and general aviation fuel providers, which has had a significant financial impact on the aviation industry. Before enactment of SAFETEA-LU, jet fuel intended for non-commercial use was taxed at a rate of 21.9 cents per gallon (CPG). While the tax on aviation jet fuel remains at 21.9 CPG, SAFETEA-LU mandated that all taxes on aviation jet fuel be collected at the same rate as the tax for highway diesel fuel, which is 24.4 CPG. Aviation fuel providers must register with the Internal Revenue Service (IRS) as an "ultimate registered vendor" and then file claims with the IRS to be reimbursed for the 2.5 CPG difference between the amount of taxes paid and the amount actually owed. The change was made amid concerns that highway truck drivers were buying aviation jet fuel and mixing it with fuel from another substance to make it operable in highway trucks, thus avoiding the purchase of highway diesel fuel and the higher taxes. However, there is no documented evidence of widespread fuel fraud of this nature.

Since October 1, 2005, nearly all taxes collected for non-commercial jet fuel used in general aviation have been deposited in the Highway Trust Fund instead of the Airport and Airway Trust Fund, where the funds are desperately needed. Today, in order for jet fuel taxes to be deposited in the Airport and Airway Trust Fund, the fuel vendor must go through an arduous registration process and then deal with a substantial administrative burden to maintain records for the IRS that were not previously required. The administrative hassle associated with this process has resulted in many fuel providers opting to pass the additional tax on to the end user and forego the process of applying for a refund.

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There is no requirement for vendors to register with the IRS, it is purely voluntary. When these fuel vendors forgo the refund process, due to its administrative burden, the Airport and Airway Trust Fund receives no revenue from the taxes collected on the sale of aviation jet fuel because non-commercial end users are not permitted to apply for the refund themselves. This diversion of aviation fuel taxes has cost the Airport and Airway Trust Fund approximately \$50 million annually since the enactment of SAFETEA-LU and is anticipated to cost another \$500 million over the next ten years. This policy has increased Highway Trust Fund revenues at the expense of the Airport and airway Trust Fund.

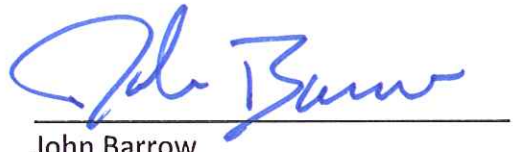
The provision in section 11161 in SAFETEA-LU is a solution in search of a problem, as evidence of large scale fraud in the sale of jet fuel has never been demonstrated. In fact, this provision is harming our national airspace system by depriving it of funds needed to enhance safety and efficiency. It is imperative that all revenue from taxes on jet fuel, used in aviation, is deposited in the Airport and Airway Trust Fund, which is why we respectfully request the inclusion of a provision in the next highway reauthorization legislation that would repeal the fuel fraud provision.

Again, thank you for your attention to this matter and consideration of our request. Please feel free to contact us directly should you have any questions or need additional information.

Sincerely,



Sam Graves
Member of Congress



John Barrow
Member of Congress



Leonard Boswell
Member of Congress



Richard Hanna
Member of Congress



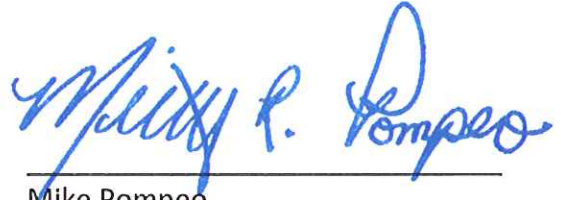
Randy Hultgren
Member of Congress



Andy Harris
Member of Congress



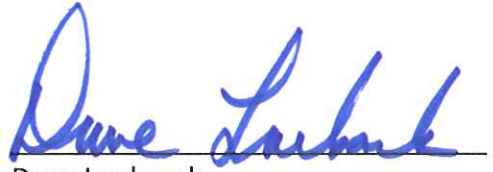
Bob Filner
Member of Congress



Mike Pompeo
Member of Congress



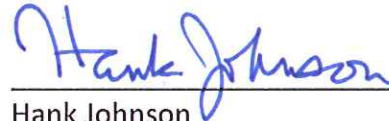
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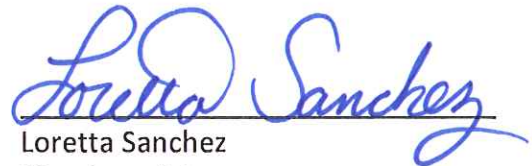
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