

News from Senator

BOB DOLE



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DOLE REFORMS BUSINESS AIRPLANE TRAVEL REGULATIONS

WASHINGTON -- The Senate today rejected an effort to override Finance Committee action authored by Kansas Senator Bob Dole that will reform Treasury guidelines regarding employee trips in company airplanes. Dole, who successfully argued that existing tax law was unreasonable and too high when employees ride on company aircraft, introduced the measure in the Senate Finance Committee on Tuesday as part of legislation that will repeal the controversial IRS recordkeeping requirements for farm and small business vehicles. After Senate floor debate, Dole's stand was affirmed by a 47-46 vote.

According to Dole, the tax regulations published last January did not accurately reflect the true value of corporate airplane services and did not take into account various sizes -- and degrees of comfort -- of private aircraft.

"Make no mistake, the use of a private airplane is a fringe benefit and should be considered so for tax purposes. However, current law demonstrated a basic misunderstanding of the great variety of aircraft used by corporations and of the nature of business trips and employee travel," Dole said.

Congress decided last year that the fair market value of fringe benefits such as personal travel on a business plane should be included in the income of employees who receive the benefits. The regulations, however, define fair market value to be as much as three times first class airline fare or even charter rate in certain circumstances. This view conflicts with long-established case law that flatly states that value must be discounted when there are restrictions on use such as not being able to cash in the trip or transfer the benefit to someone else.

"The Treasury regulations fail to distinguish between a four-seat, single-engine plane with a maximum speed of barely 100 miles an hour and the most luxurious corporate jet," Dole said.

"Anyone who has ever flown in a small plane will tell you that, while it may be the best way to get from one place to another, it is not as comfortable as flying first class on a commercial airliner. But an employee could still find himself charged with income equal to three times first class fare. That just does not make sense."

The Dole reform calls for the Treasury Department to distinguish between luxury jets and single-engine planes and the like. As a result, taxes on employee trips in private aircraft would be based on the weight of the plane along with the reason for the flight.

In general, therefore, for most rank and file employees traveling on company aircraft -- the so-called corporate hitchhikers -- the most income they would be charged with for tax purposes would be equal to one-half of standard coach fare. On the other hand, for most executives in charge of the flight, the maximum income imputed for tax purposes would be equal to first class fare.