

A description of the revisions to the Treasury regulations follows:

AIRCRAFT FRINGE BENEFIT RULES

If half the passenger seats are occupied for business purposes, then any active or retired employee, or his spouse, or dependent children may ride for personal reasons without any imputation of income. An employee's other guests, including parents, would result in imputation of the following amount:

<u>Weight of Aircraft</u>	<u>Includible Value</u>
More than 10,000 pounds	Value imputed to parent of airline employee.
More than 6,000 pounds but not more than 10,000 pounds	3/4 value imputed to parent of airline employee.
6,000 pounds or less	1/2 value imputed to parent of airline employee.

If half the passenger seats are not occupied for business purposes, passengers not considered to control the aircraft will cause imputation to the relevant employee at the rates specified above.

If the passenger is considered to be in control of the aircraft, the amount imputed will be as follows:

<u>Weight of Aircraft</u>	<u>Includible Value</u>
More than 25,000 pounds	200% of First Class Fare
More than 10,000 pounds but not more than 25,000 pounds	150% of First Class Fare
More than 6,000 pounds but not more than 10,000 pounds	Coach Fare
6,000 pounds or less	1/2 Coach Fare

For these purposes, only the following employees will be considered to control the flight of an aircraft.

1. Elected officers but not exceeding the lesser of 1 percent of all employees or ten employees.
2. The highest-compensated one percent of employees based on prior year's compensation with a maximum of 25 employees. No employee with compensation not exceeding \$50,000 will be included for this rule.
3. Employees owning 10 percent or more of the business.

Guests and family members of control employees will cause the control employee to include in income an amount equal to the includible value of a control employee unless half the passenger seats are used for business purposes.