

# MASSIVE NEW TAX ON AIRLINES IS RISKY.... AND JUST WON'T FLY

Airlines are committed to transportation infrastructure investments – and we are putting our money on the table at Newark. Recent press accounts miss the mark on how our industry is taxed in New Jersey, including inaccurate descriptions of who actually pays for airport infrastructure and improvements.

## MYTH #1

**Airlines are getting a jet fuel tax break in NJ.**

MYTH

vs

FACT

### FACTS

1. NJ's effective jet fuel tax rate 0.4 cents per gallon (cpg) makes the state competitive with other states in the region. NY's effective rate is 0.5 cpg and PA's is 3 cpg.
2. NJ currently has the 44th most burdensome jet fuel tax among the 50 states (NY is 43rd and PA is 32nd), but NJ would skyrocket to 15th most expensive if the tax hike goes into effect.
3. The proposed tax increase would make NJ's jet fuel tax rate 25 times more expensive than it is now – not double or triple but 25 times more expensive.\*

## MYTH #2

**NJ can raise taxes on jet fuel and use it for roads and bridges.**

### FACTS

1. Federal law is clear that jet fuel tax revenues can be used only for aviation purposes, not for any non-aviation purposes such as roads and bridges.
2. The FAA clarified this rule in 2014 and has given states and local jurisdictions until the end of 2017 to come into compliance.

## MYTH #3

**Airports are subsidized by taxpayers.**

### FACTS

1. Airports are largely self-sustaining and do not receive general taxpayer funds. Indeed because of a unique exception to the revenue diversion prohibition, the Port Authority of New York & New Jersey (PANYNJ) today takes hundreds of millions of dollars from its airports to subsidize highways, bridges, tunnels and transit. That exception does not apply to the proposed legislation.
2. Airports charge the airlines rent and landing fees to fund the airport's operating costs. The PANYNJ enjoys an investment grade rating with Fitch noting its "very healthy liquidity position" of \$4.4 billion.
3. In recent years, airlines have invested billions in capital investments in NJ, thereby making airlines strong financial partners with the airports.

## MYTH #4

**The PANYNJ does not have to comply with federal laws that protect tax revenue from being diverted.**

### FACTS

1. Under federal law, all airport revenue and jet fuel tax revenue must be used for the operating and capital costs of the airport or a state aviation program. It is illegal to use jet fuel tax revenue for non-aviation purposes.
2. The PANYNJ has a limited revenue use exception, capped at about \$270 million, that allows it to use airport revenue to support its roads, bridges and tunnels. This exception, however, would not apply to the proposed NJ jet fuel tax increase.
3. If the PANYNJ violates the exception by diverting more funds than federal law allows, it will be subject to federal sanctions. For example, in 2012, it was directed to recover more than \$291 million because it exceeded the cap in previous years.