

CARES Act Tax Holiday FAQ

This information, while helpful, is not intended as tax advice, and is no substitute for seeking the advice of legal and tax advisors to address your specific business needs.

As many of you are aware, the CARES Act (H.R. 748) suspends commercial aviation Federal Excise Taxes on jet fuel effective March 28, 2020, through December 31, 2020. We have compiled an overview of the Frequently Asked Questions received regarding the CARES Act Tax Holiday that may be applicable to your business.

Best practices include the following:

If you are already exempting operators from the FET on jet fuel because you currently hold a Federal IRS 637 “UA” registration, you can continue to do so.

If you don’t hold a Federal IRS 637 “UA” registration and the end users believes they are an exempt operation per the IRS publication 510, the easiest solution is to process the sales through Avfuel Contract Fuel as Avfuel already collects the appropriate L Waiver for the operator, claims the refund and completes the required tax compliance.

FAQs

How does this Tax Holiday apply to FBOs?

Full loads fuel sales to FBOs will be at the normal rate (24.4 cents).

What FET tax rate do FBOs need to charge for customers using Avfuel Contract Fuel?

No FET tax needs to be charged from the FBO. Avfuel will collect all required forms from their contract fuel customer, charge the end user as applicable and claim refund as required.

If the FBOs are charged the 24.4 cents on full loads, how do they recover the refund?

Refunds can be filed on IRS Form 720, 8849 or 4136.

[Form 720 Quarterly Return](#)

[Form 720 Instructions](#)

[Form 8849](#)

[Form 4136](#)

What if an FBO isn’t registered but the commercial aviation customer is claiming it should receive a reduced rate?

Explain the FBO does not hold licensing to recover the FET tax paid to the supplier and advise the commercial aviation customer they can still claim refunds on their own Form 720 return.



What FET tax rate should FBOs charge customers who are billed retail (directly from the FBO)?

FBOs need to take into consideration their own IRS 637 registration. If the FBO has UA registration then the FBO should charge the commercial aviation customer the holiday rate (0.1 cent) and the FBO will claim a refund for 24.3 cents quarterly.

If FBO does not hold an IRS 637 UA registration, the FBO will pass on the full cost of FET (24.4 cents) to the end user.

What registration is required to file a refund?

FBOs need a "UA" 637 Registration to file refunds of FET.

[637 Registration Application and instructions](#)

What does the FBO need to obtain from customers who are billed retail (directly from the FBO) to charge a reduced rate?

FBOs holding a UA 637 Registration need to obtain a [Model Waiver L](#) from the end user. We've linked a generic [Model Waiver L here](#).

Should you have any questions, please direct them to our tax department at taxdepartment@avfuel.com or [734-663-6466](tel:734-663-6466).

**The definition of Commercial Aviation for tax purposes as taken from IRS Publication 510 is: Commercial aviation is any use of an aircraft in the business of transporting persons or property by air for pay. However, commercial aviation doesn't include any of the following uses.*

- Any use exclusively for the purpose of skydiving. Certain air transportation by seaplane. See Seaplanes under Transportation of Persons by Air in chapter 4.
- Any use of an aircraft owned or leased by a member of an affiliated group and un-available for hire by nonmembers. For more information, see Aircraft used by affiliated corporations under Special Rules on Transportation Taxes in chapter 4
- Any use of an aircraft that has a maximum certificated takeoff weight of 6,000 pounds or less, unless the aircraft is operated on an established line. For more information, see Small aircraft under Special Rules on Transportation Taxes in chapter 4.
- Any use where the surtax on fuel used in a fractional ownership program aircraft is imposed.