

The Passenger Facility Charge: Hidden Tax or Needed Infrastructure Investment?

Background on PFC

The Passenger Facility Charge (PFC) is an excise tax added to the price of every airline ticket for each enplanement.¹ Many flights, even one-way flights, consist of multiple enplanements, causing an airline passenger to pay multiple PFC taxes for a single trip. Currently, the law caps the tax at \$4.50 per flight segment, and limits the tax's application to either two enplanements per one-way trip, or four enplanements per round-trip, meaning the passenger can be charged up to \$18 in PFC taxes for each trip.² The funds collected are made available for approved airport projects “that enhance safety, security, or capacity; reduce noise; or increase air carrier competition.”³

While efforts to privatize Air Traffic Control operations took most of the spotlight during the Federal Aviation Administration (FAA) reauthorization debate, a proposed increase in the PFC was also discussed. According to numerous public news sources, Congress was considering a \$2 per enplanement PFC cap increase, which could increase ticket prices by \$8 compared to the current fee. This overall tax increase per trip would amount to a \$26. While work on the bill is ongoing, recent reports suggest a PFC increase will not be included.

Different Views

Airports argue the PFC is a user fee, and that while the \$2 increase falls short of the total need, the additional revenue is a necessary step in the right direction to provide funding for critical airport infrastructure projects.⁴ They argue that because it is highly unlikely Congress will appropriate

sufficient funding to meet airport infrastructure needs, Congress should “allow airports to generate more local revenue themselves so they can build the safety, security, and capacity projects they need to accommodate rising demand.”⁵

Airlines, on the other hand, argue the PFC is more a tax on their customers than a user fee, and an unnecessary one at that. They say airports are in a strong financial position resulting from high revenues from existing PFC taxes (including an uncommitted \$6 billion balance in the Airport and Airway Trust Fund – the deposit fund for PFC revenues),⁶ other airline rents and fees, non-airline revenues, and other federal funding.⁷ They also claim airlines have not identified any projects that have been stalled due to lack of funding.⁸

Solution: Transparency

Further complicating matters, Department of Transportation regulations require government taxes be included in the advertised price of fares. This means that if the price of a ticket increases, a passenger would have no idea whether the government increased a tax or the airline increased prices. In this regard, airlines will likely be the victims of flyer's angst despite having absolutely no control over the price increase.

If the PFC is indeed a user fee, a better solution might be to increase transparency. The PFC could appear separately from the underlying ticket price. Then, airports can make the case for it and explain why the additional funding is needed, where it will go, and justify the amount requested. At that point,

¹ Federal Aviation Administration, “Passenger Facility Charge (PFC) Program”, accessed on March 8, 2016.

² Ibid.

³ Ibid.

⁴ American Association of Airport Executives, “The Week Ahead in Aviation: Senate Committee Looks to Unveil FAA Reauthorization Bill, FY 2017 Appropriations Hearings Continue”, March 4, 2016.

⁵ Politico, “Morning Transportation”, March 8, 2016.

⁶ Airlines for America, “A4A Urges Rejection of White House Proposal to Hike Taxes on Air Travelers”, February 3, 2015.

⁷ The Hill, “Airports Rap Airlines on Bag Fees”, May 4, 2015.

⁸ Ibid.

consumers can support or protest an increase in the fee based on their local airport's needs, and make their elected representatives aware of their position.

If supporters of increasing the PFC tax hope to see change in the near future, they should advocate for transparency first, then make the case for the infrastructure improvements sought. Most Americans regardless of political ideology support robust infrastructure, and while taxes are rarely popular, user fees typically have more support.

The Alliance for Innovation and Infrastructure

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