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BLOG

Use of the Company Jet Just Became a Little Cheaper: DOT Releases Revised SIFL Rates for Use of Employer-Owned Aircraft

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The U.S. Department of Transportation (DOT) has recently released revised Standard Industry Fare Level (SIFL) rates to calculate taxable income for employees' and independent contractors' use of a company aircraft. The revised rates are applicable for the six-month period from July 1, 2019, to December 31, 2019. On a favorable note and as a reflection of the average cost of flying for the period, the SIFL rates have decreased and can provide a modest cost savings to the employer and employee relating to employment, federal, and state taxes as compared to prior periods.

Frequently, employees and independent contractors are permitted to use a company-owned aircraft for reasons not directly related to the business of the company. Businesses should be mindful that the value of the flight on a company aircraft is a taxable fringe benefit that must be included in the employee's income and reported as taxable income. In addition, the flight value for non-employee personal guests or family members also results in imputed income to the "host" employee.

When calculating the flight value that is taxable to the employee, the IRS generally permits two different methods, which must be consistently used on an annual basis:

1. The fair market value or charter value of the flight, which uses the cost of chartering the same or comparable aircraft for the same or comparable flight; or
2. Calculating the value of the flight of *each personal passenger* using the IRS's aircraft valuation formula based on the corresponding SIFL rates.[1]

Although two methods for imputing income are available, the SIFL rates generally are considerably lower than the charter rates. Below is a chart detailing the revised SIFL rates for the second half of calendar year 2019, and **here** you can find all SIFL rates from May 1979 to present.

SIFL RATES FOR SECOND HALF OF CALENDAR YEAR 2019

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MILEAGE RANGE	AMOUNT PER MILE
0-500 miles	$ 0.2322
501-1,500 miles	$ 0.1771
Over 1,500 miles	$ 0.1702
Terminal charge	$42.46

The actual calculation of the imputed income requires taking the "aircraft multiple" from the table below, multiplying the aircraft multiple by the dollar value from the SIFL rate chart, and adding the terminal charge. Because most business owned aircraft are quite large, e.g. 25,001 lbs. or more, control employee travel very roughly results in imputed income of $1.00 per mile, while non-control employee travel is only approximately $.10 per mile.[2]

AIRCRAFT MULTIPLIERS		
MAXIMUM CERTIFIED TAKE-OFF WEIGHT OF THE AIRCRAFT	AIRCRAFT MULTIPLE FOR A CONTROL EMPLOYEE (PERCENT)	CHANGES / COMMENTARY
6,000 lbs. or less	62.5	15.6
6,001-10,000 lbs.	125	23.4
10,001-25,000 lbs.	300	31.3
25,001 lbs. or more	400	31.3

Although the calculation under the SIFL rules as described above is not difficult, full knowledge of all the rules and exemptions can result in lower imputed income—such as the 50% seating capacity rule, security flight valuation, and the correct application of "incremental mileage." Furthermore, it is not always clear which flights are primarily personal and result in imputed income as opposed to flights that have sufficient business purposes and are excluded from imputed income.

Winston & Strawn assists in these decisions and complex calculations for imputing income while also guiding employers through SEC reporting and company tax deduction as it relates to the personal use of the company aircraft.

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[1] For tax purposes, the SIFL is lagged six months. Data effective January 1, 2019, is for tax period effective July 1, 2019.

[2] A control employee is i) any board or shareholder appointed, confirmed, or elected officer, limited to the lessor of one percent of all employees or ten employees, ii) an individual who is in the top one percent most-highly-paid employees of the employer limited to a maximum of 50, iii) a five percent or greater owner of the employer, or iii) a director.

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