



Tax Insights
from PwC Private

Aircraft Quarterly Newsletter – Q2 2026

June 12, 2026

In brief

What happened?

Important developments affecting the use of corporate aircraft include an increase in federal excise tax rates for taxable air transportation of persons, effective January 1, 2026, as well as a decision by the Sixth Circuit Court of Appeals on the federal excise air transportation tax (ticket tax) imposed by Section 4261.

Why is it relevant?

A failure to apply the federal excise tax rules properly may adversely impact the operator of a company aircraft, while the court's reversal of the holding in *Flight Options, LLC v. United States* addresses the scope of services and fees subject to the ticket tax and how to apply and calculate the tax for unresolved quarters predating enactment of Sections 4261(j) and 4043.

Actions to consider

In light of the rate increases for certain federal excise tax rates/fees, companies may want to review their use of business aircraft to confirm utilization of the appropriate tax rates/fees. For fractional interests in an aircraft not subject to Section 4261(j) that are subject to the collection of the ticket tax, the amount of that tax should be calculated based on usage fees (i.e., expenses incurred for a wheels-up, wheels-down flight) and exclude any fixed fees, such as monthly management fees or any other overhead charges.

In detail

Segment fees

Generally, noncommercial aviation is subject to a federal fuel excise tax under Section 4081. Commercial aviation is subject to federal excise taxes on the transportation of persons (Section 4261) or property (Section 4271) and subject to federal fuel excise tax (Section 4081) at a reduced fuel rate. A segment generally is one take-off and one landing.

A number of different federal air transportation excise taxes apply to the taxable transportation of persons under Section 4261, some of which are adjusted for inflation annually. The 2026 rates are as follows:

- *Percentage tax.* The 7.5% tax applicable to amounts paid for the taxable transportation of persons that begins and ends in the United States or in the 225-mile zone (i.e., portions of Canada and Mexico within 225 miles of the continental United States) remains unchanged from 2025.
- *Domestic segment tax.* The per passenger per segment (one take-off and one landing) tax applicable to taxable domestic flights (including within the 225-mile zone) has increased from \$5.20 to \$5.30.
- *International facilities tax.* The per passenger tax for the use of international travel facilities that applies to international flights that begin or end in the United States has increased from \$22.90 to \$23.40.
- *Hawaii/Alaska flight tax.* A reduced tax rate per passenger applicable to departures from Hawaii or Alaska to which the international facilities tax normally would apply has increased from \$11.40 to \$11.70. Other special rules apply to flights to and from Alaska and Hawaii.

Aviation fuel excise taxes

The federal fuel excise tax rates on aviation fuel, which are not adjusted for inflation, remain unchanged. Aviation gasoline generally is taxed at 19.4 cents per gallon, which includes the leaking underground storage tank fund tax (LUST). Kerosene generally is taxed at 24.4 cents per gallon; however, kerosene jet fuel is taxed at 21.9 cents per gallon for noncommercial aviation and 4.4 cents per gallon for commercial aviation (all rates including LUST).

Certain flights are not subject to federal fuel excise taxes, and other flights are subject only to the LUST at 0.1 cents per gallon. Fuel used in qualifying fractional aircraft ownership programs is subject to a fuel surtax of 14.1 cents per gallon. However, when this surtax applies, the 7.5% tax and other Section 4261 taxes do not apply.

Observation: Because the IRS and Federal Aviation Administration (FAA) define commercial and noncommercial transportation differently, the FAA may treat an aviation operation as commercial that the IRS treats as noncommercial.

Ticket tax

In *Flight Options, LLC*, the Sixth Circuit Court of Appeals considered a key historic tax dispute regarding application of a 7.5% federal excise tax on domestic air transportation, before the addition of Sections 4261(j) and 4043. Specifically, the court examined whether the excise tax applied to the fixed overhead and management fees charged in a fractional jet ownership program, or only to fees based on actual flight usage. At issue in this case was the scope of the excise tax and whether these fixed fees were subject to tax like individual flight tickets.

According to the court, this excise tax, known in the industry as the "ticket tax," only applies to charges per flight segment and not to fixed fees. In overturning the lower court decision that required the taxpayer to collect the tax on all fees, the court's holding emphasizes that the statute's language and intent are focused on usage-based charges, and that the IRS did not provide clear guidance to taxpayers about applying the ticket tax to fixed fees.

Ultimately, the court concluded that the IRS had inconsistently applied the tax and lacked specific instructions. This decision limits the scope of the ticket tax, providing clarity for prior periods to operators of fractional ownership programs by confirming that fixed management fees are not subject to this excise tax under Section 4261. Additionally, this case potentially could impact ticket tax more broadly with respect to determining what services and fees should be included in the tax base. The Sixth Circuit Court of Appeals decided *Flight Options, LLC v. United States* on May 27, 2026. It remains to be seen whether this decision will be appealed.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

PwC Private

Rick Farley, *New York*
+1 646-464-0707
richard.c.farley@pwc.com

Excise Taxes

Adam Rosner, *Washington, DC*
+1 202-360-3808
adam.rosner@pwc.com

Follow me on Twitter [@MrAirCraft274](https://twitter.com/MrAirCraft274)

Connect with me on [LinkedIn](#)

© 2026 PwC. All rights reserved. PwC refers to the US member firm or one of its subsidiaries or affiliates, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

This content is for general information purposes only and should not be used as a substitute for consultation with professional advisors.

Solicitation