

GAO Highlights

Highlights of [GAO-23-105188](#), a report to congressional committees

Why GAO Did This Study

Advanced air mobility manufacturers are currently testing their aircraft, with a few companies planning to begin commercial operations in 2025. The Federal Aviation Administration (FAA) will have to certify and integrate these aircraft into the national airspace system. Most of FAA's budget flows from a trust fund supported by various taxes paid by aviation users. Federal tax law administered by the IRS determines whether taxpayers qualify for exemptions to these taxes.

GAO was asked to review funding and infrastructure issues associated with advanced air mobility. This report examines (1) the anticipated capital costs of advanced air mobility infrastructure, (2) stakeholder considerations for infrastructure funding, and (3) the extent to which taxes that support the aviation trust fund apply to advanced air mobility, among other topics.

GAO reviewed laws, regulations, case law, revenue rulings, and other memorandums associated with aviation taxes. GAO interviewed FAA and IRS officials and 25 stakeholders, including academics, trade associations, and aircraft manufacturers. GAO identified these stakeholders through a literature search and consultations with internal and external subject matter experts.

What GAO Recommends

Congress should consider clarifying how advanced air mobility aircraft are defined for the purpose of tax exemptions.

View [GAO-23-105188](#). For more information, contact Heather Krause at (202) 512-2834 or KrauseH@gao.gov.

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TRANSFORMING AVIATION

Congress Should Clarify Certain Tax Exemptions for Advanced Air Mobility

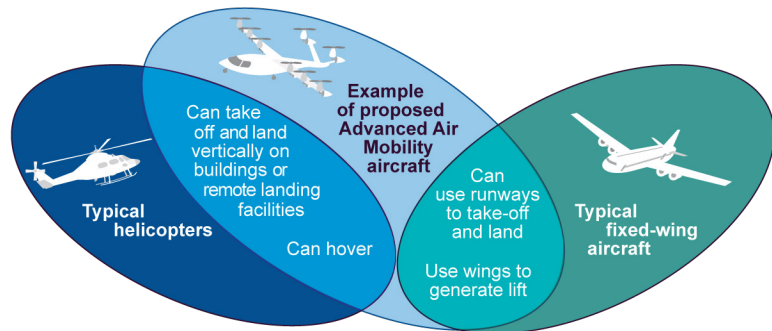
What GAO Found

Advanced air mobility is an emerging form of air transportation that may use aircraft with electrified propulsion systems, increased levels of automation, and vertical take-off and landing capabilities to transport people and cargo. Stakeholders GAO interviewed said that individual infrastructure projects to support such operations (such as take-off and landing sites at airports, hospitals, and parking garages), could cost between \$500,000 and more than \$10 million apiece. These costs may vary by each project's location, scope of construction, and electrification needs.

Stakeholders expect private funding to play a prominent role in initial infrastructure, though they anticipate public funding may increase over time. Stakeholders noted the balance of public and private funding could affect (1) the speed and ingenuity of infrastructure development; (2) the interoperability of infrastructure; and (3) communities' access to advanced air mobility services.

Taxes applicable to airspace users that fund the aviation system will apply to advanced air mobility operations. However, it is unclear how exemptions for some of these taxes would apply to these operations. For example, eligibility for some tax exemptions depends on the type of aircraft used, such as whether it is a helicopter versus a fixed-wing aircraft. However, "helicopter" and "fixed-wing" are not defined in tax law, and advanced air mobility aircraft can share features with both (see figure).

Shared Features of Proposed Advanced Air Mobility Aircraft and Typical Aircraft



Source: GAO. | [GAO-23-105188](#)

While the current aviation financing system has been amended over time, existing tax law does not address how to classify some emerging advanced air mobility aircraft. Internal Revenue Service (IRS) officials said that in the absence of congressional clarification, the agency might face challenges in determining the applicability of tax exemptions for these operations when they begin. Officials said that congressional clarification would provide a framework for the agency to administer the tax law efficiently and effectively. For example, such clarity would facilitate more consistent tax treatment and reduce litigation that the federal government might otherwise face.