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Exclude Airport Private Activity Bonds from Alternative Minimum Tax

Request: Airports are urging Congress to permanently exclude airport private activity bonds from the Alternative Minimum Tax (AMT). A permanent AMT fix would reduce airport financing costs and allow airports to invest in other critical infrastructure projects.

Background: Airports rely on a variety of funding sources to pay for capital development projects including Airport Improvement Program (AIP) grants and revenue from Passenger Facility Charges (PFCs). However, the largest source of funding for capital development projects is generated from airport bonds.

Federal tax law unfairly classifies the vast majority of bonds that airports use as private activity even though they are used to finance runways, taxiways and other facilities that benefit the public. Since private activity bonds are subject to the AMT, airport bond issuers are traditionally charged higher interest rates on their borrowing.

Congress Provided Airports with Temporary Relief

- The American Recovery and Reinvestment Act included a welcome provision that excluded private activity bonds from the AMT for bonds that airports and other state and local government entities issued in 2009 and 2010. The bill also allowed airports to current refund bonds issued after 2003 that were refunded in 2009 and 2010.

- The temporary AMT relief helped airports move forward with critical infrastructure projects that had been delayed because of the financial crisis and the collapse of the bond market. In late 2010 the FAA estimated that 70 airports issued approximately $15 billion in bonds that benefited from the temporary AMT provisions in the Recovery Act.

- According to the FAA, the temporary AMT relief provided airports with approximately $1.1 billion in present value savings and $1.8 billion in gross savings. The reduced financing costs allowed airports to invest in additional infrastructure projects.

Airports Still Need a Permanent AMT Fix

- Although the Recovery Act provided airports with much-needed temporary relief, airports still need a permanent fix to help them finance critical infrastructure projects.

- A long-term solution would help airports save more money, allow them to invest in more infrastructure projects and support even more jobs. It would also reflect the fact that airports use private activity bonds on projects that benefit the traveling public and should not be subject to the AMT in the first place.