

# Part I

## Rev. Rul. 2021-11

For purposes of the taxation of fringe benefits under section 61 of the Internal Revenue Code, section 1.61-21(g) of the Income Tax Regulations provides a rule for valuing noncommercial flights on employer-provided aircraft. Section 1.61-21(g)(5) provides an aircraft valuation formula to determine the value of such flights. The value of a flight is determined under the base aircraft valuation formula (also known as the Standard Industry Fare Level formula or SIFL) by multiplying the SIFL cents-per-mile rates applicable for the period during which the flight was taken by the appropriate aircraft multiple provided in section 1.61-21(g)(7) and then adding the applicable terminal charge. The SIFL cents-per-mile rates in the formula and the terminal charge are calculated by

the Department of Transportation (DOT) and are reviewed semi-annually.

According to DOT, due to the effect of the COVID-19 pandemic, airline industry capacity (as measured by airline seat miles) was reduced faster than airline industry expenses were reduced. Generally, the SIFL rate is the result of airline industry expenses divided by airline seat miles. Because airline seat miles were reduced faster than airline industry expenses, the SIFL rate for the 6-month Tax Period Effective 1/1/2021 increased substantially.

Furthermore, in March 2020, the Coronavirus Aid, Relief, and Economic Security Act was enacted, directing the Treasury Department to allot up to \$25 billion for domestic carriers to cover payroll expenses via grants and promissory notes, known as the Payroll Support Program (PSP). The PSP grants and PSP promissory notes off-

set airline industry expenses. Accordingly, DOT provided two alternatives to incorporate differing levels of the PSP into the SIFL rate calculations to both account for the PSP in the rate calculations and to mitigate the pandemic impact on the SIFL rate. One calculation adjusts the SIFL rates to account for PSP grants only while the other calculation adjusts the SIFL rates to account for both the PSP grants and PSP promissory notes.

This revenue ruling contains these three SIFL rates: (1) the Unadjusted SIFL Rate, (2) the SIFL Rate Adjusted for PSP Grants, and (3) the SIFL Rate Adjusted for PSP Grants and Promissory Notes. Taxpayers may use any of the three rates when determining the value on noncommercial flights of employer-provided aircraft under section 1.61-21(g).

The following charts set forth the terminal charges and SIFL mileage rates:

<i>Unadjusted SIFL Rate</i>		
<i>Period During Which the Flight Is Taken</i>	<i>Terminal Charge</i>	<i>SIFL Mileage Rates</i>
1/1/21 - 6/30/21	\$61.88	Up to 500 miles = \$.3385 per mile  501-1500 miles = \$.2581 per mile  Over 1500 miles = \$.2481 per mile
<i>SIFL Rate Adjusted for PSP Grants</i>		
1/1/21 - 6/30/21	\$44.35	Up to 500 miles = \$.2426 per mile  501-1500 miles = \$.1850 per mile  Over 1500 miles = \$.1778 per mile
<i>SIFL Rate Adjusted for PSP Grants and Promissory Notes</i>		
1/1/21 - 6/30/21	\$38.03	Up to 500 miles = \$.2080 per mile  501-1500 miles = \$.1586 per mile  Over 1500 miles = \$.1525 per mile

## DRAFTING INFORMATION

The principal author of this revenue ruling is Kathleen Edmondson of the Office of Associate Chief Counsel (Employee Benefits, Exempt Organizations and Employment Taxes). For further information regarding this revenue ruling, contact Ms. Edmondson at (202) 317-6798 (not a toll-free number).