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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-6250

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December 4, 2024

VIA E-MAIL

The Honorable Janet L. Yellen
U.S. Secretary of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Yellen:

On November 26, 2024, the Permanent Subcommittee on Investigations (“PSI” or “the Subcommittee”) released a report titled “The Sky’s the Limit – The Rise of Junk Fees in American Travel.” The report details the findings of the Subcommittee’s year-long investigation into fees airlines charge for products and services that were once included in the price of a ticket (“ancillary fees”) at five major U.S. airlines: American Airlines, Delta Air Lines, United Airlines, Frontier Airlines, and Spirit Airlines. The Subcommittee found that the five airlines collected \$12.4 billion in combined revenue from seat fees between 2018 and 2023, that Frontier Airlines and Spirit Airlines paid \$26 million in combined incentive payments to gate agents and other personnel between 2022 and 2023 to enforce airline bag policies, and that some airlines appear to avoid the 7.5% transportation excise tax (“transportation tax”) by deeming some ticket costs to be ancillary fees.

The Subcommittee’s investigation revealed that each airline exposes vastly different shares of the revenue they collect from flying passengers to the transportation tax. Specifically, Spirit Airlines, Frontier Airlines, and United Airlines appear to lower the effective tax rate on some of their base fares by classifying seat fees as ancillary add-ons rather than part of the ticket itself. The significant variation in approaches airlines take in subjecting customer purchases to the transportation tax suggests that, at minimum, there is confusion or uncertainty within the industry about the rules regarding the tax’s application that some airlines may exploit to gain a pricing or revenue advantage. Moreover, the disparate application of the transportation tax creates uncertainty and instability for the Airport and Airway Trust Fund, making needed improvements to critical infrastructure, like the modernization of air traffic control, harder to project and execute.

The Honorable Janet L. Yellen

December 4, 2024

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I write to request that the Department of the Treasury review the Subcommittee's report, which is enclosed with this letter, and take appropriate action to ensure the uniform application of the transportation tax. Thank you for your attention to this matter.

Sincerely,



Richard Blumenthal
Chairman
Permanent Subcommittee on Investigations

cc: The Honorable Ron Johnson
Ranking Member

The Honorable Danny Werfel
Commissioner of the Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20220

Enclosure