



Overview of Ticket Tax Audit

Airline Clearing House

May 12, 2026





Q100-1000-1000

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Overview of Federal Ticket Tax Audit

Initial Notification of Audit

- Why – Claim Submitted / System Generated / Regular Cadence
- Auditor Initial Outreach – Mail Received

Action Plan

- Reach Out and Call Auditor to Respond to IRS Notice Received
- Discuss Items Examining on Return (Line 026 and 027) or Others
- Types of Documents Requested to Provide
- Overall Discussion of Examination Process
- Establish Timing and Points of Contact and Next Steps



Form 720 – Ticket Tax Quarterly Remittance

Form 720
(Rev. March 2026)
Department of the Treasury
Internal Revenue Service

Quarterly Federal Excise Tax Return
See the Instructions for Form 720.
Go to www.irs.gov/Form720 for instructions and the latest information.

OMB No. 1545-0023

Check here if:
 Final return
 Address change

Name _____ Quarter ending _____
 Number, street, and room or suite no. _____ Employer identification number _____
 (if you have a P.O. box, see the instructions.)
 City or town, state or province, country, and ZIP or foreign postal code _____

FOR IRS USE ONLY

T _____
 FF _____
 FD _____
 FP _____
 I _____
 T _____

Part I

IRS No.	Environmental Taxes (attach Form 6627; ODCs are ozone-depleting chemicals)	Tax	IRS No.
53	Domestic petroleum superfund tax*		53
	Reserved for future use		
16	Imported petroleum products superfund tax		16
	Reserved for future use		
54	Chemicals (other than ODCs)		54
17	Imported chemical substances		17
98	ODCs		98
19	ODC tax on imported products		19
	Communications and Air Transportation Taxes (see instructions)	Tax	
22	Local telephone service and teletypewriter exchange service		22
26	Transportation of persons by air*		26
28	Transportation of property by air*		28
27	Use of international air travel facilities*		27

Schedule A Excise Tax Liability (see instructions)

Note: You must complete Schedule A if you have a liability for any tax in Part I of Form 720. Don't complete Schedule A for Part II taxes or for a one-time filing of the gas guzzler tax.

1 Regular method taxes

(a) Record of Net Tax Liability

	Period	
	1st-15th day	16th-last day
First month	A	B
Second month	C	D
Third month	E	F
Special rule for September	G	

(b) Net liability for regular method taxes. Add the amounts for each semimonthly period.

2 Alternative method taxes (IRS Nos. 22, 26, 28, and 27)

(a) Record of Taxes Considered as Collected

	Period	
	1st-15th day	16th-last day
First month	M	N
Second month	O	P
Third month	Q	R
Special rule for September	S	

(b) Alternative method taxes. Add the amounts for each semimonthly period.



* Complete only as instructed (see instructions).

Form 720 – Ticket Tax Quarterly Remittance

TRANSACTIONS				
CODE	EXPLANATION OF TRANSACTION	CYCLE	DATE	AMOUNT
150	Tax return filed	20210605	03-01-2021	\$4,054.00
n/a	11111-444-22222-1			
806	W-2 or 1099 withholding		04-15-2021	-\$5,530.00
766	Tax relief credit		04-27-2020	-\$1,200.00
846	Refund issued		04-15-2020	\$1,200.00
290	Additional tax assessed	20201505	04-27-2020	\$0.00
	00-00-0000			
n/a	11111-999-00000-0			
971	Notice issued		04-27-2020	\$0.00
	NOTICE1444			
766	Tax relief credit		01-18-2021	-\$600.00
846	Refund issued		01-04-2021	\$600.00
290	Additional tax assessed	20205302	01-18-2021	\$0.00
	00-00-0000			
n/a	12345-999-00000-0			
846	Refund issued		02-18-2021	\$1,476.00
291	Reduced or removed prior tax assessed		05-24-2021	-\$1,224.00
n/a	11111-555-55555-0			
971	Notice issued		05-24-2021	\$0.00
	CP 0021			
846	Refund issued		05-12-2021	\$1,226.11
776	Interest credited to your account		05-24-2021	-\$2.11

Requested Item Categories – Information Data Request



Description of How FET Reported on 720;
Describe Accounts Used / FET Workpapers



Provide Financial Statements / Company Org Chart



Provide Overview of Reservation System



Planes Operated on Established Route or Timetable



Deposits / Remittance (Regular Method vs. Alternative Method)



Describe Loyalty Program / Mileage Awards and Purchases / Charter Service



Describe Ticket Refunds / Changes / Upgrades



Ancillaries (Taxable vs. Nontaxable)

IRS Areas of Focus

Ancillary Products – Key Areas of Interest

- Understanding of the various ancillaries offered; taxable vs. non-taxable
 - Seats, booking fees, etc.
 - Total sales associated with each product type
 - If airline is treating as taxable, how is tax calculated
 - Provide examples of transactions



Ancillaries

History and Recent Legal Advice Issued

- The primary issue is whether the tax applies only to amounts required to get on the plane or also to amounts for services related to the transportation.
- The statute used to have a separate tax for seating accommodations (that was repealed in 1997 and replaced with the domestic segment tax).
- The IRS Office of Chief Counsel has issued two PMTAs stating that seat fees and online booking fees are taxable.



User Fee Hot Topics – TSA

U.S. Transportation Security Fee (“TSA”) Agency Audits

- TSA – Actively assessing airlines for fees refunded as credits for future travel that later expire unused
 - Litigation in four federal circuits
 - 10th Circuit and 11th Circuit denied petition
 - 5th Circuit and 9th Circuit still pending
- Issue – Whether a fee is owed on a passenger that doesn’t travel and whether a refund issued to a credit voucher constitutes a refund
- TSA contends that they can be entitled to a fee when no passenger travels if the fee is not “refunded” to the passenger



User Fee Hot Topics – Customs

U.S. Customs Border Protection (“CBP”) User Fee Agencies Audit

- CBP – Assessment on expired credit vouchers
 - U.S. Court of International Trade summary judgement granted
 - *Southwest Airlines Co. v. United States*, 777 F.Supp.3d 1318 (Ct. Int'l Trade 2025)
- Court ruled CBP is not entitled to a fee where CBP provides no customs services



Summary

- ▶ Be prepared and ask questions
- ▶ Partner with the tax teams
- ▶ Ask for assistance

- ▶ Questions

Thank You



Contact Information



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