
Proposed Revisions to the Special Industry Regulation Sourcing Airline Receipts

Reg. IV.18.(e)



MULTISTATE TAX COMMISSION

**Executive Committee meeting
April 23, 2026
Knoxville, Tennessee**

HISTORY OF THE AIRLINES SOURCING PROJECT

- Beginning in early 2024, the Model Receipts Sourcing Regulation Review Work Group met on multiple occasions to consider updates to the Airlines special industry sourcing regulation.
- Meetings were open to the public. Both state representatives and members of the public were invited to offer comments throughout the drafting process.
- Drafts were revised to address input received by the airlines industry.

HISTORY OF THE AIRLINES SOURCING PROJECT

- **November 7, 2025:** The work group finalized proposed revisions and agreed to submit them to the Uniformity Committee for its consideration.
- **February 3, 2026:** The Uniformity Committee approved the proposal.
- **February 17, 2026:** The Executive Committee approved the proposal for a public hearing.
- **March 24, 2026:** Hearing officer Jonathan White conducted a public hearing on the proposed revisions.

REASONS TO UPDATE THE AIRLINES REGULATION

- **The current Regulation was adopted by the Commission in 1983. Since then, the air travel industry has changed in significant ways.**
- **Airlines now receive various substantial streams of revenue that are not expressly addressed by the Regulation nor by guidance issued by the states.**
- **These gaps may create uncertainty both for taxpayers and for revenue agency staff charged with administering the tax laws.**
- **Some language in the regulation is archaic or would benefit from greater clarity.**



THE PROPOSED REVISIONS RETAIN THE DEPARTURES METHOD FOR SOURCING AIRLINE TRANSPORTATION REVENUE

$$\frac{\text{Weighted in-state departures}}{\text{Weighted total departures}} \times \text{transportation revenue}$$

THE PROPOSED REVISIONS UPDATE THE DEFINITION OF TRANSPORTATION REVENUE TO EXPRESSLY ADDRESS RECEIPTS FROM:

- Selling tickets for travel on unrelated airlines under codeshare, interline, and capacity purchase arrangements.
- Selling “points” or “miles” to credit card banks and others
- Selling food and selling onflight services such as entertainment and Wi-Fi
- Baggage fees

THE PROPOSED REVISIONS ALSO:

- Clarify the receipts factor by modernizing language and using parallel terms in the factor's numerator and the denominator.
- Incorporate Drafter's Notes in the Regulation to provide background and to identify issues that states may want to address.
- Replace archaic language throughout the regulation to make the regulation easier to read.
- For the first time, define "airline."
- Clarify the current Examples and add new examples.