



U.S. TRAVEL
ASSOCIATION



May 21, 2014

The Honorable Jacob Lew
Secretary
U.S. Department of the Treasury
Washington, DC 20220

Dear Secretary Lew,

We, the undersigned associations, represent and serve millions of Americans who utilize customer loyalty reward programs to help fund family vacations and business travel. Frequent flyer, frequent guest, and other loyalty programs are offered by a wide range of companies. Reward points benefit the consumers who accrue them, as well as the local small businesses that participate in the programs.

Unfortunately, the Internal Revenue Service (IRS) currently has under consideration a plan that would negatively impact loyalty programs. On August 9, 2013, the U.S. Treasury released the 2013-2014 Priority Guidance Plan (“business plan”). Included in the business plan was a project aimed at making changes to loyalty program accounting methods prescribed by the Treasury Regulations under Code Section 451 (“§451”). As you may know, travel companies, including hotels, airlines, and many others, have complied with settled law in the area of loyalty program accounting for decades. These same companies, and those they serve, are now under the threat of wholesale changes to the longstanding tax treatment of their loyalty programs.

Let us be clear, the IRS’ proposal to alter the tax treatment of loyalty programs will impose a significant new tax on existing and future loyalty points that travel customers enjoy and rely upon. This represents not only a loss in value to hard-working American families, seniors, and charities, but also a tremendous disruption to the worldwide travel economy. Any change in accounting rules could result in billions of dollars in lost revenue to States and localities, as well as significant harm to small business franchise owners.

Efforts are now under way to finalize the 2014-2015 business plan and we strongly urge you to reject including any projects related to the elimination of long-standing tax treatment of customer loyalty programs under §451. A new tax on loyalty programs will increase uncertainty for the travel industry and negatively impact American families, business professionals, seniors, small business owners, charities and the overall U.S. economy. Ultimately, any change or clarification of loyalty program accounting should be made through the legislative process, not IRS promulgation.

We appreciate your prompt attention to this matter.



U.S. TRAVEL
ASSOCIATION



Sincerely,

Airlines for America

American Hotel & Lodging Association

American Resort Developers Association

U.S. Travel Association

cc:

The Honorable Dave Camp, Chairman, Ways and Means Committee
The Honorable Sander Levin, Ranking Member, Ways and Means Committee
The Honorable Pat Tiberi, Chairman, Select Revenue Measures Subcommittee
The Honorable Richard Neal, Ranking Member, Select Revenue Measures Subcommittee
The Honorable Charles Boustany, Chairman, Oversight Subcommittee
The Honorable John Lewis, Ranking Member, Oversight Subcommittee

The Honorable Ron Wyden, Chairman, Finance Committee
The Honorable Orrin Hatch, Ranking Member, Finance Committee
The Honorable Robert Casey, Chairman, Taxation and IRS Oversight Subcommittee
The Honorable Mike Enzi, Ranking Member, Taxation and IRS Oversight Subcommittee