



requirements under the Excise Tax Procedural Regulations to limit the availability of the look-back quarter safe harbor in cases where a new excise tax is enacted or an expired excise tax is reinstated.

Section 40.6302(c)-1(c)(2) currently provides, generally, that a person can satisfy excise tax deposit obligations for a calendar quarter by depositing an amount equal to the person's excise tax liability for the second preceding quarter (the look-back quarter). For this purpose, the tax liability for the look-back quarter must be computed at current rates, but the safe harbor does not specifically address the effect of the enactment of a new tax law or the reinstatement of an expired tax.

In 1996, the aviation excise taxes, which expired on December 31, 1995, were reinstated for the period from August 27 through December 31, 1996. Because the taxes were not in effect during the first and second quarters of 1996, airlines relying on the safe harbor have deposited very little of the air transportation taxes they collected in 1996.

The Service believes such a delay is inconsistent with the overall policy and structure of the excise tax deposit rules. Accordingly, the Service will modify the look-back safe harbor to prevent similar delays with respect to future tax law changes.

The new regulations will provide that the safe harbor based on look-back quarter liability will not apply to deposits of a tax that was not in effect throughout the look-back quarter. The revised regulations will apply to liabilities attributable to tax law changes after February 10, 1997. Persons required to remit air transportation taxes for the first quarter of 1997 will satisfy their deposit obligation for amounts billed or tickets sold in December 1996 if they deposit their look-back quarter safe harbor amount in accordance with current regulations.

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Deposits of Excise Taxes

Notice 97-15

The Internal Revenue Service will issue regulations amending the deposit