



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

SMALL BUSINESS/Self-EMPLOYED DIVISION

October 5, 2020

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MEMORANDUM FOR DIRECTOR, SPECIALTY EXAMINATION; CHIEF, ESTATE & GIFT/EXCISE EXAM; TERRITORY/GROUP MANAGERS; AND EXCISE TAX EXAMINATION

FROM: Wanda R. Griffin, Director, SB/SE, Exam, Specialty Exam Policy
Wanda R. Griffin

SUBJECT: Approving, Continuing, Denying or Revoking Secure Airport Terminal (SAT) Designations

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Wanda R. Griffin
Date: 2020.10.28
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This memorandum issues guidance on Secure Airport Terminal (SAT) designations which remain in effect, until IRM 4.24.2, Excise Tax, Form 637 Excise Tax Registrations, is revised. Please ensure this information is distributed to all affected employees within your organization.

Purpose: To provide procedures when a terminal operator requests a SAT designation. Additionally, it provides procedures to continue or revoke an approved SAT designated terminal.

Background/Source(s) of Authority: Notice 16-15, Treatment of Kerosene for Use in Aviation, provides guidance regarding the criteria for designation by IRS of a terminal located within a secure area of an airport as a SAT for purposes of IRC Section 4081, Imposition of Tax, and IRC Section 4082 Exemptions for Diesel Fuel and Kerosene. In addition, this notice provides procedures for a terminal operator to request a terminal be placed on the SAT list.

Procedural Change: See the attachment for procedures.

Effect on Other Documents: This guidance will be incorporated into IRM 4.24.2 by October 5, 2022.

Effective Date: October 5, 2020

Contact: If you have questions concerning this guidance, please contact Kellie L. McCann, Program Manager, Excise Tax Policy, (412) 404-9607 or Diane M. Williams, Excise Tax Policy Analyst, (856) 792-9362.

Attachment (the changed procedures)

Distribution:

[IRS.gov \(http://www.irs.gov\)](http://www.irs.gov)

SBSE 04-1020-0001 Attachment

IRM Language for Secure Airport Terminal (SAT)

Requests for Secure Airport Terminal (SAT) Designation for Purposes of IRC Section 4081, Imposition of Tax, and IRC Section 4082, Exemptions for Diesel Fuel and Kerosene

1. SAT designation requests and reviews of approved SAT designation cases will be worked together with a Form 637 terminal review. **Note:** To qualify for a SAT designation the terminal must be registered with a valid Form 637 “S” registration. A SAT designation may be approved simultaneously with the Form 637 “S” registration.
2. Notice 16-15, *Treatment of Kerosene for Use in Aviation*, provides guidance regarding the criteria for designation by IRS of a terminal located within a secure area of an airport as a SAT for purposes of IRC Section 4081, *Imposition of Tax*, and IRC Section 4082 *Exemptions for Diesel Fuel and Kerosene*. Additionally, this notice specifies steps and procedures for a terminal operator to successfully request a terminal be placed on the SAT list. For detailed guidance refer to <https://www.irs.gov/node/50361#NOT-2016-15>.
3. The American Jobs Creation Act of 2004 ([Pub. L. 108-357](#)) and the Safe, Accountable, Flexible, Efficient Transportation Equity Act ([Pub. L. 109-59](#)) provides a new system for imposing excise tax on kerosene used in aviation. Under this system, kerosene generally is taxed at a rate of 24.3 cents per gallon (excluding the 0.1 cent per gallon imposed for the Leaking Underground Storage Tank Trust Fund (LUST) tax). However, if the kerosene is removed directly into the fuel tank of an aircraft from a terminal or refinery, it will be taxed at lower aviation rates. Furthermore, if nontaxable use kerosene is removed directly into the fuel tank of an aircraft from a terminal, the general rate of tax is reduced to zero. For purposes of these exceptions, refueler trucks, tankers, and tank wagons that meet certain conditions (“refuelers”) are treated as part of a terminal if the terminal is located within a secure area of an airport (*i.e.*, a SAT).
4. To add a terminal to the SAT list, a terminal operator must submit a written request to the Excise Operations Unit at Cincinnati, OH.
5. Excise revenue agents and fuel compliance agents (excise examiners) are responsible for reviewing requests for SAT designations, as well as the continuance or revocation of existing SAT designations to comply with the procedures specified in Notice 16-15. An excise examiner recommends to the Field Group Manager, Excise Tax Examination a SAT designation be approved or denied as well as, an existing SAT designation be continued or revoked.

6. The Field Group Manager, Excise Tax Examination concurs or does not concur with the recommendation made by the excise examiner. If a denial or revocation is not contested, the Field Group Manager, Excise Tax Examination signs and issues the appropriate letter. For contested denials or revocations, the Field Group Manager, Excise Tax Examination determines if the recommendation was appropriate. If the Field Group Manager, Excise Tax Examination does not concur with the recommendation, the case file is returned to the Excise Tax Examiner for further development. If the Field Group Manager, Excise Tax Examination concurs with the recommendation, the case will be forwarded to the 637 Group Manager for concurrence or non-concurrence.
7. If the 637 Group Manager does not concur with the recommendation, the case file is returned for further development. If the 637 Group Manager concurs with the recommendation, the case file is forwarded to the Chief, Estate & Gift/Excise Exam for a final decision.

Roles and Responsibilities of the Centralized Specialty Tax Operation (CSTO) Campus

1. CSTO Campus is comprised of the Excise Operations Unit, the Classification Team and the Audit Information Management System (AIMS)/Examination Return Control System (ERCS) Team, which are independent of one another.
2. Upon receipt of a SAT request, the Excise Operations Unit date-stamps the SAT designation request and expeditiously routes it to the Classification Team.
3. Upon receipt, the Classification Team ensures the request is complete. If not complete, the requestor should be contacted for any missing information. Required information includes:
 - Name of entity making the request.
 - Employer identification number.
 - Mailing address.
 - Terminal Control Number (TCN).
 - Contact person.
4. The Classification Team conducts research to determine if an open compliance activity is in process for the designated requestor. Research should include both AIMS and ERCS review (i.e., MFT "BO", "PH", "P9", etc...).
5. If an open compliance activity applies to the designated requestor, the Classification Team scans the original request letter and forwards it to the appropriate exam group.

6. If an open compliance activity does not apply to the designated requestor, the Classification Team must prepare a classification check sheet that monitors the following:

- Case Action = I-ERCS & IMS.
- Form Number = Form 637.
- Abstract = 588 Registration and Exemptions.
- Project Code = 0637-Form 637 Registration.
- Tracking Code = 7641-Form 637 Sample Review.
- MFT = BO.

7. The scanned original request and completed check sheet must be forwarded to the AIMS/ERCS Team.

8. Upon receipt, the AIMS/ERCS Team establishes the request on ERCS using the information from the classification check sheet.

9. The AIMS/ERCS Team assigns the request on AIMS/ERCS to the field group where the terminal is geographically located regardless of the area in which the entity is registered.

10. The AIMS/ERCS Team forwards the SAT request letter and field group assignment information to the 637 Registration Group Manager via secure e-mail.

11. If a SAT requestor provides the Excise Operations Unit new information about changes in business operations, that may include but is not limited to changes in refueling equipment, security measures, owners/operators, or any other change to the SAT designation criteria specified in Notice 16-15, Section 4, that updated information will be forwarded via secured email to the 637 Registration Group Manager for follow-up.

12. The authority to approve a contested denial or revocation of a SAT designation is delegated to the Chief, Estate & Gift/Excise Exam. For this reason, if the Excise Operations Unit receives a written appeal they must forward it via secure email to the 637 Registration Group for consideration.

Roles and Responsibilities of the 637 Registration Group

1. Upon receipt of the SAT request letter and field group assignment information from the AIMS/ERCS Team, the 637 Registration Group Manager will assign the Form 637 case file to the Lead Technician (LT) assigned to the territory where the terminal requesting SAT designation is located.

2. The LT will prepare and issue Letter 3681-A, *Secure Airport Terminal (SAT) Notification Letter*. The LT will provide the SAT requestor his/her work contact information.

3. The LT will upload the Letter 3681-A and SAT request letter into IMS and assign the related 637 case to the group indicated by the AIMS/ERCS Team.
4. The 637 Registration Group has no further duties in processing the designation request unless a contested denial or revocation occurs.
5. When a determination is made by the field group to deny or revoke a SAT designation a Letter 3685-A, Denial Secure Airport Terminal (SAT) Designation or Letter 3691-A, Revocation of Secure Airport Terminal (SAT) Designation, is issued by the field group. For contested denials or revocations, a written appeal must be provided by the SAT requestor/designee to the 637 Registration Group Manager within 10 days from the date of the Letter 3685-A or 3691-A.
6. If a SAT requestor/designee contests a denial or revocation, the designated LT documents this on the activity record and uploads the written appeal in the 637 IMS case file.
7. The LT forwards the 637-case file to the 637 Registration Group Manager prior to a scheduled meeting between the Chief, Estate & Gift/Excise Exam and the 637 Registration Group Manager.
8. If the Chief, Estate & Gift/Excise Exam determines a SAT designation should be granted or continued, the 637 IMS case file will be updated to the designated LT who will issue Letter 3689-A, Approval of Secure Airport (SAT) Designation, to the requestor/designee. The LT will also contact the Facility Control Number (FCN) coordinator to update the designation.
9. If the Chief, Estate & Gift/Excise Exam concurs a SAT designation should be denied or revoked he/she signs Letter 3684-A, Final Denial for Secure Airport Terminal (SAT) Designation, or Letter 3690-A Final Denial for Secure Airport Terminal (SAT) Designation Revocation.
10. After the Chief, Estate & Gift/Excise Exam signs the applicable denial or revocation letter, it will be forwarded to the 637 Registration Group Manager for issuance to the SAT requestor and uploaded into the 637 IMS case file. Once the appropriate letter is issued, the 637 Group Manager or designee will contact the FCN coordinator to update the designation.
11. The SAT requestor has no administrative recourse if he/she disagrees with a denial or revocation following appeal. The SAT requestor may independently submit a new request for a SAT designation, which must comply with the procedures described in Notice 16-15, Section 5.01.

Roles and Responsibilities of the Excise Tax Field Group Manager

1. A completed Form 637 compliance review of the Form 637 "S" registration is required to make a SAT determination.

2. Refer to IRM 4.24.2.8.1, Excise Tax Field Group Manager Responsibilities and Procedures, for detailed guidance about Field Group Manager responsibilities. Additionally, the Field Group Manager must take the following actions:
 - a. Ensure all initial SAT request cases are completed by the Excise Examiners within 60 days of assignment to Field Group Manager.
 - b. Review a SAT designation, if applicable, when a Form 637 case file for an “S” registrant is completed. **Note:** It is the responsibility of the Excise Examiner to consider a SAT designation when completing a review of a 637 “S” registrant and document his/her findings in the case file.
 - c. Determine whether the Excise Examiner’s recommendation to approve, continue, deny or revoke a SAT designation is warranted following a review of the 637 IMS case file. If the Field Group Manager concurs, he/she takes appropriate action and documents the IMS 637 case file. If the Field Group Manager does not concur, he/she should confer with the Excise Examiner and document the decision reached, which may include returning the IMS 637 case file for further development.
 - d. Offer to confer with the requestor/designee about unagreed issues when a requestor/designee does not concur with denial or revocation of a SAT designation. The Field Group Manager should document this occurred and the outcome in the 637 IMS case file.
 - e. Approve, continue, deny or revoke a SAT designation based on the information in the IMS 637 case file, which must be fully documented.
 - f. Sign and issue the appropriate SAT letter, if applicable, which was prepared by the Excise Examiner and included in the case file.
 - g. Confirm the Excise Examiner forwarded the initial SAT request, SAT Questionnaire and Form 13499-E, Secure Airport Terminal (SAT) Designation Recommendation to the FCN coordinator prior to closing the IMS 637 case file.

Roles and Responsibilities of the Excise Examiner

1. An Excise Examiner recommends approving, continuing, denying or revoking SAT designations. An Excise Examiner assigned a Form 637 “S” registration review that includes a SAT designation must address whether it should be continued or revoked. To confirm a terminal is designated as a SAT check online at <https://www.irs.gov/businesses/small-businesses-self-employed/terminal-control-number-tcn-terminal-locations-directory>.

Note: An “x” in the last column on the right of the “TCN Database, Adobe PDF file format” or “TCN Database, Microsoft Excel file format” link is an indication of SAT designation.

2. This section provides information about the roles and responsibilities of an Excise Examiner leading to the type of recommendations made to management.

Approving a SAT Designation

1. If an initial SAT designation requestor satisfies the criteria for approval, the Excise Examiner must take the following actions:
 - a. Complete Form 13499-E and upload into the 637 IMS case file.
 - b. Prepare Letter 3689-A, Approval of Secure Airport Terminal (SAT) Designation, and update the IMS Form 637 case file workpapers to reflect findings and recommendations.
 - c. Send via secure e-mail an initial SAT request letter, Letter 3689-A, Form 13499-E and SAT Questionnaire to the FCN coordinator after the Field Group Manager signs and issues Letter 3689-A. Note: The email should be delivered to the ExSTARS mailbox at sbse.excise.exSTARS@irs.gov.

Continuing a SAT Designation

1. If the terminal operator continues to meet the criteria for a SAT designation the Excise Examiner must take the following actions:
 - a. Prepare and upload Form 13499-E and work papers into the 637 IMS case file.
 - b. Prepare Letter 3696, Secure Airport Terminal (SAT) Compliance Review Summary, update the IMS 637 case file workpapers to reflect findings and recommendations.
 - c. Send the SAT Questionnaire, Form 13499-E and copy of Letter 3696 to the FCN coordinator using the ExSTARS mailbox at sbse.excise.exSTARS@irs.gov.
 - d. Close the Form 637 case file in IMS to the Group Manager.

Denying a SAT Designation

1. If an initial SAT requestor fails to satisfy the requirements for a SAT designation, the Excise Examiner must obtain written concurrence from the SAT requestor. If this happens, an email from the requestor will satisfy the denial. Upon receipt of the concurrence, the Excise Examiner must take the following actions:
 - a. Complete Form 13499-E which must include the reason for the denial.
 - b. Prepare Letter 3685-A, Denial of Secure Airport Terminal Designation.
 - c. Update the IMS Form 637 case file workpapers to reflect findings and recommendations.
 - d. Close the IMS 637 case file to the Field Group Manager who, in turn, will sign and issue Letter 3685-A to the requestor.
 - e. Send via secure e-mail a copy of the initial SAT request letter, Letter 3685-A, Form 13499-E and SAT Questionnaire to the FCN coordinator after the Field Group Manager signs and issues the Letter 3685-A.
2. If an initial SAT requestor fails to satisfy the requirements for a SAT designation and does not concur with the denial, the Excise Examiner must take the following actions:

- a. Prepare an un-agreed write-up, using Form 886-A, *Explanation of Items*, including facts summarizing the reason(s) why the designation is being denied, supported with the controlling tax law, persuasive arguments, requestor's adverse position, and the Excise Examiner's conclusion.
- b. Complete Form 13499-E which must include the reason for denial.
- c. Update the IMS Form 637 case file workpapers to reflect findings and recommendations.
- d. Close the IMS 637 case file to the Field Group Manager who, in turn, will sign and issue Letter 3685-A, including the Form 886-A, to the requestor.

Revoking a SAT Designation

1. If the terminal operator no longer satisfies the requirements for a SAT designation the Excise Examiner may obtain written concurrence to the revocation from the SAT requestor. If this happens, an email from the requestor will satisfy this requirement.
2. Upon receipt of the concurrence, the Excise Examiner must take the following actions:
 - a. Complete Form 13499-E which must include the reason for the revocation.
 - b. Prepare Letter 3691-A, Revocation of Secure Airport Terminal (SAT) Designation.
 - c. Update the IMS Form 637 case file workpapers to reflect findings and recommendations.
 - d. Close the IMS 637 case file to the Field Group Manager who, in turn, will sign and issue Letter 3691-A to the requestor.
 - e. Send via secure e-mail a copy of the initial SAT request letter, Letter 3691-A, Form 13499-E and SAT Questionnaire to the FCN coordinator after the Field Group Manager signs and issues the Letter 3691-A.
3. If the designee does not concur with the revocation, the Excise Examiner must take the following actions:
 - a. Prepare an un-agreed write-up, using Form 886-A, including the facts summarizing
 - b. the reason(s) why the designation is being revoked, supported with the controlling tax law, persuasive arguments, requestor's adverse position, and the Excise Examiner's conclusion.
 - c. Complete Form 13499-E which must include the reason for revocation.
 - d. Update the IMS Form 637 case file workpapers to reflect findings and recommendations.
 - e. Close the IMS 637 case file to the Field Group Manager who, in turn, will sign and issue Letter 3691-A, including the un-agreed write-up, to the designee.

Roles and Responsibilities of the Facility Control Number (FCN) Coordinator

1. After all the steps and procedures described above have been completed, the Excise

Examiner will forward the appropriate document (i.e., approval or denial letter) to the FCN coordinator.

2. To finalize the process for approving, continuing, denying or revoking a SAT designation, the FCN coordinator will:
 - a. Update the TCN files with the SAT letters, SAT Questionnaire and Form 13499-E received from the examiners.
 - b. Update the applicable SAT designation on the FCN location directory found on the IRS web page based on the examiner's recommendation