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## Flights

Prior to this rule, airlines were permitted to set their own standards for what kind of flight changes warranted a refund. As a result, refund policies differed from airline to airline, which made it difficult for passengers to know or assert their refund rights.

**Isaac M. O'Bannon** • Apr. 24, 2024



Credit: Isaac O'Bannon, CPA Practice Advisor.

The U.S. Department of Transportation has issued a final rule that requires airlines to promptly provide passengers with automatic cash refunds when owed. The new

rule makes it easy for passengers to obtain refunds when airlines cancel or

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in which airlines must provide refunds. Prior to this rule, airlines were permitted to set their own standards for what kind of flight changes warranted a refund. As a result, refund policies differed from airline to airline, which made it difficult for passengers to know or assert their refund rights. DOT also received complaints of some airlines revising and applying less consumer-friendly refund policies during spikes in flight cancellations and changes.

Under the rule, passengers are entitled to a refund for:

- **Canceled or significantly changed flights:** Passengers will be entitled to a refund if their flight is canceled or significantly changed, and they do not accept alternative transportation or travel credits offered. For the first time, the rule defines “significant change.” Significant changes to a flight include departure or arrival times that are more than 3 hours domestically and 6 hours internationally; departures or arrivals from a different airport; increases in the number of connections; instances where passengers are downgraded to a lower class of service; or connections at different airports or flights on different planes that are less accessible or accommodating to a person with a disability.
- **Significantly delayed baggage return:** Passengers who file a mishandled baggage report will be entitled to a refund of their checked bag fee if it is not delivered within 12 hours of their domestic flight arriving at the gate, or 15-30 hours of their international flight arriving at the gate, depending on the length of the flight.
- **Extra services not provided:** Passengers will be entitled to a refund for the fee they paid for an extra service — such as Wi-Fi, seat selection, or inflight entertainment — if an airline fails to provide this service.

DOT's final rule also makes it simple and straightforward for passengers to receive the money they are owed. Without this rule, consumers have to navigate a

patchwork of cumbersome processes to request and receive a refund — searching

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- **Automatic:** Airlines must automatically issue refunds without passengers having to explicitly request them or jump through hoops.
- **Prompt:** Airlines and ticket agents must issue refunds within seven business days of refunds becoming due for credit card purchases and 20 calendar days for other payment methods.
- **Cash or original form of payment:** Airlines and ticket agents must provide refunds in cash or whatever original payment method the individual used to make the purchase, such as credit card or airline miles. Airlines may not substitute vouchers, travel credits, or other forms of compensation unless the passenger affirmatively chooses to accept alternative compensation.
- **Full amount:** Airlines and ticket agents must provide full refunds of the ticket purchase price, minus the value of any portion of transportation already used. The refunds must include all government-imposed taxes and fees and airline-imposed fees, regardless of whether the taxes or fees are refundable to airlines.

The final rule also requires airlines to provide prompt notifications to consumers affected by a cancelled or significantly changed flight of their right to a refund of the ticket and extra service fees, as well as any related policies.

In addition, in instances where consumers are restricted by a government or advised by a medical professional not to travel to, from, or within the United States due to a serious communicable disease, the final rule requires that airlines must provide travel credits or vouchers. Consumers may be required to provide documentary evidence to support their request. Travel vouchers or credits provided by airlines must be transferrable and valid for at least five years from the date of issuance.

The Department received a significant number of complaints against airlines and

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