point to purchase the transportation and thus evade the tax. This would, of course, not assist in accomplishing the stated purpose and would in fact add to the dollar drain. This is not just theory. There is historic precedent for such evasion.

ASTA questions whether the reduction in the duty-free allowance and the mailed gift procedure would produce positive benefits outweighing the tremendously-increased administrative costs which would be necessary to police the new exemption. Added to these costs is the obvious adverse effect on the industries of various countries which are popuular with American tourist and which supply the majority of the goods purchased under the existing regulations. Therefore, it is doubtful that such a proposal is advisable.

We also call the attention of the Committee to the fact that tourists making purchases abroad would be subject to gross discrimination since they would have to pay a 30% travel expenditure tax on top of a 25% duty for a total tax burden of 55%—an amount greatly in excess of duty levels for goods imported and subject to regular duty. We hope that the Committee will consider these questions carefully in its study of the package proposal.

But the most obnoxious and discriminatory provision suggested to the Committee is that which would subject United States citizens, for the first time in their history, to the payment of substantial tax penalties on expenditures incurred while traveling outside the Western Hemisphere.

As we have indicated, the statistics which accompanied the recommended legislation are misleading in that they do not accurately reveal average expenditures by middle income tourists traveling abroad. This group constitutes 45% of all U.S. citizens who traveled to Europe. It is they who will be the victims if these proposals become law.

The proposal would cause the very result which the proponents of the plan said they were trying to avoid.[8]

We base our conclusion on our own experience in making overseas travel arrangements for our clients—and this includes not only transportation, but hotel accommodations, sight-seeing tours and incidental expenses.

This is substantially confirmed by ASTA's nationwide survey of the travel agency industry to obtain figures on the average length of the overseas stay, realistic estimates of the average amount of expenditures per day and the average tax which would have to be paid by the middle income traveler under the Treasury Department proposal.

Tabulation of the responses reveals that the average length of stay was 26.81 days (Treasury used 33 days); and the average per diem expenditure was a realistic $27.36 ($16.73 was used by the Treasury Department). Thus, the average total expenditure abroad, exclusive of transportation and personal purchases, is $733.52. The per diem expenditure tax alone on this average trip would be $130. When we add to this the 5% transportation tax to port of entry and 30% on intra-continental travel, the total tax bill would range from $175 to $200 per person.

The proposal also imposes an unconscionable and unnecessary burden of record keeping, presents a possibility of errors in tax computation, and in tax pre-payment with the ever present threat of criminal accusation.

Misjudging the amount of anticipated expenditures by more than 20% would result in the imposition of an additional fine on the traveler.

Inherent in the policing procedures is the threat of physical searching of travelers to be certain that they are not misrepresenting. This is a particularly objectionable procedure for any American to face.

All of these demeaning procedures are, ironically, designed to penalize the citizen of modest income who is taking an infrequent, perhaps even a once-in-a-lifetime, trip abroad. Less honest individuals, on the other hand, have an easy means of cheating. Even normally honest persons, taking into account the tremendous tax burden to which they would be subjected, might be persuaded to flaunt the law. On the other hand, persons of substantial wealth or with access

[8] "Other forms of taxes—such as a flat tax per trip, a relatively high ticket tax, or a flat tax per day—which require every traveler to pay a specified amount regardless of his expenditure level, necessarily have their greatest impact at the lower income levels where the amount of tax is a proportionately higher percentage of the total funds available for expenditure than at higher income levels. They would achieve the necessary expenditure reduction primarily by causing large numbers of the less affluent to cancel their trips and would have little impact on the expenditures of the more affluent." Page 34, Statement of Secretary Fowler before the Committee on Ways and Means, U.S. House of Representatives, February 5, 1968.