

pear today, however, to argue that the particular tax measures proposed by the administration are poorly conceived and ought to be revised.

THE TICKET TAX

We have no strong objection to a permanent 5-percent tax on international air fares and a temporary tax on steamship tickets. The absence of such a tax at present is a perverse incentive, favoring foreign travel over domestic travel. But there is one defect in the current plan. The administration proposes to exempt from tax that part of the total fare which pays for transportation between points outside the Western Hemisphere. It seeks to avoid double taxation, as that same portion of the fare would be subject to the expenditure tax (levied at 5 percent). In our view, this same portion of the fare should be tax exempt whether or not subject to an expenditure tax.

A traveler wishing to avoid payment of the ticket tax on travel between foreign cities could do so by purchasing a portion of his ticket outside the United States, and would not even have to sacrifice his round-trip discount. What is to prevent him from buying a ticket from New York to London, Paris, and New York, then, on arrival in London, renegotiating his ticket to include Vienna and Rome? A tax which invites complex transactions of this kind encourages a wasteful diversion of energy and imagination.

We believe, moreover, that the ticket-tax exemption should be granted regardless of the length of stay in a foreign city, not merely for stopovers exceeding 12 hours. We cannot conceive of any reliable way to ascertain the length of stay at any point abroad. Taxes should be based on reliable verifiable information—a point to which we shall return later in our statement.

THE TOURIST EXEMPTION AND CHANGES IN DUTIES

We fully support elimination of the much-abused tariff exemption for gift parcels valued under \$10, and do not oppose the reduction of the duty-free allowance from \$100 to \$10. We are concerned, however, about the budgetary cost of enforcing these two changes. The Treasury concedes that many dutiable parcels have entered tariff free because it did not have the men required to process them. It also concedes that the workload will grow when the gift-parcel exemption is ended. We urge a close look at this problem; fairness requires an equality of treatment for packages as well as people. Additional men will also be needed at our major ports, as many more travelers will have to pay taxes on dutiable merchandise. We do not really believe that the administration seeks to deter foreign travel by doubling the length of the lines at Kennedy Airport.

We do object to the third proposed change in the treatment of merchandise brought back by travelers. The Treasury asks for a flat 25-percent tariff on the first \$500 worth of dutiable merchandise (valued at wholesale cost), arguing that this flat rate approximates the average rate of duty which would be collected on merchandise affected by this provision. Your committee should require extensive statistical support for this contention. The substitution of a flat 25-percent duty will raise the U.S. tariff on a large number of items, contravening the