

essential travel, including, sir, travel by members and staff of the legislative branch.

Second, the 60-day deadline for filing a final travel return is much too short. I myself have had to wait 3 or 4 months for the billing of gasoline and auto rental charges.

Third, and most importantly, the expenditure tax should not apply a flat 25-percent dutiable merchandise. We have made this point before and will not belabor it.

AN ALTERNATIVE TO THE EXPENDITURE TAX

As a first and fair approximation, a traveler's spending depends on his income. To be sure, low- and middle-income families may save for several years to make a single trip abroad, far beyond the reach of their annual incomes. Similarly, high-income travelers may sometimes spend less than one would forecast from a knowledge of their incomes. In most cases, however, a travel tax related to taxable income would be similar in impact to the Treasury's own expenditure tax. Such a tax, moreover, would be based on a number well-known to the taxpayer and subject to thorough verification, "adjusted gross income" on Form 1040. Hence, we propose a very simple travel tax: Take the number of days spent traveling outside the Western Hemisphere, multiply by a fixed percentage tax rate, then apply the product of this calculation to "adjusted gross income."

Alternatively, travelers might pay a per diem tax rate that would be applied to total tax liability rather than adjusted gross income. This device would furnish more progressivity.

Tentatively, we propose a daily tax rate of 0.05 percent (or 0.025 percent for joint tax returns) applied to adjusted gross income. With this tax rate, a married couple reporting a joint income of \$15,000 and traveling in Europe for 30 days, would pay \$225 in travel tax. (Under the administration's plan, the same couple, spending \$50 a day abroad would pay \$252.)

We also propose a minimum travel tax set at \$1.50 or \$2 per day. The taxpayer would be required to pay the larger of the two taxes. (In effect, a single taxpayer with an adjusted gross income below \$4,000 would have to pay the fixed minimum daily tax if that tax were set at \$2.) This supplementary proposal is designed to deal with two important cases: travel by low- to middle-income families out of accumulated savings, and travel by students and other dependents.

Many have objected to any travel tax as "unfair" to lower-income families that have saved for many years to take a single trip abroad. We fully sympathize with the plight of these travelers, but must point out that their travel spending is no less costly to the balance of payments, dollar for dollar, than that of other travelers. The \$2 daily minimum tax would serve as some deterrent to the long-awaited splurge.

Ordinarily, a taxpayer would have to pay our travel tax if anyone he claimed as a dependent had traveled during the year. But we do not want to exacerbate generational conflict—to set father against son when junior plans to go abroad. Under our proposal then, dependents aged 19 or over could file their own income tax returns, whether or not liable to ordinary income tax, could pay the fixed minimum daily tax, and could thereby relieve their parents of tax liability.