

I am afraid what you recommend may be about as complicated as what the administration recommends. Had you considered the alternative possibility of taking a flat exemption regardless of the number of days spent and then just apply a percentage tax above that?

Dr. KENEN. A percentage tax to expenditures over a minimum?

Mr. ULLMAN. Say, exempting the first \$300, or whatever other figure a person might come up with, from a tax and then applying a flat 30 percent, say, above that.

Dr. KENEN. Applying it to expenditure abroad in excess of some flat minimum?

Mr. ULLMAN. That's right.

Dr. KENEN. Sir, our objection to the administration proposal is precisely that one cannot really ascertain what people do spend abroad. Whether or not the tax is as proposed by the administration or subject to a flat exemption of \$300, I don't think that the tax can be properly and thoroughly collected.

Our objection, in other words, is to any kind of tax which is based on a traveler's report of his expenditure overseas, that is his expenditure cannot be verified, not, as I say, without a network of very complex controls.

Mr. ULLMAN. Well, I agree it would be difficult to administer, but we have many taxes that do depend on some voluntary reporting. This obviously would have to depend upon it.

Personally you haven't sold me on the two alternatives that you present. A daily tax of \$1 or \$2 would hurt the economy tourist, but would have no impact whatsoever on the other type of tourist who was going over for a resort type vacation.

Dr. KENEN. Sir, it was not our proposal to have one or the other. It was to have the two in tandem. The presumption is that most people would pay or would be assessed at the daily rate on adjusted gross income.

Our second suggestion, the daily minimum tax, was designed to get at those travelers who, for any reason whatsoever, would not have adjusted gross income subject to tax. These are not a continuation of alternatives. They are meant in combination.

Mr. ULLMAN. I had automatically ruled out the adjusted gross income because I just think it would be very difficult to justify it on the basis of any sound long-range tax policy. It would take a great deal of selling to convince me.

You have given us a comprehensive paper. We appreciate it. Thank you.

Mr. HERLONG. Any further questions?

Mr. BUSH. Mr. Chairman.

Mr. HERLONG. Mr. Bush.

Mr. BUSH. Dr. Kenen, on the disclaimer in the beginning I just want to be sure. This tax that you propose is ADA policy, isn't it?

Dr. KENEN. Yes, sir.

Mr. BUSH. You differentiated between your own ideas and the ADA.

Dr. KENEN. The substance of this proposal is ADA policy. There has been inadequate time, however, to consider all of the details such as the inter-city exemption from the ticket tax and a number of other