

A. Presently planned exemptions

There are basically three exemptions in the present proposals which are intended to benefit overseas educational programs and activities for students, teachers, and professors. These are:

1. In relation to the transportation tax: (a) the proposed legislation extends to international travel the exemptions existing under the 5-percent domestic excise transportation tax, and this presumably includes the exemption granted to institutions having a regular educational program with a faculty and student body on their premises. Under existing regulations governing domestic transportation, these institutions are exempt from the 5-percent tax insofar as the transportation which they purchase is for the benefit of the institution.

2. In relation to the foreign expenditure tax: (a) The exemption of persons who remain abroad for longer than 120 days will serve to provide exemption for those programs in which students are enrolled at a foreign university for a full year or for one semester (but will not exempt those who are abroad for a quarter term or a summer program.)

(b) The exemption of \$7 a day is cited as a benefit for educational experiences abroad although the number of students, teachers, and professors who can cite expenditures as low as this figure is extremely small.

However, these exemptions are inadequate. They actually exempt from the proposed taxes only a minority of the overseas programs sponsored by colleges, universities, secondary schools, and nonprofit organizations. These exemptions may result in the heaviest taxes being assessed on those students who are participating in the most serious and best-planned educational activities.

We believe that the best way in which such educational activities can be protected is to provide direct exemption from both the transportation and foreign expenditure tax for overseas educational activities which are sponsored, administered and supervised by U.S. colleges, universities, and secondary schools and nonprofit organizations whose status is recognized by the Internal Revenue Service.

We have considered proposals to increase the exempt expenditures to a figure higher than \$7 a day and to reduce the time needed to establish status as a nontaxable trip to a figure less than 120 days. While we will favor adjustments of this kind, it may not be logical to use the cost or duration of a program as a measure of its educational value. Programs costing less than \$7 per day or lasting more than 120 days are not inherently more valuable than those programs which are costlier or shorter. We therefore believe it is necessary to provide a direct exemption for those overseas activities of educational importance to the Nation, and we believe that IRS certification of the nonprofit status of the sponsoring organization or institution represents the fairest method of determining whether the sponsor of a bone fide educational program may claim exemption from these taxes.

B. Recommendations regarding transportation tax proposal

1. As has been noted above, an educational institution may now be exempt from the domestic transportation tax provided it "maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance where its educational activities are regularly carried on." (See section 4294 of Internal Revenue