

the United States, and we would recommend that such purchases also be exempt from the proposed transportation tax.

C. Comments and recommendations on the foreign expenditure tax

It is our judgment that the present provisions of the foreign expenditure tax do not exempt students and teachers engaged in educational programs overseas from the restrictive effect of the proposed tax and it is our recommendation that there be a general exemption for moneys spent abroad by colleges, universities, secondary schools and nonprofit organizations on bona fide educational activities.

It is clear that the exemption of expenditures of up to \$7 a day will not exempt any significant number of students, teachers and professors from this tax. No overseas educational program for students or teachers costs less than \$7 a day unless a large share of the overseas expenses is provided by foreign families, foreign governments, or foreign educational organizations. An example of a program costing less than \$7 a day is the American Field Service; in the AFS programs, foreign families and foreign organizations provide hospitality for the American student and thus keep the U.S. expenditures for that student at a very low level. Youth hostel trips are frequently cited at the least expensive way for students to travel abroad, and yet the American Youth Hostels Association estimates that 60 percent of its overseas programs will cost more than \$7 a day. The Experiment in International Living, which also places American students in foreign families during the summer, estimates that the average overseas program under its sponsorship costs well in excess of \$7 a day. (See attachment.)

Even the student traveling independently pays more than this. The European Travel Commission's study in 1967 showed an average expenditure by students of \$9 a day. Secretary Fowler's presentation to this committee referred to an expenditure rate of \$9.63 per day for those with incomes under \$5,000 per year. These figures are probably understated for European prices have risen significantly in the last few years and these figures include students spending a full year abroad who spend much less per day than those who are abroad for shorter periods of time.

Taxes would be particularly burdensome in overseas educational programs for teachers. These programs are frequently set up by universities and educational organizations and the National Education Association estimates an average cost of \$26 per day on overseas travel programs for teachers arranged by its division of travel services.

You will notice that this is slightly at variance with Mr. McFarland's testimony, but in arriving at Mr. McFarland's figures there was not included land travel nor intercity travel, so that this is not a real variance.

Ours includes the total picture.

Such a program would result in a heavy tax on educational activities important to our national interest.

Organized educational travel programs for students would also be heavily taxed. The council's own staff arranged overseas programs for 43 universities in 1967, and the average daily cost for those programs in which hotels were used came to \$15 per day. Factors which tend to keep this cost high include extensive land travel to less-visited parts of Europe and Asia, fees to foreign universities or salaries to