

We are aware of the difficulties created by the balance-of-payments situation confronting this Government and recognize the necessity for action aimed at the relief of this problem. We are gratified that, as proposals have been considered for the reduction of deficits in our balance of payments, especial note has been taken of the needs of students and teachers to travel abroad for research and study. My presence before this committee is to ask on behalf of Mount Hermon School and similar organizations that nonprofit educational institutions which are recognized by the Internal Revenue Service as exempt from the travel tax be granted exemption from the foreign expenditures tax as well, and that such exemption specifically include funds that those institutions expend abroad on behalf of their students and faculty for food, lodging, transportation, salaries, and administration costs. Further, we ask that such exemption be granted to the institution without regard to the length of time spent abroad by its students.

I should like to discuss the proposed travel tax program under three headings.

First, I shall attempt to analyze the proposed tax, as we understand it, as it applies to institutions such as Mount Hermon School. Second, I shall describe the adverse effect that such a tax would have upon Mount Hermon. Third, I shall offer our recommendations as to changes which might be made to eliminate the disadvantages of the travel tax proposal as it applies to institutions such as Mount Hermon.

II. DISCUSSION OF THE PROPOSED TRAVEL TAX PROBLEM

A. Analysis of the proposed travel tax as it applies to institutions such as Mount Hermon School.

1. The travel tax program of the balance-of-payments proposal, as we understand it, exempts those nonprofit educational institutions which are presently exempted from taxes on domestic flights. This exemption is highly laudable and we hope that the Legislature will not see fit to narrow the conditions for such exemptions. Since Mount Hermon is one of the institutions exempted from transportation taxes, I shall not linger long over that part of the proposal. However, we urge that you extend the exemption to include the many other significant educational programs offered by nonprofit organizations.

2. The temporary graduated tax on foreign expenditures as applied to nonprofit organizations seems unclear from all texts of the proposal I have read. We are concerned that, if possible, there be no misunderstanding with regard to the meaning of the term "U.S. person." And we hope that exemption from this tax will be granted to secondary schools, colleges, universities, and other nonprofit educational organizations whose status is recognized as tax-exempt by the Internal Revenue Service. There should be no minimum number of days that the student enrolled in such institutions should spend abroad in order to be exempted from such taxes. This exemption should extend to payments for meals, housing, transportation, faculty salaries, and instructional costs or administrative expenditures made by those institutions in conducting their overseas activities.

Since according to estimates quoted by the Treasury Department, only 5 percent of travelers outside the Western Hemisphere are going to study or teach, only a small number of students would be exempted