

of individual high school students, surely do not represent the type of expenditure that is the object of the Administration proposal. They are directly and inextricably tied to educational purposes which have acknowledged value to the United States and, on that basis, should be excluded from the coverage of the proposed tax.

B. In submitting the Administration's proposals, Secretary Fowler stated that the tax on expenditures would not include "the cost of transportation to and from the traveler's foreign destination"—which would instead be subject to the 5 per cent tax on tickets. However, the technical explanation submitted by the Treasury Department makes clear that the cost of travel between any two points outside the Western Hemisphere will be included in computing the expenditures tax unless it is part of an "uninterrupted" journey beginning or ending in the United States. A journey is "uninterrupted" only if the interval between the end of one travel segment and the beginning of the next succeeding segment is not more than 12 hours.

The effect of this provision (perhaps unintended) upon students and teachers will in many cases be harsh. Many students travel by air or ship charter to gateways in England or France and from there to their ultimate places of study in Europe. Unless such students can achieve an interconnection of flights or other transportation within the stipulated 12-hour period, the cost of the second or intra-Europe segment of their journey will be subject to the expenditures tax. For example, students attending the AIFS summer program at the Hebrew University in Jerusalem (see discussion at page 5 above) will first take a chartered flight from New York to Milan, Italy. (This is because the students must share a large jet airplane with other students attending a program in Italy and also because charter flights to Israel are not permitted.) The charter flight is scheduled to arrive in Milan in the evening, and the students will spend the night there, continuing their travel to Israel the next day. Since, however, there will be more than a 12-hour layover in Milan, the \$150 per student cost of the Milan-Jerusalem segment is likely to be taxed at the 30 per cent expenditures tax rather than under the 5 per cent ticket tax; i.e., a tax of \$45 instead of \$7.50.

It is difficult to understand the basis for the 12-hour dividing line that distinguishes "uninterrupted" from "interrupted" transportation under the proposal. Surely the proposal fails to consider that students and teachers typically travel by chartered aircraft or ship (as the most economic means available), and that chartered trips cannot always be scheduled so as to connect successive segments within this rigid interval. The 12-hour limitation fails to permit a reasonable overnight stay for the transatlantic traveler and fails to allow some margin for unavoidable delays due to scheduling difficulties, equipment failure, baggage tie-ups, etc. Of course, this limit also severely penalizes a one-day layover by a student or teacher who understandably might wish to see quickly a foreign city en route to his ultimate destination in Europe.

For these reasons, we urge that there be excluded from the expenditures tax necessary transportation expense incurred by students and teachers in reaching or returning from their places of study abroad, regardless of whether more than 12-hour layover or delay en route occurs.

V. AS AN ALTERNATIVE TO THE FOREGOING SUGGESTIONS, THE MINIMUM DAILY LEVEL OF EXEMPT EXPENDITURE SHOULD BE RAISED TO \$15

We recognize that one of the fundamental objectives of the Administration's tax proposal is to provide a relatively simple tax structure, holding to a minimum the number of exceptions and exclusions, and thereby reducing administrative complexities. With this end in mind, we recommend, as an alternative to the foregoing suggestions herein, a single modification in the current proposal which would remove many of the inequities to students and teachers. An increase in the exempt daily expenditure from the \$7 figure now proposed to \$15 would significantly assist the teachers and students who participate in summer study programs. This change would not alter the arbitrary inclusion of expenses incurred for necessary trips within Europe as described above, or the inclusion of expenses for tuition and for textbooks, but it would enable students to meet those expenses without exceeding the prescribed level of exempt daily expenditures. For the same reason, a \$15 per day exemption provision would eliminate the necessity for expanding the present 120-day student exemption to cover four-week summer courses.