For convenience, assume that the applicable marginal tax rate on expenditures is 30 percent and the tax rate on tickets is 5 percent. The proposal requires that on the outward journey the expenditure tax applies to all travel beyond the first stopover of greater than 12 hours duration and that on the return journey, the ticket tax rate rather than the expenditure tax rate applies only on that part of the journey after the last stopover in excess of 12 hours duration. Thus, a traveler from New York to Rome would pay only 5 percent on transportation costs if he flew and returned directly from Rome. If, on the other hand, the traveler stopped off in London for more than twelve hours on the way out and in Paris for more than twelve hours on the way back, then the traveler would pay 30 percent on the London-Rome-Paris journey and only 5 percent on the rest. The reason underlying this procedure is not clear but it would seem to have little deterrent effect on total American travel debits although it may well reduce the volume of multi-stop tours. The proposal does tend to raise the rate of taxation on travel expenditures but raises the tax rate discriminatorily and without apparent reason. Finally, this aspect of the proposals seems bound to penalize business trips which are multi-stop by nature, more heavily than tourism proper. However, this problem is not the truly discriminatory aspect of the proposals. The discrimination lies in the fact that there are certain countries in the world which cannot conveniently be reached without either significant discomfort or a protracted stopover *en route*. These areas may be said to comprise Asia west of Tokyo (unless the traveler makes a stopover in Anchorage or Honolulu) or east of Israel, Australia west of Sydney, all of Africa, and Eastern Europe. Some of these nations are attempting to build up their tourist industries as a source of dollar and hard currency earnings (e.g., Thailand, India, Kenya, Tansania, Uganda, Ethiopia) and this active discrimination against them should be avoided if possible.

Fortunately, the purpose of this measure (to raise the effective rate of tax) can still be accommodated and the discriminatory aspects of the proposal removed by a relatively simple change. If the stopover time is extended to 36 hours and no limit placed on the number of stopovers, the intent will be preserved and the undesirable aspects of the differential in tax rates will be eliminated.

For cruise travel the original proposal is extremely severe. Since the proposals are designed to be extremely progressive, this severe treatment of cruises is quite possibly intentional. Certainly the maritime aspect of the rate differential can be kept in its original form if so desired by a simple piece of writing and the unlimited and longer stopever allowance confined strictly to air travel.

---

UNIVERSITY OF MINNESOTA,
COLLEGE OF EDUCATION,
DEPARTMENT OF ART EDUCATION,
*Minneapolis, Minn., February 8, 1968.*

Mr. JOHN M. MARTIN, Jr.,
*Chief Counsel, Committee on Ways and Means,*
*Longworth House Office Building,*
*Washington, D.C.*

DEAR MR. MARTIN: I am writing in protest to President Johnson's formula for balancing the balance of payments deficit by the proposed tax on travel abroad. If such a tax is placed on U.S. travelers to countries outside the Western Hemisphere, the less affluent will be hurt the most. Wealthy Americans could afford the extra cost, but those who have saved for many years for a trip to Europe or for a long anticipated visit to the land of their birth and to be reunited with relatives may be unable to do so. Students and educators likewise would be affected. Most of them must travel on extremely limited funds. Certainly no group of Americans can do more to improve international understanding by their people-to-people contact than our students. Even a tax as seemingly small as a 5% on ship and air fares can mean the curtailment of the successful international student exchange program.

As an educator and as a person who is separated from family members residing in Europe I protest most vehemently this travel tax plan to stem the outflow of gold and dollars.

Respectfully yours,

GEORGE K. OLSON,
*Assistant Professor.*