

NATIONAL MARITIME HISTORICAL SOCIETY,
Washington, D.C., February 13, 1968.

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

DEAR MR. MARTIN: The National Maritime Historical Society, a non-profit educational organization as defined in Section 4294(b) of the Internal Revenue Code would like to file comments on the proposed travel tax program.

The National Maritime Historical Society is currently undertaking the restoration of the last American built square-rigged merchant vessel, the bark KAIULANI, which was given to the American people by the people of the Philippines in October 1964. The gift was presented to President Johnson by the then President of the Philippines.

The KAIULANI restoration is not only important to maritime history, it is an international goodwill project. The Congress of the United States recognized this last year when they enacted special legislation to assist the long term financing of the KAIULANI restoration. This legislation was signed into law by President Johnson on December 14, 1967, as P.L. 90-194.

The restoration of the KAIULANI is presently being undertaken in the Philippines and will be completed in Hong Kong. Consequently, the technical staff of the National Maritime Historical Society will be involved in travel from the United States to the Far East. In most cases, the technical staff will remain in the Far East for 30 to 90 days. Under the proposed travel tax, all of their expenditures for lodging and food will be subject to the tax.

I am sure there are many other non-profit educational organizations involved in international operations which would be adversely affected by the proposed travel tax program. While the proposed travel tax program exempts certain nonprofit educational organizations as defined in Section 4294(b) from the 5% transportation excise tax, it does not exempt them from the tax on expenditures. In order to allow non-profit educational organizations engaged in international operations to continue their overseas activities, it is recommended that Section 4294(b) Non-Profit Educational Organizations be exempt from the proposed tax on expenditures.

It would be appreciated if this letter would be included as part of the Committee's record.

Yours truly,

ALAN D. HUTCHISON,
President.

STATEMENT OF PACIFIC AMERICAN STEAMSHIP ASSOCIATION

TRAVEL TAXES

Our organization, comprised exclusively of U.S.-flag steamship lines whose vessels carry passengers outside the Western Hemisphere, is opposed to the Administration's proposal to (1) levying of a 5% tax on tickets or (2) a graduated tax on travelers' expenditures abroad. Our comments focus on the particular effect these taxes will have on U.S.-flag vessels.

A transportation tax, when levied on passengers using U.S.-flag aircraft or vessels, in no way redresses the imbalance in our international payments account. It is simply a special tax—and a very substantial one—which uniquely falls upon one particular group—the consumers of transportation. And, we add, it falls with a heavy—perhaps destructive—hand on one segment of U.S. industry—the operator of ocean passenger vessels.

The make-up of a ship's passenger list, at least in the Pacific where our member vessels operate, is more and more comprised of senior citizens who live on a limited income and travel on personal funds. Very few passengers are business travelers at company expense. The tax of 5% on a typical first-class, round-trip fare to the Orient and return approximates \$100.00 per ticket or \$200.00 per couple! This is a huge penalty to put on citizens who respond to the admonition to use American ships. Why must they contribute to our economy once in the purchase of a ticket on a U.S.-flag vessel and *again* to the Treasury in the 5% tax? Is it not discriminatory to levy upon the purchaser of one particular U.S. product a sales tax on a single domestically produced product while other domestic products are exempted from such a Federal sales tax? We certainly do not advocate that all domestic purchases be equalized with a