

II. APPLICATION OF THE TRAVEL TAX TO FOREIGN AUTOMOBILES PURCHASED BY AMERICAN TOURISTS WOULD NOT DETER TRAVEL, WOULD INCREASE THE DOLLAR OUTFLOW, AND WOULD HAVE A DISCRIMINATORY AND UNJUSTIFIABLY HARSH IMPACT

Even if the Ways and Means Committee should decide that a travel tax program is necessary, it should review separately the question of whether the purchase price of foreign automobiles delivered abroad should be made subject to the tax.

Since the only goal of a travel tax program is reduction of our balance of payments deficit, the travel tax should not be imposed on the purchase of automobiles for delivery abroad unless such imposition would deter foreign travel or otherwise serve to reduce the dollar outflow. The imposition of a travel tax on the purchase of automobiles delivered abroad would serve neither of these purposes. In addition, it would discriminate unfairly against foreign, as opposed to domestic, delivery of foreign cars, and would have an unjustifiably severe impact upon the tourist car and allied industries.

*A. Imposition of a travel tax on the purchase price of tourist cars would not deter travel*

At the present time, the cost of a car purchased here to be delivered abroad and later imported into the United States is equal to or more than the cost of the same car purchased and delivered in the United States. Since no real saving can be achieved by taking delivery abroad, there is no incentive to go abroad in order to purchase a car. The elimination of the feasibility of taking delivery abroad would merely cause the individual to purchase the foreign car in the United States and utilize other forms of transportation while abroad.

*B. Imposition of a travel tax on tourist cars would be likely to increase the dollar outflow from tourism.*

Since the travel tax as proposed would make it economically disadvantageous to purchase a car for delivery abroad, the tourist would either rent a car or pay for public transportation while abroad and then purchase his foreign car domestically. If this occurred, the combined dollar outflow from purchasing the foreign car and purchasing separate transportation abroad would be *greater* than the present outflow from the purchase of the car alone. As a consequence, there would be no reduction in the dollar outflow unless a substantial number of tourists, who would have purchased foreign cars abroad, chose not to purchase foreign cars at all.

*C. The imposition of the travel tax on tourist cars would have a discriminatory and unjustifiably harsh impact on the tourist car industry*

Even if none of the automobiles which failed to be delivered abroad as a result of the travel tax were purchased domestically, the magnitude of the balance of payments benefits which might be realized should be weighed against the harsh and discriminatory impact that the tax would have on companies in the tourist car business.

At the 1967 rate of deliveries, application of the travel tax would at most reduce foreign car sales abroad by approximately 12,000-15,000 vehicles, truly insignificant in relation to the total number of foreign cars imported annually of approximately 850,000. To be weighed against this maximum reduction in foreign car sales resulting from application of the travel tax is its inevitable destructive impact on the companies in the tourist car industry. The tax as presently structured would have the following effects:

1. It would put out of business all of the companies which specialize in tourist car deliveries.
2. It would have a detrimental effect on a substantial number of forwarding firms which specialize in handling tourist cars.
3. It would adversely affect numerous travel agents in the United States who derive part of their income from commissions on overseas car sales.

To place this burden on such a tiny segment of the foreign car import industry would constitute discrimination of the rankest sort.

Even assuming, therefore, that the reduction in tourist car deliveries abroad would not result in a matching increase in domestic purchases of foreign cars, the minor benefits to be derived cannot counterbalance the severe and discriminatory hardship that the tax would place upon the tourist car specialists and allied industries.