

New York, N.Y., February 26, 1968.

HON. WILBUR D. MILLS,
Committee on Ways and Means,
Longworth House Office Building,
Washington, D.C.

DEAR SIR: In connection with the hearings that your Committee is holding with respect to the proposed travel tax program, I should like to submit the following for your consideration.

The Treasury's proposal excludes from the application of the tax business trips of a duration of at least 120 days. By this exclusion it would appear that the Treasury has recognized the desirability of fostering American business interests abroad, but it is difficult to conceive of why a minimum time limit should be embodied in the proposal.

It is suggested that all business travel should be excluded from the application of the tax. Business trips are taken abroad for the obvious purpose of fostering United States business interests which, when successful, result in the aggrandizement of U.S. income. The imposition of a tax upon such activities would in effect be a penalty upon the attempt to increase U.S. business abroad with the resultant flow of dollars to the United States.

The imposition of the tax upon business travel will probably have very little effect on the activities of the larger U.S. corporations. The tax will merely be added to their cost of doing business which they can readily absorb. On the other hand, we must bear in mind that the 500 largest U.S. corporations are responsible for only 24% of employment in the United States. The rest falls largely upon the small and medium enterprises here. Business trips abroad for the small and medium business enterprises are not lightly taken, particularly since they involve for such companies a substantial risk as to whether or not the expenditures which are in most cases anyway considerable will produce the desired results. The Treasury's proposed travel tax will increase the cost of such trips substantially with the resultant increase in risk.

The small and medium export business will under the Treasury's proposal give far more thought to the advisability of sending representatives abroad to promote their export trade; many will refrain at the expense of potentially valuable export trade. This trade is not self-generating but must be sold. With a curtailment of selling efforts abroad, the export trade of necessity will decrease rather than increase. With the decrease of the export trade the inflow of dollars will decrease.

Many potential export trade getters will also be deterred by the proposed requirement to estimate any tax expenditures abroad in advance at the risk of punishment if the ultimate expenditures differ more than marginally from the estimate. There are numerous items in a business man's travel expenses which it is impossible to assess in advance with any degree of accuracy, such as telex, cable, telephone, entertainment and transportation costs.

With respect to the tax on transportation fares, the 5% excise tax recommended by the Treasury Department is one which the Congress should and will consider. It is difficult to understand, however, the functional or philosophical basis upon which this tax can leap from 5% to 30% merely because a stopover in transit exceeds twelve hours. In some cases because of transportation facilities a stopover in excess of twelve hours may be required for through-passage to the traveler's destination. In other cases a stopover in excess of the twelve-hour period may be indicated by the business requirements of an overall trip. It would appear appropriate that so far as a transportation tax is concerned the rate of tax should be uniform, whatever that rate may be.

Respectfully yours,

MILTON L. ROSENBERG.

Chattanooga, Tenn., February 17, 1967.

COMMITTEE ON WAYS AND MEANS,
House of Representatives,
Washington, D.C.

GENTLEMEN: I am informed that your Committee, in conducting the hearings on the proposed Travel Tax portion of the Administration's Balance of Payments proposals, will accept written statements submitted before March 1.

Although this letter is on firm stationery, it is *my individual expression* and is not written on behalf of the others in this office. Also, I wish to make it clear