[COMMITTEE PRINT]

SUMMARY OF TESTIMONY ON REVENUE ASPECTS OF ANTI-HIJACKING PROPOSAL: H.R. 19225

AT A

PUBLIC HEARING ON SEPTEMBER 21, 1970

HELD BY THE

COMMITTEE ON WAYS AND MEANS

PREPARED BY THE STAFF

OF THE

JOINT COMMITTEE ON INTERNAL REVENUE TAXATION

SEPTEMBER 22, 1970

U.S. GOVERNMENT PRINTING OFFICE

50-506 WASHINGTON : 1970 JCS-14-70

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To obtain additional revenues to provide for the protection of persons and property aboard United States air carrier aircraft, the Administration submitted a proposal (sections 2 and 3 of H.R. 19225) to increase the present 8-percent excise tax on domestic air tickets to 8½ percent and to increase the present $3 international travel facilities tax to $5. These increases would be effective for air transportation beginning after October 31, 1970. The proposal would also permit the expenditure of Airport and Airway Trust Fund monies for the purpose of providing guards on aircraft. It is estimated that the proposed increases in these air transportation taxes would result in increased tax liabilities of $34 million for fiscal 1971 ($29 million in actual collections in fiscal 1971), $57 million for fiscal 1972, and $64 million for fiscal 1973.

In a press release dated September 16, 1970 (No. 28), announcing a public hearing on the Administration proposal to increase domestic and international air passenger ticket taxes, the Committee on Ways and Means invited testimony on the proposed increase in air passenger ticket taxes. Summarized below are the comments of the witnesses made on September 21, 1970, as well as in written statements submitted.

(*a*) *Comments of witnesses favoring the Administration revenue proposal.*

Department of Transportation, John A. Volpe, Secretary.—Supports H.R. 19225 as a significant part of the Administration's program against the problem of air piracy. Indicates that a proposal has been submitted to the Senate for a supplemental appropriation of $28 million for the remainder of fiscal 1971 to provide for the hiring and training of approximately 2,500 guards, contingent upon the passage of H.R. 19225 to provide the additional tax revenues from air passengers.

Believes that the costs of the protection program should be borne by the passengers benefiting from the protection through increasing the level of aviation user taxes rather than placing the increased burden on the general taxpayer or by reducing general funds for other priority programs.

(*b*) *Comments of witnesses opposing the Administration revenue proposal.*

Civil Aeronautics Board, Secor D. Browne, Chairman.—Generally supports the Administration program to provide armed protection on air carriers as a temporary measure to curb the threat of crimes against aircraft and air passengers; however, opposes the proposal to finance the increased Government costs from increased aviation user taxes on the passengers. States that general funds should pay for this protection.

Indicates that measures other than the armed guards are desirable on a long-range basis, such as improved detection devices, possibly prohibition of carry-on hand luggage, more training of crews and ground personnel in these unique problems, more effective prosecution of hijackers, and multilateral, international action against hijackers.

Air Transport Association of America, Stuart G. Tipton, President.—Supports the President's recommendation to provide specially trained, armed U.S. Government personnel for U.S. commercial flights and that American-flag airlines extend the use of electronic surveillance equipment techniques to all gateway airports and other appropriate airports. Approves of accelerated Government efforts to develop new security measures and make information and equipment available to the airlines. Also, supports efforts to encourage international cooperation in meeting the hijack threat.

Objects, however, to the proposal to finance the increased Government costs of providing armed guards by increasing the user taxes on air passengers. Maintains that this is contrary to the accepted policy of providing police protection out of general tax revenues and not imposing a special user tax on those protected. Indicates that, for example, the merchant marine is protected by the Navy and Coast Guard without imposition of a special user tax on the shippers or ship passengers.

American Society of Travel Agents, Inc., Thomas M. Keesling, Vice President, and Paul S. Quinn, General Counsel.—Indicates support for the President's program to provide armed guards aboard aircraft as a deterrent to hijacking. States that whatever costs are incurred to provide guard service or other security steps should not be borne solely by air travelers but should be paid for out of general funds as a general obligation of the U.S. Government to provide protection for its citizens.

Hopes that the use of armed guards on aircraft will be a temporary measure to be abandoned as quickly as world governments can implement a comprehensive program to prevent hijackings.

National Air Transportation Conference, Inc., Thomas S. Miles, President (written statement).—States that the costs of providing protection for U.S. air carriers should be paid out of general funds, and not from increased taxes on air passengers. Notes that general fund revenues pay for protection of U.S. flag ships by the Navy.

Recommends that, if the Administration proposal is adopted then small aircraft with a maximum gross takeoff weight of 12,500 pounds or less, operating pursuant to part 298 of the Economic Regulations of the CAB, be exempt from the additional ½-percent tax since such air transportation would not be covered by the security program.

(*c*) *Comments of witnesses on other aspects of Administration anti-hijacking proposal.*

Honorable Claude Pepper, Member of Congress (written statement).—States that his bill, H.R. 18293, attempts to provide a practical means of combating aircraft hijacking. The bill provides for the installation of electronic security scanning devices at the Nation's 22 major hub airports and other U.S. airports designated by the Secretary of Transportation. The cost of the devices would be shared by the U.S. Government (up to 50 percent) and the air carriers and airports (sharing the remaining). A second provision would involve specially-trained airport personnel to detect suspicious behavior.

Thirdly, the bill provides for an increased number of U.S. marshals to man all the airport gates to be monitored. (No recommendation is made as to how the Government's share is to be financed.)

(*d*) *Comments of witnesses regarding the prohibition on the disclosure of the domestic air passenger ticket tax under the Airport and Airway Development Act of 1970.*

Civil Aeronautics Board, Secor D. Browne, Chairman.—Recommends elimination of the provision which requires that the domestic ticket tax be included in the total ticket price without separate identification. Does not object to requiring that the total quoted price include the tax as long as the amount of the tax may be stated separately.

American Society of Travel Agents, Inc., Thomas M. Keesling, Vice President, and Paul S. Quinn, General Counsel.—Objects strongly to the Internal Revenue Code provision imposing penalties for separately showing the amount of the excise tax on domestic airline tickets maintains that this results in a "hidden tax," and that the provision is inconsistent with the philosophy of full disclosure to consumers being advocated by Congress. Indicates that this provision results in additional clerical and administrative work for travel agents, and adds confusion and complications to the business of issuing tickets, providing refunds to travelers, and in remitting monies to air carriers.

Recommends that section 7275(a) of the Code be eliminated, thus allowing ticket agents and travel agents to show the tax on the ticket separate from the cost of air transportation. Supports retention of subsection (b) requiring all advertising of air fares to show only the total cost of the trip, which would prevent any possible misleading advertising of not including the amount of the applicable ticket tax.

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