

EXEMPTION OF CERTAIN FOREIGN TRAVEL FROM TAX ON TRANSPORTATION OF PERSONS

MARCH 1, 1956.—Ordered to be printed

Mr. SMATHERS, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 5265]

The Committee on Finance, to whom was referred the bill (H. R. 5265) to exempt certain additional foreign travel from the tax on transportation of persons, having considered the same, report favorably thereon with an amendment and recommend that the bill, as amended, do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert:

That subsections (a) and (b) of section 4261 of the Internal Revenue Code of 1954 (relating to the tax on transportation of persons) are hereby amended to read as follows:

“(a) AMOUNTS PAID WITHIN THE UNITED STATES.—There is hereby imposed upon the amount paid within the United States for taxable transportation of persons (as defined in section 4262) by rail, motor vehicle, water, or air a tax equal to 10 percent of the amount so paid.

“(b) AMOUNTS PAID OUTSIDE THE UNITED STATES.—There is hereby imposed upon the amount paid without the United States for taxable transportation of persons (as defined in section 4262) by rail, motor vehicle, water, or air, but only if such transportation begins and ends in the United States, a tax equal to 10 percent of the amount so paid.”

SEC. 2. Section 4262 of the Internal Revenue Code of 1954 (relating to exemptions from the tax on transportation of persons) is hereby amended by striking out subsection (a) and by redesignating subsections (b), (c), (d), (e), and (f) as subsections (a), (b), (c), (d), and (e), respectively. Such section, as so amended, is hereby renumbered as section 4263.

SEC. 3. Part I of subchapter C of chapter 33 of the Internal Revenue Code of 1954 is hereby amended by inserting after section 4261 the following new section:

“SEC. 4262. DEFINITION OF TAXABLE TRANSPORTATION OF PERSONS.

For purposes of this part—

“(1) GENERAL RULE.—The term ‘taxable transportation of persons’ means transportation that begins in the United States or at any point in Canada or Mexico not more than 225 miles from the continental United States and ends in the United States or at any point in Canada or Mexico not more than 225 miles from the continental United States.

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"(2) TRANSPORTATION OUTSIDE THE NORTHERN PORTION OF THE WESTERN HEMISPHERE.—The term 'taxable transportation of persons' does not include transportation any part of which is outside the northern portion of the Western Hemisphere (the area lying west of the 30th meridian west of Greenwich, east of the international dateline, and north of the Equator, not including any country of South America)."

SEC. 4. (a) Part I of subchapter C of chapter 33 of the Internal Revenue Code of 1954 is hereby amended by adding at the end thereof a new section as follows:

"SEC. 4264. SPECIAL RULES.

"(a) PAYMENTS MADE OUTSIDE THE UNITED STATES FOR PREPAID ORDERS.—If the payment upon which tax is imposed by section 4261 (b) is made for a prepaid order, exchange order, or similar order, the person furnishing the initial transportation pursuant to such order shall collect the amount of the tax.

"(b) TAX DEDUCTED UPON REFUNDS.—Every person who refunds any amount with respect to a ticket or order which was purchased without payment of the tax imposed by section 4261, shall deduct from the amount refundable, to the extent available, any tax due under such section as a result of the use of a portion of the transportation purchased in connection with such ticket or order, and shall report to the Secretary or his delegate the amount of any such tax remaining uncollected.

"(c) PAYMENT OF TAX.—Where any tax imposed by section 4261 is not paid at the time payment for transportation is made, then, under regulations prescribed by the Secretary or his delegate—

"(1) such tax shall be paid by the person paying for the transportation or by the person using the transportation;

"(2) such tax shall be paid within such time as the Secretary or his delegate shall prescribe by regulations after whichever of the following first occurs:

"(A) the rights to the transportation expire; or

"(B) the time when the transportation becomes taxable transportation;

and

"(3) payment of such tax shall be made to the person to whom the payment for transportation was made or to the Secretary or his delegate.

This subsection shall not apply in the case of any tax collected in the manner provided in subsection (a) or subsection (b) (to the extent any tax due is collected)."

"(d) APPLICATION OF TAX.—The tax imposed by section 4261 (a) shall apply to any amount paid within the United States for transportation of persons unless the taxpayer establishes, pursuant to regulations prescribed by the Secretary or his delegate, at the time of payment for the transportation, that the transportation is not taxable transportation of persons (as defined in section 4262).

"(e) ROUND TRIPS.—For purposes of this part, a round trip shall be considered to consist of transportation from the point of departure to the destination and separate transportation from such destination to the point of departure."

(b) Section 4261(d) of the Internal Revenue Code of 1954 (relating to payment of tax imposed on transportation of persons) is hereby amended by adding at the end thereof the following: "except as provided in section 4264."

(c) The first sentence of section 4291 of the Internal Revenue Code of 1954 (relating to cases where persons receiving payment must collect tax) is hereby amended to read as follows: "Every person receiving any payment for facilities or services on which a tax is imposed upon the payor thereof under this chapter shall collect the amount of the tax from the person making such payment, except as provided in section 4264 (a)."

SEC. 5. Subchapter B of chapter 68 of the Internal Revenue Code of 1954 (relating to assessable penalties) is hereby amended by adding at the end thereof a new section as follows:

"SEC. 6676. FAILURE TO PAY TAX ON TRANSPORTATION OF PERSONS.

"In addition to any criminal penalty provided by law, if any person liable for payment of tax imposed by section 4261 (relating to tax on transportation of persons) fails to pay such tax within the period prescribed, unless it is shown that failure to pay is due to reasonable cause, such person shall be liable to a penalty in an amount equal to whichever of the following is greater:

"(1) Two times the amount of tax due; or

"(2) \$10."

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SEC. 6. (a) The table of sections of part I of subchapter C of chapter 33 of the Internal Revenue Code of 1954 is hereby amended by striking out

"Sec. 4262. Exemptions."

and inserting in lieu thereof

"Sec. 4262. Definition of taxable transportation of persons.

"Sec. 4263. Exemptions.

"Sec. 4264. Special rules."

(b) The table of sections of subchapter B of chapter 68 of the Internal Revenue Code of 1954 is hereby amended by adding at the end thereof:

"Sec. 6876. Failure to pay tax on transportation of persons."

SEC. 7. The amendments made by this Act shall apply to amounts paid on or after the first day of the first month which begins more than 60 days after the date of the enactment of this Act for transportation commencing on or after such first day.

PURPOSE OF BILL

The purpose of this bill is, in general, to exempt from the 10-percent excise tax on amounts paid for transportation of persons travel to or from a point which is outside the United States or that part of Canada or Mexico that is within 225 miles of the United States.

GENERAL STATEMENT

At the present time the 1954 code provides that the following types of transportation are subject to tax where the ticket is purchased in the United States:

(1) transportation beginning and ending within the United States;

(2) transportation beginning and ending within the northern portion of the Western Hemisphere; and

(3) with respect to transportation beginning or ending outside the northern portion of the Western Hemisphere, so much of the transportation as constitutes transportation between one port or station in the United States, Canada (except Newfoundland), or Mexico, and another port or station within such area. However, in the case of transportation by water on a ship that makes an intermediate stop at a port within the United States on a voyage that begins or ends outside the northern portion of the Western Hemisphere, the part of the transportation between ports within the United States will not be taxable if the ship could not both discharge and take on passengers at the intermediate port in the United States.

In the case of tickets purchased outside of the United States, the 1954 code provides that transportation beginning and ending within the United States is subject to tax.

Your committee believes that it is undesirable to select trips to Central America, the Caribbean area, Mexico, and Canada for discriminatory treatment. Your committee believes that such treatment is contrary to the interests of the United States and in opposition to the good-neighbor policy this country has so long followed.

The bill, as passed by the House of Representatives, was intended to remove this discrimination. Under the House bill, transportation to a point outside the United States would not be taxed from the last port or station in the United States. For example, a person purchasing a ticket in New York to fly to Mexico City via Dallas, Tex., would

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have paid no tax on the part of the transportation from Dallas to Mexico City. However, this way of removing the discrimination in present law created other problems. It was pointed out that the House bill would have penalized the carrier that makes additional stops in the United States as compared with one that goes nonstop. For example, transportation purchased in the United States on a plane flying nonstop from New York to Mexico City would have been completely tax free, while a passenger going to Mexico City by train or bus would have been taxed on all the transportation up to the last stop in the United States. Also, it would have been very difficult to compute the tax due under the formula in the House bill in the case of payments for transportation that would be partially taxable and partially nontaxable.

Your committee agrees on the desirability of removing the discrimination in present law against travel to countries in the Caribbean and Central America, and has amended the House bill to accomplish this purpose without introducing other forms of discrimination among carriers. Under the amendments made by your committee, transportation to or from any point outside the United States or that part of Canada or Mexico which is more than 225 miles from the continental United States will be completely exempt from the transportation tax on persons. The question of whether the transportation is taxable will be determined by reference to the points of departure and destination rather than to the route or manner of operation of the carrier. Thus, transportation from New York to Habana will be completely exempt if the person goes directly to Habana or if he goes via Miami. Similarly, a person who goes from Chicago to London by way of New York and Boston will be exempt on the entire trip. However, in order to purchase his ticket from Chicago to Boston tax free, he would be required to establish at the time he purchased his ticket from Chicago to Boston that it was for use in conjunction with the ticket from Boston to London.

There is also a discrimination in present law against United States steamships as compared with foreign ships. For example, transportation purchased in the United States on a United States ship from San Francisco to Tokyo via Honolulu will be taxable on the portion of the transportation from San Francisco to Honolulu. However, transportation on a foreign ship on the same route would be nontaxable since the foreign carrier would not have the right to both discharge and take on passengers in Honolulu. This discrimination against American carriers is removed under your committee's bill.

Under your committee's bill, payments made in the United States for transportation to or from points in Canada or Mexico that are within 225 miles of the United States will continue to be taxed. By continuing the tax on transportation to these nearby parts of Canada and Mexico, the administration of the law is simplified and opportunities for avoidance or evasion are removed. If all transportation to Canada and Mexico were exempt from tax, a person traveling to Los Angeles, Detroit, Buffalo, or other cities near the border might attempt to evade the tax by purchasing transportation to nearby points in Canada or Mexico.

In addition to granting relief to transportation beginning or ending outside the United States, the House bill would have granted partial exemption in the case of certain trips beginning and ending in the

United States. Under the House bill, the portion of a trip outside the United States would not be subject to tax if the route passed through a point more than 200 miles outside the United States, although the trip began and ended in the United States. One principal effect of this provision would have been to exempt most of the amount paid for a trip from San Francisco to Honolulu or from Fairbanks, Alaska, to Minneapolis. However, it would also exempt the portion outside the United States on a trip, for example, from Boston to Seattle via Montreal, Edmonton, and Vancouver, although the trip would have been fully taxable if the person had gone via Chicago. Thus, this provision would seem to discriminate between trips from one point in the United States to other points in the United States. Under the amendments made by your committee, all trips from one point in the United States to another point in the United States, including Alaska and Hawaii, that are presently subject to tax will continue to be taxed regardless of whether part of the trip is outside the United States.

In addition to these substantive rules, special provisions are made that will allow the Internal Revenue Service to adequately enforce payment of the tax. If the person improperly fails to pay the tax through any of the normal procedures or through payment directly to the Internal Revenue Service, then he may be subject to a civil penalty as well as to the criminal penalty in present law. These measures should curb evasion of the tax on tickets purchased outside the United States for travel between two points within the United States as well as preventing avoidance or evasion of the tax imposed on tickets purchased within the United States.

Your committee was informed that the revenue loss under the bill, as passed by the House, would be \$20 million. The revenue loss under the bill as reported by your committee would also be \$20 million.

EXPLANATION OF THE BILL

SECTION 1

Section 1 of the bill, as amended by your committee, amends section 4261 (a) of the Internal Revenue Code of 1954 to impose the tax upon the amount paid within the United States for taxable transportation of persons (as defined in sec. 3 of the bill) by rail, motor vehicle, water, or air. The rate of tax (10 percent) is not changed.

This section also makes conforming changes in section 4261 (b) to impose the tax upon the amount paid outside the United States for taxable transportation of persons but (as under present law) only if such transportation begins and ends in the United States. Under your committee's bill, those payments made outside the United States that are now subject to tax will remain subject to tax.

SECTION 2

Section 2 of the bill, as amended by your committee, makes clerical changes in section 4262 (relating to exemptions from the tax on transportation of persons). Subsection (a) of section 4262 (relating to certain foreign travel) is deleted and subsections (b), (c), (d), (e), and (f)

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are redesignated as subsections (a), (b), (c), (d), and (e), respectively, and such section is renumbered as section 4263. No substantive changes are made in the provisions that will be included in section 4263.

SECTION 3

Section 3 of the bill, as amended by your committee, adds the definition of taxable transportation of persons as section 4262 of the code. The term "taxable transportation of persons" is defined in section 4262 to mean transportation which begins in the United States (including the States, the District of Columbia, and the Territories of Alaska and Hawaii) or at any point in Canada or Mexico not more than 225 statute miles from the continental United States (including the States and the District of Columbia) and ends in such area. Thus, the tax imposed on payments made within the United States will apply to transportation which (1) begins in the United States and ends in the United States, (2) begins in the United States and ends at a point in Canada or Mexico which is not more than 225 miles from the continental United States, (3) begins at a point in Canada or Mexico not more than 225 miles from the continental United States and ends within the United States, and (4) begins at a point in Canada or Mexico not more than 225 miles from the continental United States and ends at another point in Canada or Mexico not more than 225 miles from the continental United States.

Whether any point in Canada or Mexico is not more than 225 miles from the continental United States is to be determined by measuring the distance from such point to the nearest point on the boundary of the continental United States.

In most cases it will be evident whether or not a destination is within or without 225 miles from the United States. In any instance in which it is not apparent whether a port or station is within or without 225 miles of the United States the exact distance may be computed mathematically by such methods as the Andoyer-Lambert formula. It is contemplated that the Secretary or his delegate will make this computation for major cities and will publish the determinations. Any determination made by the Secretary or his delegate will be presumed to be correct.

The application of the rules in this bill may be illustrated as follows:

A. In each of the following examples the transportation is "taxable transportation of persons" and the amount paid within the United States for such transportation is subject to the tax:

1. New York to Seattle.
2. New York to Vancouver, British Columbia.
3. Chicago to Monterrey, Mexico
4. Montreal, Canada, to Toronto, Canada
5. Seattle to Fairbanks, Alaska, via Whitehorse, Yukon Territory, Canada
6. San Francisco to Honolulu, T. H.
7. Miami to Los Angeles via Panama
8. Vancouver, British Columbia, to Honolulu, T. H.

If in examples 1, 5, 6, and 7, above payment for the transportation had been made outside the United States, such payment would nevertheless have been subject to tax since in each case the transportation begins and ends in the United States.

B. In each of the following examples the amount paid for the transportation is not subject to the tax since the transportation is not "taxable transportation of persons":

1. New York to Habana, Cuba, via Miami
2. Detroit to Manila, Philippines, via Honolulu, T. H.
3. Minneapolis to Edmonton, Canada
4. New York to Trinidad, British West Indies
5. Chicago to Puerto Rico

Paragraph (2) of section 4262 is explained in connection with section 4264 (e).

SECTION 4

Section 4 of the bill, as amended by your committee, adds a new section 4264 to the code providing special rules relating to the application and payment of the tax. Section 4264 (a) continues without substantive change a provision now contained in section 4291 of present law.

Section 4264 (b) provides a special rule for collection of the tax where an unused ticket or order (or portion thereof) purchased for nontaxable transportation is presented for refund and, as a result of the use of a portion of the transportation purchased in connection with such ticket or order, liability for payment of the tax had been incurred. In such cases the person making the refund is required to deduct from the amount refundable, to the extent available, the amount of the tax due. If the value of the unused ticket or order (or portion thereof) is less than the amount of the tax due, the person redeeming such unused ticket or order (or portion thereof) is required to make a report to the Secretary or his delegate as to the remainder of the tax due. For example, a carrier receives for redemption a ticket for transportation from Miami to Habana which the purchaser bought for use in conjunction with a ticket for transportation from New York to Miami, and the person applying for the refund does not show that the tax on the New York-Miami ticket has been paid or that the New York-Miami ticket has been redeemed.

The carrier, before making the refund for the unused ticket, is required to deduct from the amount refundable the tax applicable to the amount paid by the purchaser for the taxable transportation from New York to Miami and to report the tax so collected in the manner subscribed by regulations. In the event that the value of the Miami to Habana ticket is less than the amount of the tax due on the amount paid for the transportation from New York to Miami, the carrier should not make any refund to the purchaser but should apply against the outstanding tax the entire amount refundable and should notify the Secretary or his delegate of the passenger's name and address and the amount of tax remaining uncollected.

Section 4264 (c) provides special rules for payment of the tax where the payment for the transportation is (1) subject to tax at the time such payment is made but no tax is paid at that time, or (2) not subject to tax at the time such payment is made but because of some subsequent event becomes taxable. In such cases the person paying for, or the person using, the transportation must pay the tax to the person from whom the transportation was purchased, or to the Secretary or his delegate. Such payment must be made within the time

prescribed by regulations after whichever of the following first occurs: (a) The rights to the transportation expire, or (b) the time when the transportation becomes taxable transportation.

This subsection is not intended in any way to relieve the person receiving a payment for taxable transportation of persons from his duty under section 4291 of collecting the tax at the time such payment is received by him.

The provisions of section 4262 (c) do not apply in any case where the tax is collected in the manner provided in subsection (a) or subsection (b) of section 4262.

The following examples illustrate the application of section 4264 (c):

Example 1.—A purchases in Canada a ticket for his transportation from Detroit to San Francisco, but fails to pay the applicable tax at the time he makes the payment for such ticket. Since under section 4261 (b) the transportation was taxable at the time purchased by A, he must, within the time specified by the regulations after the date of such purchase, pay the applicable tax to either the person from whom he purchased the ticket or to the Secretary or his delegate.

Example 2.—B purchases in New York a round-trip ticket for transportation between New York and Habana, Cuba, with a stop-over in Miami, Fla. After arriving in Miami B decides not to continue his trip to Habana but to return to New York. B is liable for the tax with respect to the amount paid for his transportation from New York to Miami and return. B's transportation became taxable transportation at the time he began his return trip to New York and, within the time specified by the regulations after such event occurred, B must pay the applicable tax to either the person from whom he purchased the ticket or to the Secretary or his delegate, unless within such time he has applied for a refund from which the tax can be deducted.

If in example 2, B had not returned to New York but had remained in Miami, he would not be required to pay any tax until the time specified by the regulations after the date on which his right to use the remaining portion of the ticket expired.

Under section 4264 (d) any amount paid within the United States for transportation of persons is presumed to be taxable unless the taxpayer establishes at the time of payment for the transportation, pursuant to regulations prescribed by the Secretary or his delegate, that the transportation is not taxable transportation of persons (as defined in sec. 4262). This may be established either by the purchase of a "through ticket" for transportation that does not constitute "taxable transportation" or by furnishing the carrier or agency receiving payment for the domestic portion of the transportation a ticket or order covering the international portion of the transportation, so that the tickets or orders may be appropriately inscribed in the manner required by the regulations. For example, in the case of a journey from Chicago to London, via New York, covered by two tickets (one for transportation from Chicago to New York and the other for transportation from New York to London) it must be established, as required by the regulations, at the time the Chicago-to-New-York-ticket is purchased, that such ticket is purchased for use in conjunction with a New York-to-London ticket (or order) which is purchased at the same time or which had been previously purchased.

Pursuant to regulations the agency or carrier which receives payment for the Chicago-New York ticket will be required to appropriately inscribe the tickets or orders to show clearly that the tickets or orders are purchased for use in conjunction with each other. If, in this example, the person who desired to purchase transportation between Chicago and New York for use in conjunction with a ticket from New York to London, did not furnish the agency or carrier receiving payment for the Chicago-New York portion his ticket from New York to London in order that the carrier or agency could comply with the regulations, then the person would be required to pay the tax on the Chicago-New York ticket. However, in such circumstances, the taxpayer could receive a refund of the tax if he files a claim for refund with the appropriate district director of internal revenue and establishes that the payment was not made for taxable transportation of persons as defined in section 4262.

Section 4264 (e) provides in effect that a round trip consists of two separate trips, i. e., one trip from the point of departure to the destination and a second trip from the destination to the point of departure. The term "round trip" is intended to include certain journeys in which the same routing is not followed on the return trip from the specified destination to the original point of departure as was taken on the going trip (sometimes referred to as "circle trips"). In the case of a cruise (i. e., transportation to no set destination but with one or more intermediate stops en route), the point farthest from the point of departure will be regarded as the destination for purposes of applying the term "round trip." However, the rules of "open-jaw" transportation, discussed below, apply if the cruise ends at a point other than the one at which it began.

"Open-jaw" transportation (transportation from the point of departure to a specified destination and transportation from that point to a point other than the original point of departure) will be considered as transportation from the original point of departure to the specified destination and separate transportation from that point to the final destination if the distance between the points of the "open-jaw" does not exceed the distance of the shorter segment traveled. For example, a trip from New York to New Orleans via Panama would be considered as transportation from New York to Panama and from Panama to New Orleans, so that both segments of the trip would be nontaxable. On the other hand, a trip from New York to Miami via Bermuda would be considered as transportation from New York to Miami and would be taxable.

However, transportation will be nontaxable if any portion of the transportation is outside the northern portion of the Western Hemisphere (the area lying west of the 30th meridian west of Greenwich, east of the international date line, and north of the Equator, but not including any country of South America), regardless of whether the trip would be considered as beginning and ending in the United States under the concepts discussed above. Under paragraph (2) of section 4262, it is not necessary to consider the point of departure or the ultimate destination on transportation any portion of which is outside the northern portion of the Western Hemisphere. Thus, transportation from Miami to Turbo, Colombia, to Los Angeles will be nontaxable.

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SECTION 5

Section 5 of the bill, as amended by your committee, adds a new section 6676 to the code providing a civil penalty for failure to pay the tax imposed by section 4261. The new section provides that (in addition to any of the regular criminal penalties which may be applicable) if any person liable for payment of the tax fails to pay such tax as required by the law and regulations, a civil penalty may be imposed unless it can be shown that the failure to pay is due to reasonable cause. The penalty imposed is two times the amount of tax due but not less than \$10. This penalty is to be assessed and collected as a tax.

SECTION 6

Section 6 of the bill, as amended by your committee, makes the conforming changes in the tables of sections.

SECTION 7

Section 7 of the bill, as amended by your committee, provides that the amendments made by this act shall apply to amounts paid on or after the first day of the first month which begins more than 60 days after the date of enactment of this act for transportation commencing on or after such first day. Under the House bill, this act would have applied to amounts paid on or after the first day of the first month which begins more than 10 days after the date of the enactment of this act for transportation commencing on or after such first day. The postponement in the effective date, under your committee's bill, is to allow the Internal Revenue Service sufficient time to prepare the necessary rules and the carriers an opportunity to acquaint their personnel who will be charged with the selling of tickets and collection of tax under the provisions of this act.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets; new matter is printed in italics, existing law in which no change is proposed is shown in roman):

THE INTERNAL REVENUE CODE OF 1954

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CHAPTER 33—FACILITIES AND SERVICES

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SUBCHAPTER C—TRANSPORTATION

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PART I—PERSONS

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Sec. 4261. Imposition of tax.

Sec. 4272. [Exemptions.] Definition of taxable transportation of persons.

Sec. 4263. Exemptions.

Sec. 4264. Special rules.

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SEC. 4261. IMPOSITION OF TAX.

(a) **AMOUNTS PAID WITHIN THE UNITED STATES.**—There is hereby imposed upon the amount paid within the United States for [the] taxable transportation of persons (as defined in section 4262) by rail, motor vehicle, water, or air [within or without the United States] a tax equal to 10 percent of the amount so paid.

(b) **AMOUNTS PAID OUTSIDE THE UNITED STATES.**—There is hereby imposed upon the amount paid without the United States for [the] taxable transportation of persons (as defined in section 4262) by rail, motor vehicle, water, or air [which], but only if such transportation begins and ends in the United States, a tax equal to 10 percent of the amount so paid.

(c) **SEATS, BERTHS, ETC.**—There is hereby imposed upon the amount paid for seating or sleeping accommodations in connection with transportation with respect to which a tax is imposed by subsection (a) or (b) a tax equivalent to 10 percent of the amount so paid.

(d) **BY WHOM PAID.**—The taxes imposed by this section shall be paid by the person making the payment subject to the tax[,] except as provided in section 4264.

SEC. 4262. DEFINITION OF TAXABLE TRANSPORTATION OF PERSONS.

For purposes of this part—

(1) **GENERAL RULE.**—The term "taxable transportation of persons" means transportation that begins in the United States or at any point in Canada or Mexico not more than 225 miles from the continental United States and ends in the United States or at any point in Canada or Mexico not more than 225 miles from the continental United States.

(2) **TRANSPORTATION OUTSIDE THE NORTHERN PORTION OF THE WESTERN HEMISPHERE.**—The term "taxable transportation of persons" does not include transportation any part of which is outside northern portion of the Western Hemisphere (the area lying west of the 30th meridian west of Greenwich, east of the International Date Line, and north of the equator, not including any country of South America).

SEC. [4262.] 4263. EXEMPTIONS.

[(a) **CERTAIN FOREIGN TRAVEL.**—The tax imposed by section 4261 shall not apply with respect to transportation any part of which is outside the northern portion of the Western Hemisphere, except with respect to any part of such transportation which is from any port or station within the United States, Canada, or Mexico to any other port or station within the United States, Canada, or Mexico. In the case of transportation by water on a vessel which makes one or more intermediate stops at ports within the United States, Canada, or Mexico on a voyage which begins or ends in the United States and ends or begins outside the northern portion of the Western Hemisphere, no part of such transportation shall be considered for the purposes of the preceding sentence to be from any port within the United States, Canada, or Mexico to any other such port if the vessel in stopping at any such intermediate port is not authorized both to discharge and to take on passengers. A port or station within Newfoundland shall not, for the purposes of the preceding two sentences, be considered as a port or station within Canada. For the purposes of this section, the words "northern portion of the Western Hemisphere" mean the area lying west of the 30th meridian west of Greenwich, east of the International Date Line, and north of the equator, but not including any country of South America.]

- [(b)] (a) **COMMUTATION TRAVEL, ETC.**—* * *
- [(c)] (b) **SMALL VEHICLES ON NONESTABLISHED LINES.**—* * *
- [(d)] (c) **FISHING TRIPS.**—* * *
- [(e)] (d) **CERTAIN ORGANIZATIONS.**—* * *
- [(f)] (e) **MEMBERS OF THE ARMED FORCES.**—* * *

SEC. 4264. SPECIAL RULES.

(a) **PAYMENTS MADE OUTSIDE THE UNITED STATES FOR PREPAID ORDERS.**—If the payment upon which tax is imposed by section 4261 (b) is made for a prepaid order, exchange order, or similar order, the person furnishing the initial transportation pursuant to such order shall collect the amount of the tax.

(b) **TAX DEDUCTED UPON REFUNDS.**—Every person who refunds any amount with respect to a ticket or order which was purchased without payment of the tax

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imposed by section 4261, shall deduct from the amount refundable, to the extent available, any tax due under such section as a result of the use of a portion of the transportation purchased in connection with such ticket or order, and shall report to the Secretary or his delegate the amount of any such tax remaining uncollected.

(c) PAYMENT OF TAX.—Where any tax imposed by section 4261 is not paid at the time payment for transportation is made, then, under regulations prescribed by the Secretary or his delegate—

(1) such tax shall be paid by the person paying for the transportation or by the person using the transportation;

(2) such tax shall be paid within such time as the Secretary or his delegate shall prescribe by regulations after whichever of the following first occurs:

(A) the rights to the transportation expire; or

(B) the time when the transportation becomes taxable transportation; and

(3) payment of such tax shall be made to the person to whom the payment for transportation was made or to the Secretary or his delegate.

This subsection shall not apply in the case of any tax collected in the manner provided in subsection (a) or subsection (b) (to the extent any tax due is collected).

(d) APPLICATION OF TAX.—The tax imposed by section 4261 (a) shall apply to any amount paid within the United States for transportation of persons unless the taxpayer establishes, pursuant to regulations prescribed by the Secretary or his delegate, at the time of payment for the transportation, that the transportation is not taxable transportation of persons (as defined in section 4262).

(e) ROUND TRIPS.—For purposes of this part, a round trip shall be considered to consist of transportation from the point of departure to the destination and separate transportation from such destination to the point of departure.

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SUBCHAPTER E—SPECIAL PROVISIONS APPLICABLE TO SERVICES AND FACILITIES TAXES

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SEC. 4291. CASES WHERE PERSONS RECEIVING PAYMENT MUST COLLECT TAX.

Every person receiving any payment for facilities or services on which a tax is imposed upon the payor thereof under this chapter, shall collect the amount of the tax from the person making such payment, except [that if the payment specified in section 4261 is made outside the United States for a prepaid order, exchange order, or similar order, the person furnishing the initial transportation pursuant to such order shall collect the amount of the tax.] as provided in section 4264 (a). For the purpose of this section every club or organization having life members shall collect the tax imposed on life memberships by section 4241.

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CHAPTER 68—ADDITIONS TO THE TAX, ADDITIONAL AMOUNTS, AND ASSESSABLE PENALTIES

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SUBCHAPTER B—ASSESSABLE PENALTIES

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Sec. 6676. Failure to pay tax on transportation of persons.

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SEC. 6676. FAILURE TO PAY TAX ON TRANSPORTATION OF PERSONS.

In addition to any criminal penalty provided by law, if any person liable for payment of tax imposed by section 4261 (relating to tax on transportation of persons) fails to pay such tax within the period prescribed, unless it is shown that failure to pay is due to reasonable cause, such person shall be liable to a penalty in an amount equal to whichever of the following is greater:

(1) Two times the amount of tax due; or

(2) \$10.

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