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Senator Daniel K. Inouye Papers
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KIHEI/WAILEA ROTARY

Hotel Intercontinental
Kihei, Maui, Hawaii

UNDER THE GUISE OF "TAX SIMPLIFICATION" AND
"DEFICIT REDUCTION" THE ADMINISTRATION PROPOSES TO
SERIOUSLY CRIPPLE AN INDUSTRY WHICH, ACCORDING TO THE
LATEST STATISTICS I HAVE SEEN:

- * CONTRIBUTED \$370 BILLION TO OUR ECONOMY IN
1983.

- * GENERATED AN ESTIMATED 12.9 MILLION JOBS IN
1983, REPRESENTING 12.8% OF THE EMPLOYED
CIVILIAN LABOR FORCE. IT IS ESTIMATED THAT
EACH \$1 BILLION OF TOURISM SPENDING
DIRECTLY AND INDIRECTLY GENERATES 35,000
JOBS.

* PRODUCED OVER \$44 BILLION IN FEDERAL, STATE
AND LOCAL TAX REVENUE IN 1983.

TO SEE HOW THE ADMINISTRATION PLANS TO DO
THIS, "LET'S TAKE A LOOK AT THE RECORD", AS A GREAT
AMERICAN, AND A GREAT DEMOCRAT, GOVERNOR AL SMITH,
USED TO SAY.

FIRST, THE ADMINISTRATION PROPOSES TO
TERMINATE THE UNITED STATES TRAVEL AND TOURISM
ADMINISTRATION, AND LAST WEEK THE SENATE BY A VOTE OF
50 - 49 AGREED.

THIS IS THE AGENCY CHARGED WITH PROMOTING
INTERNATIONAL TRAVEL TO THE UNITED STATES.

IT IS A SMALL AGENCY, WITH A MODEST BUDGET OF \$12 MILLION. YET ITS PROGRAMS HAVE A COST/BENEFIT RATIO OF \$18.50 - \$1. IN 1983, IT IS ESTIMATED THAT:

- * 312,000 AMERICANS WERE EMPLOYED AS A RESULT OF FOREIGN VISITOR SPENDING; AND,

- * FOREIGN VISITOR SPENDING GENERATED \$1.6 BILLION IN FEDERAL, STATE AND LOCAL TAXES.

I AM HOPEFUL THAT WHEN THE SMOKE CLEARS, THE 48 SENATE REPUBLICANS WHO VOTED TO TERMINATE THIS AGENCY WILL REALIZE THEIR MISTAKE, AND WE WILL BE ABLE TO KEEP THE TRAVEL ADMINISTRATION IN BUSINESS.

THAT AGENCY ACTUALLY GENERATES REVENUES, AND ITS EFFORTS CONTRIBUTE TO A REDUCTION IN THE FEDERAL DEFICIT.

WHILE THE "DEFICIT REDUCTION" PROPOSAL IS COUNTER-PRODUCTIVE, THE "TAX SIMPLIFICATION" PROPOSALS WILL BE DEVASTATING IF THEY ARE ENACTED.

I THINK IT IS A GOOD BET WE WILL SEE MOST OF THE FOLLOWING:

- * LIMIT DEDUCTIONS FOR MEALS AND LODGING WHILE TRAVELING AWAY FROM HOME (TO 200% OF THE FEDERAL PER DIEM).

- * DENY ALL ENTERTAINMENT EXPENSES, (EXCEPT THE COST OF BUSINESS MEALS) WHICH WOULD INCLUDE CLUB DUES AND TICKETS TO PUBLIC EVENTS, AS WELL AS A BROAD RANGE OF "ENTERTAINMENT EXPENSES" WHICH MAY BE PROVIDED BY HOTELS AND MOTELS.

- * LIMIT DEDUCTIONS FOR BUSINESS MEALS TO \$10 PER PERSON FOR BREAKFAST, \$15 FOR LUNCH AND \$25 PER DINNER WHICH INCLUDES THE COST OF TAX AND TIPS.

- * TERMINATE DEDUCTIONS FOR CONVENTIONS ON U.S.-FLAG CRUISE VESSELS.

IF THE RATIONALE FOR ELIMINATING THE TRAVEL
ADMINISTRATION MAKES NO SENSE, THE REASONS FOR
LIMITING THESE TAX DEDUCTIONS MAKES LESS.

VERY SIMPLY, THE EXPLANATION IS THAT THESE
DEDUCTIONS ARE TAX ABUSES.

I FAIL TO UNDERSTAND WHY PAYING \$25
(INCLUDING TAX AND TIP) FOR A BUSINESS DINNER IS
CONSIDERED TAX DEDUCTIBLE, BUT PAYING \$75 IS
CONSIDERED A TAX ABUSE.

IT SEEMS TO ME THAT WHATEVER THE PRICE, THE
DINNER IS EITHER A LEGITIMATE BUSINESS DINNER AND
THEREFORE TAX DEDUCTIBLE IN ITS ENTIRETY; OR IT IS NOT
A LEGITIMATE BUSINESS DINNER, AND THEREFORE ENTIRELY
NON-DEDUCTIBLE.

ILLOGICAL DISTINCTIONS ARE NO SUBSTITUTE
FOR VIGOROUS ENFORCEMENT OF THE LAW.

BESIDES MAKING NO SENSE, IT IS UNREALISTIC
TO CAP A DINNER AT \$25 (INCLUDING TAX AND TIP).

WHOEVER DRAFTED THAT PROPOSAL MUST HAVE HAD 1950
PRICES IN MIND.

BESIDES DEVASTATING THE RESTAURANT
INDUSTRY, THESE PROPOSALS WILL HARM OTHER INDUSTRIES
AS WELL. BUSINESS ENTERTAINMENT IS ONE OF THE TOOLS
OF THE TRADE WHEN IT COMES TO SELLING AND MARKETING
PRODUCTS.

I CAN ASSURE YOU THAT JAPANESE OR GERMAN
BUSINESS MAN WILL CONTINUE TO BE ABLE TO WRITE OFF HIS
ENTERTAINMENT EXPENSES. THEIR AMERICAN COUNTERPARTS
WILL HAVE TO COMPETE OVER A FAST FOOD COUNTER,
HOWEVER.

SO THERE IS NO LOGIC TO THE TAX ABUSE
ARGUMENT; AND EVEN PROPONENTS OF THESE PROPOSALS ADMIT
THEY WILL NOT GENERATE REVENUES FOR THE TREASURY.

AND YET, THERE IS A VERY REAL CHANCE THAT
SOME OR ALL OF THESE PROPOSALS WILL BECOME LAW. WE
ALL KNOW HOW PERSUASIVE THE PRESIDENT IS ON
TELEVISION, AND THE SENATE IS CONTROLLED BY HIS PARTY.
WE SAW WHAT THAT CAN MEAN LAST WEEK IN THE 50 - 49
VOTE. OUR WORK IS CUT OUT FOR US, AND THE CHOICE IS
CLEAR.

news from

Senator DANIEL K. INOUE

topic: SPEECH BY SENATOR DANIEL K. INOUE
KIHEI/WAILEA ROTARY

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Under the guise of "tax simplification" and "deficit reduction" the Administration proposes to seriously cripple an industry which, according to the latest statistics I have seen:

- * Contributed \$370 billion to our economy in 1983.
- * Generated an estimated 12.9 million jobs in 1983, representing 12.8% of the employed civilian labor force. It is estimated that each \$1 billion of tourism spending directly and indirectly generates 35,000 jobs.
- * Produced over \$44 billion in federal, state and local tax revenue in 1983.

To see how the Administration plans to do this, "let's take a look at the record", as a great American, and a great Democrat, Governor Al Smith, used to say.

First, the Administration proposes to terminate the United States Travel and Tourism Administration, and last week the Senate by a vote of 50 - 49 agreed.

This is the Agency charged with promoting international travel to the United States. It is a small agency, with a modest budget of \$12 million. Yet its programs have a cost/benefit ratio of \$18.50 - \$1. In 1983, it is estimated that:

- * 312,000 Americans were employed as a result of foreign visitor spending; and,
- * foreign visitor spending generated \$1.6 billion in federal, state and local taxes.

I am hopeful that when the smoke clears, the 48 Senate Republicans who voted to terminate this agency will realize their mistake, and we will be able to keep the Travel Administration in business. That agency actually generates revenues, and its efforts contribute to a reduction in the Federal deficit.

While the "deficit reduction" proposal is counter-productive, the "tax simplification" proposals will be devastating if they are enacted.

I think it is a good bet we will see most of the following:

- * Limit deductions for meals and lodging while traveling away from home (to 200% of the federal per diem).
- * Deny all entertainment expenses, (except the cost of business meals) which would include club dues and tickets to public events, as well as a broad range of "entertainment expenses" which may be provided by hotels and motels.
- * Limit deductions for business meals to \$10 per person for breakfast, \$15 for lunch and \$25 per dinner which includes the cost of tax and tips.
- * Terminate deductions for conventions on U.S.-flag cruise vessels.

If the rationale for eliminating the Travel Administration makes no sense, the reasons for limiting these tax deductions makes less.

Very simply, the explanation is that these deductions are tax abuses.

I fail to understand why paying \$25 (including tax and tip) for a business dinner is considered tax deductible, but paying \$75 is considered a tax abuse.

It seems to me that whatever the price, the dinner is either a legitimate business dinner and therefore tax deductible in its entirety; or it is not a legitimate business dinner, and therefore entirely non-deductible.

Illogical distinctions are no substitute for vigorous enforcement of the law.

Besides making no sense, it is unrealistic to cap a dinner at \$25 (including tax and tip). Whoever drafted that proposal must have had 1950 prices in mind.

Besides devastating the restaurant industry, these proposals will harm other industries as well. Business entertainment is one of the tools of the trade when it comes to selling and marketing products.

I can assure you that Japanese or German business man will continue to be able to write off his entertainment expenses. Their American counterparts will have to compete over a fast food counter, however.

So there is no logic to the tax abuse argument; and even proponents of these proposals admit they will not generate revenues for the Treasury.

And yet, there is a very real chance that some or all of these proposals will become law. We all know how persuasive the President is on television, and the Senate is controlled by his party. We saw what that can mean last week in the 50 - 49 vote. Our work is cut out for us, and the choice is clear.