

TRAVEL BUSINESS ROUNDTABLE



March 21, 2000

President William Jefferson Clinton
The White House
Washington, DC 20500

Dear Mr. President:

On behalf of the more than sixty corporations, associations, and union interests which comprise the Travel Business Roundtable (TBR), I am writing to share our thoughts about the minimum wage and corollary tax proposals making their way toward your desk.

The TBR is the leading policy voice in Washington for the highly diverse and burgeoning travel and tourism industry. A CEO driven organization, a list of our membership is attached for your review. The wage and tax proposals passed by the House and Senate contain significant differences which will require conference committee consideration. Your Administration has made clear its preference for a \$1 over two year wage increase with no small business tax offset. If a veto of that conference committee product is to be avoided, negotiations between representatives of the Administration and the Congress will shortly ensue towards an acceptable compromise. It is with an eye toward those negotiations that I wish to share my industry's views.

On the issue of the wage rate increase, leading travel and tourism elements strongly prefer the \$1 increase over three steps embodied in the Senate proposal. A one dollar over two steps timeframe could cause negative impacts for the industry in terms of jobs and job creation as well as price increases. A two-step increase – when coupled with the last increase – would have the effect of raising the entry-level wage rate by 45 percent over five years. This is a significant burden for labor-intensive industries, especially smaller hospitality interests. At a minimum, the effective dates of any increase should allow an appropriate amount of time for businesses to make allowances and should begin after the summer tourist season.

The tax offset packages approved by the House and Senate contain some overlapping and many unicameral provisions. I wish to address only those provisions of most immediate importance to travel and tourism:

Work Opportunities Tax Credit – TBR strongly supports the Senate's action to make WOTC permanent, a provision ratified by the House Democratic alternative which was unfortunately not made in order for floor consideration during the

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chamber's recent debate. Making the WOTC permanent, benefits thousands of disadvantaged individuals who are taking that first critical step into the workforce.

Welfare to Work Tax Credit – The Senate was silent on this important credit; the House granted a temporary extension to December 31, 2001; the House Democratic alternative would have made the credit permanent. As Vice-Chairman of the Welfare to Work partnership, I have an intimate appreciation of what a valuable tool the credit has been in facilitating your welfare reform agenda. TBR believes that the credit should be made permanent.

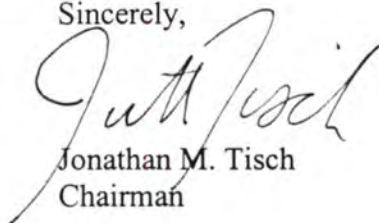
Business Meal Deductibility – The Senate proposal gradually increases the vital business meal deduction up from 50% to 80% for small businesses and the self-employed. The House passed package phases up the deduction from 50% to 60% for all businesses. The House Democratic alternative would have immediately increased the deduction from 50% to 65% for small businesses only.

Increasing the business meal deduction will benefit small businesses and the self-employed who rely most on this deduction. To these people a business meal is just that – business. Restaurants and hotel dining rooms are their conference rooms. In fact, two-thirds of business meal users are small businessmen and the self-employed, whose average cost for a business meal lunch is less than \$12 per person. TBR urges the Administration to support the broadest and most immediate phase-in of an increase as possible.

There are a number of other provisions contained in these tax proposals which are also of interest to us. I have chosen, however, to limit my comments to those proposals of most immediate concern to our membership. The business and organized labor elements of our group believe that favorable action on these proposals will enable the travel & tourism to continue its growth: creating career jobs; moving people from welfare to work; and contributing a \$12 billion trade surplus for our economy. A dominant presence in 435 Congressional Districts and all 50 states, travel and tourism continues to embody the service economy which today defines America. A three tiered wage increase coupled with these credible tax reforms will help our industry remain a catalyst for national growth.

Thank you for allowing me the opportunity to share our views with you.

Sincerely,



Jonathan M. Tisch
Chairman

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