

## GOVERNMENT EXEMPTIONS FROM TAX WITH RESPECT TO TRANSPORTATION OF PROPERTY

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

### REPORT

[To accompany H. R. 3338]

The Committee on Finance, having had under consideration the act (H. R. 3338) relating to Government and other exemptions from the tax with respect to the transportation of property, do hereby report the act favorably to the Senate, without amendment, and with the recommendation that it do pass.

The purpose and intent of the act is clearly set forth in the report of the House Ways and Means Committee, reading as follows:

The bill amends section 3475 (b) of the Internal Revenue Code so as to provide that the tax on the transportation of property shall not apply with respect to transportation to or from the Government of the United States, or any State, Territory, or political subdivision thereof, or the District of Columbia.

The existing exemption in one respect is thought not to be sufficiently broad in that shipments of property to the United States, or to a State, Territory, or political subdivision thereof, or the District of Columbia, on which the transportation charges have been prepaid are, under the present section 3475, subject to tax, and the burden of such payment falls on the governmental agency concerned. The bill extends the exemption to include therein transportation to or from the Government of the United States, or any State, Territory, or political subdivision thereof, or the District of Columbia.

The existing exemption in another respect is thought to be too broad in that amounts paid for transportation furnished by carriers operated by agencies of the United States, such as the Federal Barge Lines and the Alaska Steamship Co., have been exempt from tax, resulting not only in a substantial loss of revenue but also in an unfair competitive advantage for the Government-operated carrier. The bill limits the exemption with respect to transportation furnished by the Government of the United States to that of the Post Office Department.

## CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill 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):

(b) EXEMPTION OF GOVERNMENT TRANSPORTATION.—The tax imposed under this section shall not apply to amounts paid **[by or to the United States or any agency or instrumentality of the United States]** *for the transportation of property to or from the Government of the United States, or any State, Territory, or political subdivision thereof, or the District of Columbia, or to amounts paid to the Post Office Department for the transportation of property.*

