

CONTINUING THE TEMPORARY INCREASES IN POSTAL RATES ON FIRST-CLASS MATTER

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

REPORT

[To accompany H. J. Res. 184]

The Committee on Finance, to whom was referred the joint resolution (H. J. Res. 184) to continue the temporary increases in postal rates on first-class matter, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the joint resolution, as amended, do pass.

This resolution as passed by the House provides for the continuation of 3 cents postage for nonlocal first-class mail until July 1, 1947. Under existing law, the 3-cent postage rate would be reduced to 2 cents, effective July 1, 1945.

Studies are now being made by the Post Office Department of the entire structure of postal rates, and until such studies have been completed, it will not be possible to provide for a permanent rate for nonlocal first-class postage. The revenue from nonlocal first-class mail for the fiscal year 1944 amounted to \$402,000,000. If the rate were allowed to return to 2 cents, it is estimated, on the basis of the volume for 1944, that the revenue loss will exceed \$125,000,000. The new salary increases for postal employees, together with other payments provided by Congress, could absorb receipts from this source for 1946, and result in a deficit, if the 3-cent postage rate were not continued.

The authority granted to the President under existing law to proclaim modification of postage rates on mail matter is also extended to July 1, 1947. This authority of the President, which, under existing law, will expire June 30, 1945, does not apply to first-class matter mailed for local delivery, postal cards, and private mailing or post cards, and the President is not authorized to reduce nonlocal first-class matter to less than 2 cents an ounce or fraction thereof.

Section 2 of the joint resolution, added by your committee, corrects a technical error in section 222 of the Revenue Act of 1942, by which

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the provision in section 222 (c) for review by a special division of the Tax Court of questions arising under section 721 (a) (2) (C) and section 722 of the Internal Revenue Code was made applicable only to taxable years beginning after December 31, 1941. It is desirable that proceedings involving these questions for all excess-profits tax taxable years be treated in the same manner. The effect of the amendment is that the review provision will apply to all taxable years beginning after December 31, 1939.

Section 3 of the joint resolution, also added by your committee, extends to June 30, 1946, the time in which plans adopted prior to January 1, 1945, may be adjusted to meet the requirements of paragraphs (3), (4), (5), and (6) of section 165 (a) of the Internal Revenue Code. These paragraphs deal with requirements as to coverage, contributions, and benefits and prohibited discriminations in favor of officers, stockholders, highly paid and supervisory employees. The amendments make it possible for employers to make necessary retroactive amendments to their plans within the extended period without forfeiture of tax benefits for the taxable year 1944 and earlier revenue years affected by the 1942 amendment. As under the present law, such requirements must be made effective for all purposes as of January 1, 1944, or the effective date of the plan if it becomes effective after January 1, 1944.

It will be recalled that a similar year's extension was granted in the last Congress.

It is the opinion of your committee that this additional time is necessary in order that a study and hearing may be had on this matter.

