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## COPPER IMPORT-TAX SUSPENSION

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APRIL 11 (legislative day, MARCH 24), 1947.—Ordered to be printed

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

### REPORT

To accompany H. R. 2404]

The Committee on Finance, to whom was referred the bill (H. R. 2404) to suspend certain import taxes on copper, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The purpose of this bill is to alleviate the present acute shortage of copper in the United States by suspending certain import taxes on copper. Your committee has amended the bill as passed the House so as to exclude from the suspension, copper sulfate. This would retain the tax on all forms of copper sulfate, including that known as blue vitriol.

Testimony before the committee indicated there was no shortage of copper sulfate in this country. In the last 5 years our total production of copper sulfate has averaged around 200,000,000 pounds annually, and exports for 1946 were around 82,000,000 pounds. In view of this, your committee deemed it inadvisable to suspend the import tax as applied to copper sulfate.

A detailed explanation of the bill (which, except as indicated in footnotes, is equally applicable to the bill as reported by this committee) and the considerations which justify its enactment appear in the House report which is incorporated and made a part of this report as follows:

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[H. Rept. No. 106, 80th Cong., 1st sess.]

The Committee on Ways and Means, to whom was referred the bill (H. R. 2404) to suspend certain import taxes on copper, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

## GENERAL STATEMENT

The purpose of this bill is to alleviate the present acute shortage of copper in the United States. It relieves, until April 1, 1950,<sup>1</sup> copper, copper-bearing ores and concentrates, and various articles containing copper, from the import tax imposed under section 3425 of the Internal Revenue Code, but does not in any way change or affect the tariff duties imposed by the Tariff Act of 1930, as modified by reciprocal-trade agreements, or transfer any article from or to the free list.

Appended to this report are sections 3120, 3125, and 3130 of the Internal Revenue Code, as well as the various paragraphs of the Tariff Act of 1930 specifically mentioned in section 3425.

The import taxes in question are—

(1) Four cents a pound on the copper content of copper-bearing ores and concentrates and of the articles specified in certain enumerated paragraphs of the Tariff Act of 1930;

(2) Three cents a pound on an article not taxable under (1) above, if it is dutiable under the Tariff Act of 1930, and if copper is the component material of chief value; and

(3) Three percent ad valorem, or three-quarters of 1 cent per pound, whichever is the lower, on an article not taxable under (1) or (2) above, if it is dutiable under the Tariff Act of 1930, and if it contains 4 percent or more of copper by weight.

The committee was unanimous in its favorable report on the bill. Representatives of several Government departments and agencies, Members of Congress and others, furnished testimony at a hearing conducted by the committee, which was conclusive in establishing the critical need for a suspension of present import taxes on copper.

The current shortage in domestic copper supplies, while only temporary in nature, is nonetheless extremely serious. Copper is vital to the Nation's building program, to automobile production, and to other major manufacturing operations. Curtailed domestic production of copper and a substantial drop in imports over the past years have resulted in exhaustion of Government-owned stocks accumulated during the war.

In 1946 the production of refined copper from domestic sources, totaled approximately 604,000 short tons. This was 240,000 short tons below the amount produced in 1945. Deliveries in 1946 of refined copper to domestic customers totaled approximately 1,261,000 short tons. The difference, namely, 657,000 short tons, had to be supplied from Government-owned stocks purchased and stock piled without payment of import taxes. Government purchases were discontinued in November 1946 when copper prices were decontrolled. Government-owned stocks of copper in the hands of the Office of Metals Reserve, Reconstruction Finance Corporation, have been reduced to 55,000 short tons as of March 1, 1947, or to less than one-half of 1 month's domestic requirements. During April 1947, Government stocks of copper are expected to be completely exhausted and domestic consumers will then become entirely dependent upon domestic production and current imports.

Estimated domestic production of refined copper for 1947 is placed at approximately 950,000 short tons maximum. Domestic consumption for the same period is estimated at approximately 1,400,000 short tons. The minimum estimated deficit of 450,000 short tons must, therefore, come from private imports of copper. Current imports of copper are negligible largely because the world price of 22.85 cents per pound (\$22.85 per short ton) exceeds the domestic price of 21½ cents. Foreign producers prefer to sell to foreign buyers at the world price rather than to American buyers who must add to their cost the import taxes levied under section 3425 of the Internal Revenue Code. These increased costs would of course, be reflected in increased costs to the small, independent fabricator in the United States and in higher prices on articles containing copper.

Domestic production in the United States is not currently at normal levels largely because copper mines have become depleted at an accelerated rate during the war and for the further reason that most of the labor force normally employed in development and exploration was transferred to production activities. While basic copper deposits were not seriously depleted, the developed portions of existing deposits were worked down to a low producing level which leaves the industry with insufficient developed openings to support the heavy postwar needs for copper.

<sup>1</sup> Under bill as amended and passed by the House and as reported by the Senate committee, the suspension of tax would terminate on March 31, 1949.

According to witnesses appearing before the committee it will be several years before domestic production can balance domestic requirements for copper, and considerable time is required to realize on foreign purchase commitments which must be made long in advance of deliveries. It is vital to the Nation's economy, therefore, that everything possible be done to stimulate both domestic copper production and imports of copper in the next few years. Temporary removal of the import taxes for a 3-year period<sup>2</sup> as provided in this bill should clear the way for increased imports of copper while domestic producers are catching up with the domestic market.

#### TECHNICAL ANALYSIS OF THE BILL

Under section 3425 of the Internal Revenue Code an import tax is imposed upon copper-bearing ores and concentrates, upon articles provided for in paragraph 316, 380, 381, 387, 1620, 1634, 1657, 1658, or 1659 of the Tariff Act of 1930 and also upon all other articles dutiable under the Tariff Act of 1930, if copper (including copper in alloys) is the component material of chief value, or if the article contains 4 percent or more of copper by weight. Section 3430 of the code provides that this tax shall be levied, assessed collected, and paid in the same manner as a duty imposed by the Tariff Act of 1930, and shall be treated for the purposes of all provisions of law relating to customs revenue as a duty imposed by such act, with certain exceptions.

The bill reported provides that this tax shall not apply with respect to articles entered for consumption or withdrawn from warehouse for consumption during the period beginning with the day following the date of the enactment of this act and ending with the close of March 31, 1950.<sup>3</sup> The term "articles" mentioned in the bill includes everything that is taxable under section 3425 as above described. If on or prior to the date of the enactment of the act an article has come into the United States but has not been entered for consumption, or if put in bonded warehouse has not been withdrawn for consumption, the tax will not apply if the entry for consumption or withdrawal from warehouse for consumption occurs after the date of the enactment of the act and before April 1, 1950;<sup>4</sup> but an article put into bonded warehouse during the above-mentioned period and not withdrawn from warehouse for consumption until after March 31, 1950,<sup>5</sup> will be subject to the tax.

Under the act of March 13, 1942 (Public Law 497, 79th Cong., 56 Stat. 171), no import tax under section 3425 of the Internal Revenue Code shall be levied, collected, or payable on nonferrous-metal scrap entered for consumption or withdrawn from warehouse for consumption during the period beginning with March 14, 1942, and ending with the termination of the unlimited national emergency declared by the President on May 27, 1941. If the unlimited national emergency is terminated before the close of March 31, 1950,<sup>6</sup> non-ferrous-metal scrap to the extent that it is subject to tax under section 3425 of the Internal Revenue Code will still be free of import tax under the provisions of the bill as reported, until the close of March 31, 1950. If the unlimited national emergency has not been terminated before the close of March 31, 1950,<sup>7</sup> the act of 1942 will continue to relieve any nonferrous-metal scrap subject to the import tax under section 3425 from such tax until the termination of the emergency.

#### EXCERPTS FROM EXISTING LAW

For the information of the House there are set forth below certain sections of the Internal Revenue Code and certain paragraphs of the Tariff Act of 1930:

#### INTERNAL REVENUE CODE

##### SEC. 420. IMPOSITION OF TAX.

"In addition to any other tax or duty imposed by law, there shall be imposed upon the following articles imported into the United States unless treaty provisions of the United States otherwise provide a tax at the rates specified in sections 3422 to 3425, inclusive.

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<sup>2</sup> Under bill as amended and passed by the House and as reported by the Senate committee, period of temporary removal of tax would be 2 years.

<sup>3</sup> Under bill as amended and passed by the House and as reported by the Senate committee, date referred to would be March 31, 1949.

<sup>4</sup> Under bill as amended and passed by the House and as reported by the Senate committee, date referred to would be April 1, 1949.

**SEC. 3425. COPPER.**

"Copper-bearing ores and concentrates and articles provided for in paragraphs 316, 380, 381, 387, 1620, 1634, 1657, 1658, or 1659 of the Tariff Act of 1930, 4 cents per pound on the copper contained therein: *Provided*, That no tax under this section shall be imposed on copper in any of the foregoing which is lost in metallurgical processes: *Provided further*, That ores or concentrates usable as a flux or sulphur reagent in copper smelting and/or converting and having a copper content of not more than 15 per centum, when imported for fluxing purposes, shall be admitted free of said tax in an aggregate amount of not to exceed in any one year 15,000 tons of copper content. All articles dutiable under the Tariff Act of 1930, not provided for heretofore in this section, in which copper (including copper in alloys) is the component material of chief value, 3 cents per pound. All articles dutiable under the Tariff Act of 1930, not provided for heretofore in this section, containing 4 per centum or more of copper by weight, 3 per centum ad valorem or  $\frac{3}{4}$  of 1 cent per pound, whichever is the lower. The tax on the articles described in this section shall apply only with respect to the importation of such articles. The Secretary is authorized to prescribe all necessary regulations for the enforcement of the provisions of this section.

**SEC. 3430. APPLICABILITY OF TARIFF PROVISIONS.**

"The tax imposed by section 3420 shall be levied, assessed, collected, and paid in the same manner as a duty imposed by the Tariff Act of 1930, 46 Stat. 590, 672 (U. S. C., title 19, c. 4) and shall be treated for the purposes of all provisions of law relating to the customs revenue as a duty imposed by such Act, except that—

"(a) the value on which such tax shall be based shall be the sum of (1) the dutiable value (under section 503 of such Act) of the article, plus (2) the customs duties, if any, imposed thereon under any provision of law;

"(b) for the purposes of section 489 of such Act (relating to additional duties in certain cases of undervaluation) such tax shall not be considered an ad valorem rate of duty or a duty based upon or regulated in any manner by the value of the article, and for the purposes of section 336 of such Act (the so-called flexible tariff provision), such tax shall not be considered a duty;

"(c) no drawback of such tax (except tax paid upon the importation of an article described in sections 3422, 3423, 3424, and 3425) shall be allowed under section 313 (a), (b), or (f) of the Tariff Act of 1930 or any provision of law allowing a drawback of customs duties on articles manufactured or produced with the use of duty-paid materials;

"(d) Such tax (except tax under sections 3422 to 3425, inclusive) shall be imposed in full notwithstanding any provision of law granting exemption from or reduction of duties to products of any possession of the United States; and for the purposes of taxes under sections 3422 to 3425, inclusive, the term 'United States' includes Puerto Rico."

**PARAGRAPHS OF TARIFF ACT OF 1930 SPECIFICALLY MENTIONED  
IN SECTION 3425 OF THE INTERNAL REVENUE CODE**

NOTE.—It should be noted that the various rates of duty set forth below may have been modified by a reciprocal trade agreement:

**"TITLE I—DUTIABLE LIST**

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**"SCHEDULE 3.—METALS AND MANUFACTURES OF**

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"**Par. 316.** (a) Round iron or steel wire, not smaller than ninety-five one-thousandths of one inch in diameter, three-fourths of 1 cent per pound; smaller than ninety-five one-thousandths and not smaller than sixty-five one-thousandths of one inch in diameter,  $1\frac{1}{4}$  cents per pound; smaller than sixty-five one-thousandths of one inch in diameter,  $1\frac{1}{2}$  cents per pound: *Provided*, That all the foregoing valued above 6 cents per pound shall be subject to a duty of 25 per centum ad valorem; all wire composed of iron, steel, or other metal, not specially provided for (except gold, silver, platinum, tungsten, or molybdenum); all flat wires and

all steel in strips not thicker than one-quarter of one inch and not exceeding sixteen inches in width, whether in long or short lengths, in coils or otherwise, and whether rolled or drawn through dies or rolls, or otherwise produced, 25 per centum ad valorem: *Provided*, That all wire of iron, steel, or other metal coated by dipping, galvanizing, sherardizing, electrolytic, or any other process with zinc, tin, or other metal, shall be subject to a duty of two-tenths of 1 cent per pound in addition to the rate imposed on the wire of which it is made; telegraph, telephone, and other wires and cables composed of iron, steel, or other metal (except gold, silver, platinum, tungsten, or molybdenum), covered with or composed in part of cotton, jute, silk, enamel, lacquer, rubber, paper, compound, or other material, with or without metal covering, 35 per centum ad valorem; wire rope, 35 per centum ad valorem; wire strand, 35 per centum ad valorem; spinning and twisting ring travelers, 35 per centum ad valorem; wire heddles and healds, 25 cents per thousand and 30 per centum ad valorem.

"(b) Ingots, shot, bars, sheets, wire, or other forms, not specially provided for, or scrap, containing more than 50 per centum of tungsten, tungsten carbide, molybdenum, or molybdenum carbide, or combinations thereof: Ingots, shot, bars, or scrap, 50 per centum ad valorem; sheets, wire, or other forms, 60 per centum ad valorem.

"Par. 380. German silver, or nickel silver, unmanufactured, 20 per centum ad valorem; nickel silver sheets, strips, rods, and wire, 30 per centum ad valorem.

"Par. 381. Copper in rolls, rods, or sheets, 2½ cents per pound; copper engravers' plates, not ground, and seamless copper tubes and tubing, 7 cents per pound; copper engravers' plates, ground, and brazed copper tubes, 11 cents per pound; brass rods, sheet brass, brass plates, bars, and strips, Muntz or yellow metal sheets, sheathing, bolts, piston rods, and shafting, 4 cents per pound; seamless brass tubes and tubing, 8 cents per pound; brazed brass tubes, brass angles and channels, 12 cents per pound; bronze rods and sheets, 4 cents per pound; bronze tubes, 8 cents per pound.

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"Par. 387. Phosphor-copper or phosphorus-copper, 3 cents per pound.

"TITLE II--FREE LIST

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"Par. 1620. Bells, broken, and bell metal, broken and fit only to be remanufactured.

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"Par. 1634. Brass, old brass, clippings from brass or Dutch metal, all the foregoing, fit only for remanufacture.

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"Par. 1657. Composition metal of which copper is the component material of chief value, not specially provided for.

"Par. 1658. Copper ore; regulus of, and black or coarse copper, and cement copper; old copper, fit only for remanufacture, copper scale, clippings from new copper, and copper in plates, bars, ingots, or pigs, not manufactured or specially provided for.

"Par. 1659. Copper sulphate or blue vitriol; copper acetate and subacetate or verdigris."

