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DESCRIPTIVE SUMMARY AND ISSUES OF FEDERAL EXCISE TAXATION

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FOREWORD

This report has been prepared by the staff of the Committee on Finance for the use of the members of the committee. It was reviewed prior to publication by the staff of the Joint Committee on Internal Revenue Taxation.

The introductory sections of the report indicate the place of the excises in the Federal tax structure during the past 20 years and, more particularly, developments in Federal excise taxation since 1939. The subjects, measures, and rates of existing excise taxes are listed and compared with those in effect in 1940. The amount and proportion of total 1947 excise tax revenues contributed by each kind of excise is shown in a break-down of 1947 excise tax revenues, and this data is summarized in accordance with broad classifications of the excises.

Following the general statement of the report a brief description of each of the excises is presented in a series of 29 summaries. The individual summaries state the scope and existing rates of the tax described; the revenues from that tax in the last 5 years; the objections to the tax presented to the Committee on Ways and Means in the course of hearings held in May, June, and July 1947; and identify bills introduced in the first session of the Eightieth Congress affecting the tax. The objections to the excises summarized from the hearings before the Ways and Means Committee have not been analyzed critically in the report. They are limited by the testimony presented to the Committee on Ways and Means, represent the opinions of the witnesses, and appear in this report without selection, analysis, or evaluation.

The report has been ordered printed for purposes of information and discussion and has not been considered or approved by the Committee on Finance or by any of its members.

DESCRIPTIVE SUMMARY AND ISSUES OF FEDERAL EXCISE TAXATION

Summary Statement

1. *Contribution of excises to Federal revenues 1928–47*

The place of excise taxes in the structure of Federal revenues during the past 20 years is shown in the following table setting out the proportion of the total tax revenues contributed by excise taxes in each of the years 1928–47.

Excise tax collections: Amount and percent of total tax collections 1928–1947

Fiscal year	Total tax revenues (millions)	Excise tax collections (millions)	Percent excises of total	Fiscal year	Total tax revenues (millions)	Excise tax collections (millions)	Percent excises of total
1928	$3,360	$547	16.3	1938	5,260	1,716	32.6
1929	3,541	540	15.2	1939	4,741	1,749	36.9
1930	3,627	565	15.6	1940	4,838	1,867	38.6
1931	2,807	520	18.5	1941	6,818	2,381	34.9
1932	1,885	454	24.1	1942	12,234	3,123	25.5
1933	1,871	839	44.8	1943	21,194	3,795	17.9
1934	2,986	[1] 1,659	55.6	1944	38,812	4,461	11.5
1935	3,610	[1] 1,857	51.4	1945	42,376	5,945	14.0
1936	3,881	[1] 1,593	41.0	1946	39,407	6,684	17.0
1937	4,855	1,746	36.0	1947	37,578	7,283	19.4

[1] Includes AAA processing taxes.

Source: From Annual Report, Secretary of the Treasury, for year ending June 30, 1947. Includes total internal revenue tax collections and customs receipts. Employment taxes are not included in any of the references of this report because of their special character and appropriation to restricted uses.

During the past 20 years 20.1 percent of Federal tax revenues came from excise taxes, although the extent of the dependency upon excises for revenues varied widely during this period. For example, in the 5 years 1928–32, 15–24 percent of Federal tax revenues came from excises. In the years 1933–37 between 36–56 percent of all taxes were contributed by excises. In the years 1938–42 excise tax collections ranged from 26–39 percent of all tax collections. And in the most recent 5-year period excise taxes contributed from 12–19 percent of Federal tax revenues.

2. *Contribution of excise taxes to Federal revenues 1940–47*

In the 1940 fiscal year excise tax collections amounted to 1.9 billion dollars, and accounted for 39 percent of tax collections in that year.

By 1945, excise tax collections had mounted to 5.9 billion dollars, mainly by reason of increases in the rates of tax and the imposition of new excises. The following table lists the excises in effect in 1940 and 1945 and states the changes within this period. The same rates in effect in 1945 are in effect now.

Excise taxes and rates: 1940 and 1945 (1948)

[Excluding license taxes]

Subject of tax	Measure of tax	Rates of tax: Jan. 1, 1940	Rates of tax: Jan. 1, 1945 (1948)
Admissions and dues:			
Admissions	Price	1 cent for each 10 cents when charge exceeds 40 cents.	1 cent for each 5 cents.[1]
Lease of boxes or seats	Rental charge	10 percent	20 percent.
Manager or employee sale of tickets at excess prices.	Excess of price	50 percent	Same.
Ticket sales outside box offices	do	10 percent	20 percent.[1]
Dues	Amount	10 percent of excess over $25.	20 percent.[1]
Initiation fees	do	10 percent of excess over $10.	20 percent.[1]
Adulterated butter	Per pound	10 cents	Same.
Alcoholic beverages:			
Distilled spirits	Per proof gallon	$2.25	$9.[1]
Perfumes containing distilled spirits	Per wine gallon	$2.25	$9.[1]
Still wines under 24 percent alcohol	Per wine gallon	5 cents to 20 cents.	15 cents to $2.[1]
Champagne or sparkling wine	Per half pint	2½ cents	15 cents.[1]
Liqueurs and cordials	do	1¼ cent	10 cents.[1]
Artifically carbonated wines	By volume	1¼ cents per pint.	10 cents per half pint.[1]
Rectified spirits and wines	Per proof gallon	30 cents additional.	Same.
Fermented malt liquors	Per barrel	$5	$8.[1]
Stills and worms manufactured	By unit	$20	$22.
Automobiles, tires, tubes, etc.			
Passenger cars, motorcycles, and house trailers.	Manufacturer's price.	3 percent	7 percent.
Trucks and busses	do	2 percent	5 percent.
Automobile parts and accessories	do	do	5 percent.
Tires	Per pound	2¼ cents	5 cents.
Inner tubes	do	4 cents	9 cents.
Bank-note circulation by other than national banks:			
If circulation exceeds 5 percent of capital.	Average amount of circulation.	1/12 of 1 percent per month.	Same.
Circulation exceeding 90 percent of capital.	Average amount of excess circulation.	¼ of 1 percent per month.	Same.
Bowling alleys, billiard and pool tables	Per unit, per year.		$20.[1]
Business and store machines	Manufacturer's price.		10 percent.
Coconut and other vegetable oils	Per pound	5 cents	2 cents.
Coin machines:			
Entertainment machines	Per unit, per year.		$10.
Slot machines	do		$100.
Communication:			
Telegrams:			
Domestic	Price per message.	5 percent	25 percent.[1]
Foreign	do	do	10 percent.
Radio and cable messages:			
Domestic	Per message	10 cents each	25 percent of price.[1]
Foreign	do	do	10 percent of price.
Telephone calls, long distance	Per call	10 to 20 cents each.	25 percent of price.[1]
Telephone service, local	Price		15 percent.[1]
Leased wires	do	5 percent	25 percent.[1]
Wire and equipment services	do	do	8 percent.[1]
Cotton futures which do not meet specified requirements.	Per pound	2 cents	Same.
Documents:			
Bonds issued	$100 face value	10 cents	11 cents.
Bonds transferred	do	4 cents	5 cents.
Conveyances	$500 face value	50 cents	55 cents.
Foreign insurance other than life, etc.	$1 of premium	3 cents	4 cents.
Foreign life, sick, and accident insurance.	do		1 cent.
Foreign reinsurance	do		1 cent.
Par value stock issued	$100 face value	10 cents	11 cents.
No-par stock issued:			
Actual value under $100	$20 of value	2 cents	3 cents.
Actual value $100 or more	$100 of value	10 cents	11 cents.
Par value stock transferred:			
Selling price under $20	$100 face value	4 cents	5 cents.
Selling price $20 or more	do	5 cents	6 cents.
No-par stock transferred:			
Selling price under $20	Per share	4 cents	5 cents.
Selling price $20 or more	do	5 cents	6 cents.

See footnotes at end of table, p. 3.

Excise taxes and rates: 1940 and 1945 (1948)—Continued

Subject of tax	Measure of tax	Rates of tax	
		Jan. 1, 1940	Jan. 1, 1945 (1948)
Electrical energy	Price	3 percent	3½ percent.
Electric, gas and oil appliances	Manufacturer's price.		10 percent.
Electric light bulbs and tubes	do		20 percent.[1]
Filled cheese	Per pound	1 cent	Same.
Firearms and ammunition:			
Firearms, shells, and cartridges	Manufacturer's price.	10 percent	11 percent.
Machine guns, etc	Per unit, per transfer.	$200	Same.
Furs	Retail price		20 percent.
Gasoline and Lubricating Oil:			
Gasoline	Per gallon	1 cent	1½ cents.
Lubricating oil	do	4 cents	6 cents.
Jewelry:			
Watches retailing for $65 or less	Retail price		10 percent.
Alarm clocks retailing for $5 or less	do		10 percent.
Other jewelry	do		20 percent.[1]
Luggage, purses, toilet cases, etc	do		20 percent.[1]
Matches:			
Paper or plain wooden	Per 1,000		2 cents.
Fancy wooden	do	5 cents	5½ cents.
White phosphorus	Per 100	2 cents	Same.
Narcotics:			
Opium:			
Coca leaves, etc	Per ounce	1 cent	Same.
For smoking	Per pound	$300	Same.
Marihuana transfers:			
To registered taxpayers	Per ounce	$1	Same.
To others	do	$100	Same.
Oleomargarine:			
Yellow	Per pound	10 cents	Same.
Uncolored	do	¼ cent	Same.
Photographic apparatus:			
Cameras, lenses, apparatus, and equipment.	Manufacturer's price.		25 percent.
Film, plates, and sensitized paper	do		15 percent.
Playing cards	Per pack	10 cents	13 cents.
Process or renovated butter	Per pound	¼ cent	Same.
Radios, phonographs, records, and musical instruments.	Manufacturer's price.	5 percent (records and musical instruments not taxed).	10 percent.
Safe deposit box rentals	Price	10 percent	20 percent.
Silver bullion transfers	Excess of transfer price over cost.	50 percent	Same.
Sporting goods	Manufacturer's price.		10 percent.
Sugar:			
Less than 92 degrees	Per pound	0.5144 cent	Same.
92 degrees	do	0.465 cent	Same.
Each degree in excess of 92	do	0.00875 cent	Same.
Tobacco:			
Chewing and smoking	do	18 cents	Same.
Snuff	do	do	Same.
Cigars:			
Small	Per 1,000	75 cents	Same.
Large	do	$2 to $13.50	$2.50 to $20.
Cigarettes:			
Small	do	$3	$3.50.
Large	do	$7.20	$8.40.
Cigarette papers	Per 50	0.5 cent	Same.
Cigarette tubes	do	1 cent	Same.
Toilet preparations	Retail price	10 percent	20 percent.
Transportation of oil by pipe line	Price or value	4 percent	4½ percent.
Transportation of persons	Price		15 percent.
Transportation of property:			
Coal	Per short ton		4 cents.
Other property	Price		3 percent.

[1] Tax rates were scheduled to terminate 6 months after the cessation of hostilities, but were continued by Public Law 17, Mar. 11, 1947.

Notwithstanding changes in rates and the imposition of new excises, the proportion of total tax collections contributed by excises had declined from 39 percent in 1940 to 12 percent in 1944—the lowest ratio in the past 20 years. In 1945, when the increases in 1944 in excise tax rates became manifest in tax collections, this proportion rose to 14 percent. Nevertheless excise taxes had lost their relative importance as a revenue source by reason of the increase in income and profits tax collections which, from 2.1 billion dollars in 1940, had mounted to 35.1 billion dollars in 1945.

Between 1945 and 1947 excises continued to contribute a rising proportion of total tax revenues, the proportion increasing to 17 percent in 1946 and to 19 percent in 1947. This rise in proportion was due to an increase in excise tax collections from the 1945 figure of 5.9 billion dollars to 7.3 billion in 1947, and to a concurring decrease in total tax and custom revenues from 42.4 billion dollars in 1945 to 37.6 billion in 1947.

In the main the increase in excise tax collections between fiscal 1945 and fiscal 1947 came from an increase in the consumption of goods subject to excise tax, and in some cases from increases in selling prices. The removal of the exemption applied to purchases of the Federal Government prior to 1945 was a factor in the rise also, affecting both excise collections and total collections; but this artificial factor was felt mainly in fiscal 1945, and in subsequent years was of diminishing importance.

3. Excise taxes in 1947

The Excise Tax Act of 1947 (Public Law 17, March 11, 1947) continued without a definite termination date the wartax rates on admissions and dues, luggage and handbags, jewelry, furs,[1] toilet preparations, alcoholic beverages, billiard and pool tables and bowling alleys, electric light blubs, telephone and telegraph and telephone service, and transportation of persons.[1] One of the purposes of the act was to "* * * place all war-excise taxes and increases on the same basis so that the entire group may be considered together at the proper time" (S. Rept. No. 21, 80th Cong. 1st sess.).

The commodities, services, and transactions subject to excise tax, yielding total collections in fiscal 1947 of $7,282,300,000, are listed below. The list names a category of excises in most cases, so the number of specific excises is far greater than appears from the list. The category "alcoholic beverages," for illustration, embraces excises on distilled spirits, rectified spirits, imported perfumes containing distilled spirits, still wines, champagne and sparkling wines, artificially carbonated wines, liqueurs and cordials, beer and ale, stills and worms; and brewers', rectifiers', manufacturers', vendors' and dealers' license taxes.

[1] In modified form.

Excise taxes in 1947: Subjects and yields

Tax	Collections for year ending June 30, 1947	Percent of total collections
Admissions and dues	$479,500,000	6.6
Alcoholic beverages	2,474,800,000	34.0
Automobiles, parts, accessories, tires, and tubes	541,600,000	7.4
Bowling alleys and billiard and pool tables	4,500,000	.1
Business and store machines	25,200,000	.3
Cocoanut and other vegetable oils	17,200,000	.2
Coin-operated devices	20,400,000	.3
Communications	417,700,000	5.7
Documents	71,100,000	1.0
Electrical energy	63,000,000	.9
Electric, gas, and oil appliances	65,600,000	.9
Electric light bulbs and tubes	23,200,000	.3
Firearms and ammunition	9,400,000	.1
Furs	97,500,000	1.3
Gasoline and lubricating oils	515,700,000	7.1
Jewelry	236,600,000	3.2
Luggage, purses, toilet cases, etc	84,600,000	1.2
Matches	8,400,000	.1
Oleomargarine	5,900,000	.1
Photographic apparatus	36,200,000	.5
Playing cards	7,800,000	.1
Radios, phonographs, records, and musical instruments	82,500,000	1.1
Refrigerators and air-conditioners	37,400,000	.5
Safe-deposit box rental	8,600,000	.1
Silver bullion transfers	1,100,000	(1)
Sporting goods	17,100,000	.2
Tobacco	1,237,800,000	17.0
Toilet preparations	95,500,000	1.3
Transportation of—		
Oil by pipe line	17,000,000	.2
Persons	244,000,000	3.4
Property	275,700,000	3.8
Other:		
Adulterated butter, process or renovated butter, mixed flour and filled cheese	30,000	(1)
Bank note circulation	0	0
Cotton futures	0	0
Narcotics	800,000	(1)
Sugar	59,200,000	.8

[1] Less than 1/10 of 1 percent.

In the following sections of this report there are descriptive summaries of each of these categories of excise taxes yielding collections in excess of $1,000,000 showing for each the rates of tax and the amounts of tax collections over the past 5 years; relevant statistics on production, sales, or earnings of businesses manufacturing or selling the taxed commodities or services where readily available; a summary of testimony in opposition to the particular taxes as presented in the Ways and Means Committee hearings during May, June, and July of last year; and a summary of bills introduced respecting the particular taxes in the Eightieth Congress, first session.[1]

[1] Descriptive summaries are not provided in this report for the taxes on adulterated butter (etc.), bank-note circulation, cotton futures, and narcotics, because revenues under these taxes were less than $1,000,000 in fiscal year 1947. No summary of the sugar tax is given because this tax is levied to support a specific agricultural program.

The following table consolidates the categories of excise taxes under broad classifications. As there shown, the taxes on alcoholic beverages and on tobacco and tobacco products alone produced 3.7 billion dollars of revenue, or 51 percent of the 7.3 billion dollars collected from excises in fiscal 1947. The remaining 49 percent of the total collections came from 30 other categories of excises of which only 7 contributed as much as 2 percent of the revenue. These seven categories, in the order of their rank, were automobiles, parts, accessories, tires and tubes (7.4 percent); gasoline and lubricating oils (7.1 percent); admissions and dues (6.6 percent); communications (5.7 percent); transportation of property (3.8 percent); transportation of persons (3.4 percent); and jewelry (3.2 percent). The remaining 27 categories contributed collections totalling 859.2 million dollars or 11.8 percent of total 1947 excise-tax revenues.

EXCISE TAXES 1947: SUMMARY TABLE

		Percent		Percent
Commodities:				
Alcoholic beverages			$2,474,800,000	34.0
Tobacco and tobacco products			1,237,800,000	17.0
Manufacturers' excises:				
Automobiles, parts, tires, tubes, etc	$541,600,000	7.4		
Gasoline and lubricating oil	515,700,000	7.1		
Others	305,000,000	4.2		
			1,362,300,000	18.7
Retail excises:				
Jewelry	236,600,000	3.2		
Furs	97,500,000	1.3		
Toilet preparations	95,500,000	1.3		
Luggage, purses, etc	84,600,000	1.2		
			514,200,000	7.0
Services:				
Transportation	536,700,000	7.4		
Communications	417,700,000	5.7		
Others	71,600,000	1.0		
			1,026,000,000	14.1
Admission and dues			479,500,000	6.6
Miscellaneous			188,000,000	2.6

I. TAXES ON ADMISSIONS AND DUES

Description

The following taxes are levied on admissions and dues:

Admissions, 1 cent for each 5 cents or major fraction thereof.
Cabarets, roof gardens, etc., 20 percent.
Dues or membership fees, 20 percent.
Initiation fees, 20 percent.
Permanent use or lease of boxes or seats, 20 percent.
Sales of tickets by brokers, 20 percent of excess plus usual tax.
Sales of tickets by proprietor or employee at price in excess of box-office price, 50 percent of excess plus usual tax.

Revenues

Revenues from taxes on admissions and dues for the past five fiscal years have been as follows:

1943	$161,000,000	1946	$434,200,000
1944	214,500,000	1947	479,500,000
1945	371,600,000		

In the fiscal year 1947 these revenues were divided as follows:

	Percent
Admissions	81.5
Cabarets, roof gardens, etc	13.2
Dues, membership fees, initiation fees	4.9
Others	.4

Objections

During the 1947 hearings before the House Ways and Means Committee representatives of the theater owners argued that as rising prices leave a smaller and smaller share of the consumer's dollar for entertainment the effects of the 20-percent tax will be severe. They pointed out that their costs are largely fixed and that a relatively small drop in attendance will wipe out a disproportionate share of their profits. They stated that the drop in attendance they fear began to develop in 1947.

The theater owners argued that the admissions tax favors competition from bowling alleys, bingo games, etc., where admission is not taxed. The American Theater Association (representing motion-picture-theater owners) recommended a graduated admissions tax, arguing that the present tax is regressive, since low-income groups spend a larger share of their incomes on movies. The Motion Picture Theater Owners of America recommended a return to the old 10-percent tax rate.

Representatives of the legitimate theater argued that a graduated admissions tax or an admissions tax with a high exemption would discriminate against the legitimate theater. They pointed out that the legitimate theater is a part of the cultural life of the country and should not be placed in the same category with night clubs. In fact, the theater is considered so important in some countries that, instead of being taxed, it is subsidized.

A representative of amusement park, swimming pool, and beach owners said that they have particular grounds for complaint against the 20-percent admission tax. They ordinarily have a season limited to 4 months of the year and feel that this fact should be reflected in the rate of tax on their businesses. Also he argued that most of their clientele is from lower income groups. He recommended a 10-percent tax with an exemption of admissions up to 20 cents for outdoor amusement parks, pools, and beaches.

A representative of the agricultural fairs argued that they are nonprofit and basically educational in purpose (many are subsidized by State and local governments) and should be exempt from admission taxes, just as they are exempt from income taxes and property taxes. His argument was that "no tax should be paid to see educational exhibits." He recommended an exemption for the general admission (outside gate) and for admissions to educational and competitive exhibitions at agricultural fairs.

Exemption from admissions taxes was also urged for elementary and secondary schools presenting entertainments. It was argued that these schools use admission receipts for useful extra-curricular activities which are primarily educational in nature, and therefore should not be subject to excise taxes.

Pending bills

Three bills relating to admissions tax are now pending in the Senate:

H. R. 3602—To exempt agricultural fairs from the admissions tax;

S. 684—To exempt agricultural fairs from the admissions tax; and

S. 779—To exempt certain charitable entertainments from the admissions tax.

The following bills relating to taxes on admissions and dues are now pending in the House:

H. R. 459—To exempt agricultural fairs from the admissions tax;

H. R. 598—To exempt agricultural fairs from the admissions tax;

H. R. 1060—To exempt activities of elementary and secondary schools from the admissions tax;

H. R. 1601—To exempt certain activities of elementary and secondary schools from the admissions tax;

H. R. 2158—To exempt activities of police or fire departments from the admissions tax;

H. R. 2574—To exempt certain charitable entertainments from the admissions tax;

H. R. 3649—To exempt certain activities of religious, educational, or charitable institutions; to exempt activities for the benefit of military personnel; to exempt certain activities for the benefit of military reserve organizations and veterans organizations; and to exempt certain activities for the benefit of police and fire departments;

H. R. 3866—To exempt activities conducted by Federal, State, or local governments from the admissions tax; and

H. R. 4711—To exempt the admissions of persons under 20 from the admissions tax where the admissions inure to religious, educational, or charitable organizations, civic improvement organizations, National Guard organizations, or veterans organizations.

II. TAXES ON ALCOHOLIC BEVERAGES

Description

The following taxes are levied on alcoholic beverages:

Distilled spirits, $9 per proof gallon.
Rectified spirits, 30 cents additional per proof gallon.
Imported perfumes containing distilled spirits, $9 per wine gallon.
Still wines:
- 14 percent alcohol or less, by volume, 15 cents per wine gallon.
- 14–21 percent, 60 cents per wine gallon.
- 21–24 percent, $2 per wine gallon.
- Over 24 percent, taxed as distilled spirits.

Champagne and sparkling wine, 15 cents per half pint.
Artificially carbonated wine, 10 cents per half pint.
Liqueurs and cordials, 10 cents per half pint.
Beer and ale, $8 per barrel.
Stills manufactured, $22 each.
Worms manufactured, $22 each.
Licenses:
- Brewers of less than 500 barrels, $55.
- Brewers of 500 barrels or more, $110.
- Rectifiers of less than 500 barrels, $110.
- Rectifiers of 500 barrels or more, $220.
- Retail liquor dealers, $27.50.
- Wholesale liquor dealers, $110.
- Retail malt liquor dealers, $22.
- Wholesale malt liquor dealers, $55.
- Manufacturers of stills and worms, $55.
- Manufacturers of designated nonbeverage products, $25 to $100.
- Vendors at fairs, etc., $2.20 per month.

Revenues

Revenues from the taxes on alcoholic beverages for the past five fiscal years have been as follows:

Fiscal year—	Distilled spirits and wine, including licenses	Fermented malt liquors, including licenses	Total
1943	$964,600,000	$458,900,000	$1,423,500,000
1944	1,055,500,000	562,500,000	1,618,000,000
1945	1,668,100,000	641,800,000	2,309,900,000
1946	1,872,200,000	653,900,000	2,526,200,000
1947	1,809,700,000	665,100,000	2,474,800,000

Objections

Tax-paid withdrawals of alcoholic beverages since 1939 have been as follows:

Year	Distilled spirits (thousands of tax gallons)	Still wines (thousands of wine gallons)	Sparkling wines (thousands of wine gallons)	Fermented malt liquors (thousands of barrels)
1939	96,779	72,077	380	52,787
1940	103,247	84,748	598	51,811
1941	109,747	97,498	918	57,403
1942	136,592	109,469	845	64,584
1943	97,037	89,632	1,206	72,693
1944	101,204	86,740	1,395	79,514
1945	119,346	87,675	1,418	81,841
1946	137,797	130,335	2,055	79,004
1947	123,689	[1](89,000)	[1](940)	87,099

[1] Based on data for the first 11 months of 1947, unadjusted.

Source: Compiled from data of the Alcohol Tax Unit, Bureau of Internal Revenue, collected by the Survey of Current Business, Department of Commerce.

General objections to the taxes on alcoholic beverages in the 1947 hearings before the House Ways and Means Committee were directed primarily to the large increases in these taxes since before the war. For example, the tax on distilled spirits has been increased from $4 to $9 per proof gallon. And Federal excise-tax increases have been accompanied by increase in State liquor taxes. It was argued that, now that sugar rationing is at an end, the present high tax rates encourage increase of illegal distilling.

A representative of the industries using ethyl alcohol in nonbeverage products argued that they are subject to an unduly high tax rate. Nearly all alcohol used industrially is denatured and tax-free, but ethyl alcohol is necessary in the preparation of certain foods and medicines. Ethyl alcohol users pay the full tax of $9 per proof gallon on distilled spirits, getting a draw-back of $6 after withdrawal. They argued that their net tax ($3 per proof gallon) is too high, running as high as six and one-third times the value of the alcohol taxed. Also they stated that they must wait 5 to 6 months for their $6 draw-back, so that the firms involved always have about $12,000,000 of working capital tied up in the Treasury in the form of taxes upon which draw-backs will be paid. They recommended reduction of the tax on ethyl alcohol to $1 per proof gallon and elimination of temporary payment of the full distilled spirits tax, estimating these proposals would cost approximately $16,000,000 per year.

Pending bills

The following bills affecting the taxes on alcoholic beverages are now pending in the Senate:

S. 13.—To provide for the forfeiture of incompletely marked packages of distilled spirits of less than 5 gallons and to amend in certain respects the provisions for basic alcohol permits; and

H. R. 1947.—To relieve investors in registered distilleries and fruit distilleries of liability for spirits taxes.

The following bills affecting the taxes on alcoholic beverages are now pending in the House:

S. 1576—To confer subpena power in connection with hearings on denial or revocation of industrial alcohol permits;

H. R. 282—To make imported fermented liquor subject to the internal-revenue tax on fermented liquor;

H. R. 940—Identical with H. R. 1947;

H. R. 1421—To make imported fermented liquor subject to the internal-revenue tax on fermented liquor;

H. R. 3154—To exclude certain normal fermentations of apple juice from the definition of natural wines;

H. R. 3282—To permit Puerto Rican distilled spirits to be entered in customs bonded warehouses.;

H. R. 3283—To provide for collection of internal revenue taxes on distilled spirits imported from Puerto Rico by the collector of customs;

H. R. 3860—To permit withdrawal of alcohol, tax-free, for use in medicinal preparations, food products, flavors, or flavoring extracts;

H. R. 3921—To permit the withdrawal of alcohol, tax-free, for use in medicinal preparations, foods, and flavoring extracts; and

H. R. 4388—To amend the law with respect to transfers of distilled spirits.

III. TAXES ON AUTOMOBILES, PARTS, ACCESSORIES, TIRES, AND TUBES

Description

The following taxes are levied on the manufacture or importation of automobiles, parts, accessories, etc., when sold by the manufacturer or importer:

Trucks, busses, semitrailers, etc., 5 percent.
Passenger cars, trailers, motorcycles, 7 percent.
Parts and accessories other than tires and tubes, 5 percent, or 7 percent if sold with passenger cars, trailers, or motor vehicles.
Tires, 5 cents per pound of the total weight.
Inner tubes, 9 cents per pound of the total weight.

Revenues

Revenues from these taxes for the past five fiscal years have been as follows:

[Millions of dollars]

Fiscal year—	Trucks, etc.	Passenger cars, etc.	Parts and accessories	Tires and tubes	Total
1943	$4.2	$1.4	$20.5	$18.3	$44.5
1944	3.2	1.2	31.6	40.3	76.4
1945	20.8	2.6	49.4	75.3	148.1
1946	37.1	25.9	68.9	118.1	250.0
1947	62.1	204.7	90.9	174.9	541.6

Objections

Estimated sales of retail motor vehicle dealers and parts and accessories dealers since 1939 have been as follows:

Year	Motor vehicle dealers (millions)	Parts and accessories dealers (millions)	Year	Motor vehicle dealers (millions)	Parts and accessories dealers (millions)
1939	$5,025	$524	1944	$2,062	$850
1940	6,286	576	1945	2,293	1,063
1941	7,794	750	1946	5,352	1,491
1942	2,171	669	1947	8,778	1,560
1943	2,003	748			

Source: Compiled from data collected by Survey of Current Business, Department of Commerce.

Profits in recent years of 15 of the largest companies in the automotive manufacturing group were as follows:

	Millions		Millions
1939	$114.6	1945	$243.0
1940	157.9	1946	130.0
1941	193.1	1947:	
1942	209.3	First quarter	94.0
1943	201.3	Second quarter	105.0
1944	222.2	Third quarter	102.0

Source: Compiled from data collected by Survey of Current Business, Department of Commerce.

The following figures give the production of tires and tubes since 1939:

[Number in millions]

Year	Tires	Inner tubes	Year	Tires	Inner tubes
1939	57.6	50.6	1945	44.5	41.7
1940	59.2	52.2	1946	82.3	77.3
1941	61.5	57.4	1947 (first 11 months)	87.5	73.1
1942	15.4	12.7	1947 data on an annual basis, unadjusted	(95.5)	(79.8)
1943	20.4	15.0			
1944	33.4	27.5			

Source: Compiled from data from the Rubber Manufacturers Association, collected by the Survey of Current Business, Department of Commerce.

During the 1947 hearings before the House Ways and Means Committee, objection to the automobile taxes on the part of the Automobile Manufacturers Association was based principally on the grounds that these taxes are unfair to the consumer rather than that they are detrimental to the industry, although the association's representative stated that these taxes would "seriously affect vehicle sales in a competitive period."

He based his primary objections to the automobile taxes on the grounds that they are regressive, falling more than proportionately on lower-income groups and on persons living on farms or in small towns where cars are necessary. He also noted the fact that the Federal excise taxes are not the only burden borne by automobile operators since the States also tax gasoline and automobile ownership.

House trailers are now subject to a 7 percent manufacturers' tax. Representatives of the Trailercoach Dealers National Association argued that it is inconsistent to tax house trailers while the Government is trying to relieve the present housing shortage. Construction of house trailers is a part of the housing program and it was argued that the 7 percent tax is an unfair discrimination against this type of housing. It was argued that at the present time mobility is a secondary factor with house trailers and that they are primarily homes rather than automotive equipment and therefore should not be taxed. It was also pointed out that space heaters and other equipment normally not subject to excise taxes are taxed as automotive parts and accessories when they are primarily designed and adapted to be used in trailers.

General objections to the taxes on tires and inner tubes were voiced by a representative of the tire manufacturers who argued that tires and tubes are a necessity and that the taxes are taxes on the tools of production. He pointed out that a considerable share of these taxes are paid by farmers in equipping their tractors and by the trucking industry. He felt that taxing tires and tubes used by the trucking industry amounted to an additional tax on motor freight and therefore a discrimination in favor of other means of transportation. This same objection would of course hold true for the 5 percent tax on trucks and their parts and accessories. While he had no objection to the principle of taxing tires and tubes on a poundage basis rather than on a percentage of the manufacturer's sale price, he did argue that the present poundage tax rates resulted in taxing tires and tubes at from 7 to 14 percent of retail sales price, which is at substantially higher rates than those levied on other automotive accessories. He also stated that about 10 States, in levying sales taxes, based the tax on the price including Federal excise taxes.

A technical objection was made to the present taxes on tires and tubes on the grounds that under the present system excises are often paid on tires and tubes which are exported. It was argued that the wholesalers are often forced to pay the tax because they do not know at the time of purchasing the tires whether they will export them or not. Yet in order to avoid the tax they are required, at the time of purchase, to file an affidavit that the tires are for export.

A spokesman for the Independent Tire Retailers argued that the present manufacturers' tax amounts to a discrimination against the independent retailer. The independent retailer buys his stock at a price including excise taxes and must therefore carry the excise tax on his inventory. Retail outlets owned by the tire manufacturers are not subject to this burden. This problem would become more serious if the taxes on tires and tubes were repealed since, unless provisions were made to place independent retailers and manufacturers outlets on an equal footing, the independent retailers would be forced to sell tax-paid inventories in competition with tires and tubes on which no excise had been levied.

Objections were raised to the methods used by the Bureau of Internal Revenue in solving the difficult problem of distinguishing between spare parts for automotive use and spare parts for nonautomotive machinery. It was argued that many parts are interchangeable between automobile engines and engines for tractors and for stationary engines and that buyers of tractors and stationary engines tend to steer clear of engines whose repair parts might be subject to tax. For example, it was argued that the Bureau was unfair in considering piston rings of less than 5 inches in diameter as being taxable as automobile parts, since smaller piston rings are coming into increasing use for tractors.

Representatives of the automobile part rebuilders objected to being classed as manufacturers, subject to the tax on automotive parts. They argued that under present interpretations the law is discriminatory in taxing them while not taxing garages who rebuild parts for owners. The parts chiefly involved in this controversy are generators, distributors, crankshafts, and fuel pumps.

In addition to objecting to being subject to the manufacturers' excise tax at all, the rebuilders objected to the fact that the tax on the parts they rebuild is based on the entire value of the rebuilt part and not just on that part of the price representing the value added through the work of the rebuilder.

Pending bills

One bill has been introduced in the Senate during the Eightieth Congress that would affect the automobile taxes: S. 1207—To exempt automobiles, tires, etc., purchased for the use of volunteer fire companies.

The following bills affecting automobile taxes are pending in the House:

H. R. 2704—To tax rubber sold by the manufacturer or producer (except rubber manufactured from butadine which is produced from grain alcohol) at 7 cents per pound and to impose an additional import tax of 7 cents per pound on synthetic and natural rubber;

H. R. 3757—To exempt from excise tax automobiles, trucks, parts, accessories, resold for the exclusive use of nonprofit fire-fighting companies;

H. R. 3796—Identical with H. R. 3757;

H. R. 3878—To exempt trailer coaches and their furnishings and equipment from the tax on automobiles;

H. R. 4057—To allow automobile manufacturers a refund for taxes paid on tires and tubes when these tires and tubes are used as component parts of automobiles, trucks, etc., sold tax-free to State and local governments;

H. R. 4173—To exempt from tax sale of rebuilt, reconditioned, or repaired parts or accessories;

H. R. 4210—To allow a refund of the taxes on tires and tubes to an exporter upon proof that the tires and tubes were exported and the taxes were paid;

H. R. 4274—To exempt trailer coaches and their furnishings and equipment from the automobile tax;

H. R. 4352—To repeal the taxes on automobiles, parts, accessories, tires and inner tubes, and to impose a general manufacturers' excise tax of 10 percent;

H. R. 4407—To tax tires and tubes at the time of their delivery by the manufacturer to his own retail outlet and to provide for refund of taxes on tires and tubes upon proof of their sales to State and local governments or their export; and

H. R. 4708—To reduce the tax on passenger cars and motor vehicles from 7 to 3 percent, the tax on trucks and busses from 5 to 2 percent, the tax on automobile parts and accessories from 5 to 2 percent, the tax on tires from 5 to 2½ cents per pound and the tax on tubes from 9 to 4 cents per pound.

IV. TAX ON BOWLING ALLEYS AND BILLIARD AND POOL TABLES

Description

A tax of $20 per year is levied on every person who operates a bowling alley or billiard and pool room, for each bowling alley, billiard table, or pool table. (Sales of billiard and pool tables by the manufacturer or importer are also taxed 10 percent as sporting goods.)

Revenues

Revenues from this tax for the past five fiscal years have been as follows:

1943	$1,900,000	1946	$4,000,000
1944	2,200,000	1947	4,500,000
1945	4,200,000		

Pending bills

No bills are pending in either the Senate or the House which would affect this tax.

V. TAX ON BUSINESS AND STORE MACHINES

Description

Adding machines, typewriters, addressing machines, calculating machines, cash registers (except cash registers of the type used in registering over-the-counter retail sales), dictographs, duplicating machines, etc., are taxed when sold by the manufacturer at the rate of 10 percent.

Revenues

Revenues from the tax on business and store machines for the past five fiscal years have been as follows:

1943	$6,500,000	1946	$15,800,000
1944	3,800.000	1947	25,200,000
1945	10,100,000		

Objections

In the 1947 hearings before the House Ways and Means Committee the National Office Machine Dealers Association protested continuance of the tax on business and store machines on the grounds that the items taxed are not luxuries and that the tax is an impediment to business. They stated that the purpose of the tax when enacted in 1941 was to discourage manufacture of the machines and that consequently the tax should not be continued now as a revenue measure. The representative of the association also asserted that, since the Government has been paying this tax on sales made to it since July 1, 1944, and since the revenue collected from the Government should not be included when estimating the revenue potential of the tax, he was submitting the following estimates of net collections under the tax on business and store machines:

1944	$4,020,000
1945	10,000,000
1946	17,500,000

The National Stationers Association argued that the tax on business and store machines should be repealed because small businesses need adding machines now as never before to handle their reports to the Government. They also stated that the tax made it particularly hard to sell portable typewriters since a large share of the market for these machines is among students with small incomes.

A manufacturer of check writers and check signers stated that the tax, as now administered, discriminates against his type of business because it is collected on 10 percent of the retail price. When typewriters and other office equipment are sold by the manufacturer to the ultimate user the tax is paid on 10 percent of average wholesale price which has been set by the Bureau of Internal Revenue at 60 percent of retail price. The Bureau argues that this cannot be done in the case of sales of check writers and check signers since they are not sold at wholesale in the ordinary course of business. The manufacturer of check writers said that his customers feel they are being cheated when he charges them a tax which is 10 percent of the retail sale price, when in buying other office equipment direct from the manufacturers they are required to pay only 6 percent of the retail price.

Manufacturers of stencil machines of the type used in shipping rooms contend that their product is mistakenly included among the articles taxed as business and store machines since this type of stencil machine is not office equipment.

Pending bills

No bills have been introduced in the Senate which would affect the tax on business and store machines. In the House is H. R. 4352, which would repeal this tax and impose a general manufacturers' excise tax of 10 percent.

VI. TAX ON COCONUT AND OTHER VEGETABLE OILS

Description

The first domestic processing of coconut oil, palm oil, palm-kernel oil, derivatives from these oils, or combinations or mixtures containing substantial quantities of these oils is taxed to the processor at the rate of 3 cents per pound.

Revenues

Revenues from this tax for the past five fiscal years have been as follows:

1943	$4,400,000	1946	$6,400,000
1944	8,700,000	1947	17,300,000
1945	6,300,000		

Pending bills

No bills are pending in either the Senate or the House which would affect this tax.

VII. TAXES ON COIN-OPERATED AMUSEMENT AND GAMBLING DEVICES

Description

The following taxes are levied on the use of coin-operated machines:

Amusement or music machines, $10 per year per machine.

Slot machines, $100 per year per machine

Revenues

Revenue from the tax on coin machines for the past five fiscal years has been as follows:

1943	$10,500,000	1946	$17,100,000
1944	18,500,000	1947	20,400,000
1945	19,100,000		

Objections

The slot machines taxed at $100 per year are those in which an element of chance is involved. A representative of the automatic coin-machine manufacturers, in the 1947 hearings before the House Ways and Means Committee, stated that 1-cent "free-play" machines, which they called trade stimulaters, have been taxed out of existence by being subjected to the $100 tax. He said that if the law were amended to define these machines as subject to the $10 tax, revenues from the tax on this type of machine would increase. Under the present law, it is virtually impossible to get enough play on a 1-cent machine to pay a tax of $100 per year.

Pending bills

No bills have been introduced in the Eightieth Congress which would affect the taxation of coin-operated machines.

VIII. TAXES ON COMMUNICATIONS

Description

The following taxes are levied on communications:

Telephone and radio telephone toll charges of over 24 cents, 25 percent.

Local telephone services, 15 percent.

Telegraph, cable, and radio dispatches: domestic, 25 percent; international, 10 percent.

Leased wires 25 percent.

Wire and equipment services, 8 percent.

News services are exempt from all the communications taxes except the tax on local phone services.

Revenues

Revenues from the taxes on communications for the past five fiscal years have been as follows:

1943	$158,200,000	1946	$380,100,000
1944	231,500,000	1947	417,700,000
1945	341,600,000		

Objections

The following figures show telephone company revenues since 1939:

Revenues from telephones inside the United States

[Millions of dollars]

Year	Operating revenues	Message tolls	Station revenues [1]	Net operating income [2]
1939	1,224	319	779	239
1940	1,298	344	847	244
1941	1,436	408	911	251
1942	1,623	517	968	238
1943	1,818	649	1,025	250
1944	1,950	734	1,065	239
1945	2,124	834	1,122	282
1946	2,304	875	1,252	272
First 11 months of 1947	2,224	798	1,243	185
1947 data on an annual basis, unadjusted	(2,426)	(870)	(1,356)	(206)

[1] Station revenues include private and public phones.

[2] After general taxes and after provision for Federal income taxes.

Source: Compiled from data from the Federal Communications Commission, collected by the Survey of Current Business, Department of Commerce.

A representative of the Bell telephone system stated, during the 1947 hearings before the House Ways and Means Committee, that, while the telephone companies still have a backlog of unfilled requests for phones, this situation is not universal.

Total annual operating revenues of telegraph carriers (Western Union) since 1942 have been as follows:

	Millions		*Millions*
1942	$158	1946	$167
1943	179	First 11 months of 1947	190
1944	186	1947 data on an annual basis, unadjusted	(207)
1945	193		

Source: Compiled from data from the Federal Communications Commission, collected by the Survey of Current Business, Department of Commerce.

The profit position in recent years of telegraph, cable, and radio telegraph carriers, principally Western Union, has been as follows:

Net income transferred to earned surplus by telegraph, cable, and radiotelegraph carriers

	Thousands		*Thousands*
1942	$6,855	1945	[1] *$2,516*
1943	3,740	1946	[1] *9,460*
1944	10,903	First 11 months of 1947	7,378

[1] Deficit.

Source: Compiled from data from the Federal Communications Commission, collected by the Survey of Current Business, Department of Commerce.

In the 1947 hearings before the House Ways and Means Committee, the president of Western Union stated that his company needs increased revenues and that the present 25-percent tax hampers their attempts to increase business. He recalled the fact that prior to 1944 the tax on telegrams was lower than the tax on long-distance phone calls. He attributed part of Western Union's difficulties to the fact that it is required to give the Government priority service at 20-percent discount, and that the phone companies are not required to do this.

He stated that the 27-percent telegraph rate increase in 1946 was estimated to have reduced Western Union's volume of business by 4½ or 5 percent; that is, about $9,000,000 a year. On the basis of these figures, he felt that elimination of the 25-percent tax on telegrams would result in an increase in the gross receipts of his company of about the same amount, resulting in an increase in Western Union's net income of about $4,000,000 per year. With this increased income he thought the company would be able to develop new techniques, improve its service, and thus achieve a better competitive position.

A representative of the American Telephone & Telegraph Co. argued that the present high rates were enacted as an extreme emergency measure and that the taxes should be at least reduced to their level prior to enactment of wartime emergency rates (that is, long-distance calls 20 percent, leased wires 15 percent, and local telephone service 10 percent). He pointed out that the present high tax rates conflict with the socially desirable program of improving rural phone coverage and that, far from being a tax on a luxury, the telephone taxes are to a large extent taxes on the conduct of business. He estimated that of the telephone taxes collected by the Bell system, 46 percent were collected from business concerns, with businesses paying more than half of the taxes on toll messages and 40 percent of the taxes on local telephone services.

A representative of the independent telephone companies objected to the fact that the tax on long-distance phone messages is 25 percent, while furs, jewelry, and amusements are taxed at only 20 percent. He urged repeal of all telephone taxes or at least repeal of the tax on local service and reduction of the tax on toll messages.

Pending bills

No bills have been introduced in the Senate during the Eightieth Congress which would affect the tax on communications. The following House bills would affect communications taxes:

H. R. 467—To repeal the wartime rates of tax on communications, so as to reestablish the following rates: long-distance phone calls, 20 percent; telegrams, 15 percent; leased wires, 15 percent; wire and equipment, service, 5 percent; and local telephone service, 10 percent;

H. R. 4352—To reduce the rates of tax on communications to the following: toll messages, 5 percent; telegrams, 5 percent; leased wires, 5 percent; wire and equipment service, 2 percent; and local telephone service, 3 percent;

H. R. 4405—To repeal the wartime rates of tax on communications (see H. R. 467 above);

H. R. 4708—To repeal the wartime rates of tax on communications (see H. R. 467 above); and

H. R. 4726—To repeal the tax on toll messages and telegrams, leased wires, and wire equipment service.

IX. TAXES ON DOCUMENTS

Description

The following taxes are levied on the issuance or transfer of documents:

- Conveyances of realty:
  - With a value of $100 to $500, 55 cents.
  - With a value of more than $500, 55 cents for each $500.
- Issuance of bonds, 11 cents per $100.
- Issuance of capital stock:
  - With a par value, 11 cents per $100.
  - With no par value:
    - With an actual value of less than $100, 3 cents per $20 of actual value.
    - With an actual value of over $100, 11 cents per $100 of actual value.
- Transfer of bonds, 5 cents per $100.
- Transfer of capital stock:
  - With a selling price under $20:
    - With a par value, 5 cents per $100.
    - With no par value, 5 cents per share.
  - With a selling price of $20 or more:
    - With a par value, 6 cents per $100.
    - With no par value, 6 cents per share.

Foreign insurance policies:

Policies other than life, indemnity, fidelity, or surety, 4 cents per $1 of premium.

Life, sick, accident, and annuities policies, 1 cent per $1 of premium.

Reinsurance policies, 1 cent per $1 of premium.

Revenues

Revenues from these taxes for the past five fiscal years have been as follows:

1943	$37,300,000	1946	$77,800,000
1944	43,300,000	1947	71,100,000
1945	59,000,000		

Pending bills

No bills are pending in either the Senate or the House which would affect these taxes.

X. TAX ON ELECTRICAL ENERGY

Description

A tax of 3⅓ percent is levied on electrical energy sold for domestic or commercial consumption. This tax does not apply to publicly owned electric and power plants or to cooperative or nonprofit power plants or systems engaged in rural electrification.

Revenues

Revenues from this tax for the past five fiscal years have been as follows:

1943	$48,700,000	1946	$59,100,000
1944	51,200,000	1947	63,000,000
1945	57,000,000		

Objection

Electric power sales to ultimate consumers since 1939 have been as follows:

Year	Kilowatt-hours	Revenues	Year	Kilowatt-hours	Revenues
	Billions	*Millions*		*Billions*	*Millions*
1939	105.8	$2,290	1945	193.6	$3,342
1940	118.6	2,440	1946	190.8	3,460
1941	140.1	2,665	First 11 months of 1947	198.0	3,501
1942	159.4	2,856	1947 data on an annual basis, unadjusted	(216.0)	(3,819)
1943	185.9	3,078			
1944	198.2	3,277			

Source: Compiled from data from the Edison Electric Institute, collected by the Survey of Current Business, Department of Commerce.

Objections to this tax in the 1947 hearings before the House Ways and Means Committee were based on the administrative difficulties of the utility companies in collecting the tax, the discrimination in favor of publicly owned utilities, and the competitive difficulties raised by the fact that large business concerns are not taxed if they make electrical energy for their own use.

Administrative difficulties center around the fact that the tax is levied on sales of electrical energy for commercial consumption but not for industrial consumption. This distinction in and of itself raises a number of problems of definition, and the complaint was made that the problem of finding out whether a consumer of electricity is commercial or industrial falls on the utility, which must know whether or not to collect the tax. It was contended that expenses of checking their customers periodically on this point are sizable to the utilities.

Pending bills

No bills have been introduced in the Senate or the House which would change the tax on electrical energy.

XI. TAX ON ELECTRIC, GAS, AND OIL APPLIANCES

Description

Certain electric, gas, and oil appliances are taxed at the rate of 10 percent when sold by the manufacturer or importer. These include electric direct motor-driven fans and air circulators, electric flatirons, electric air heaters (not including furnaces), electric, gas and oil water heaters and restaurant and home cook stoves, and certain other electric appliances.

Revenues

Revenues from this tax for the past five fiscal years have been as follows:

1943	$6,900,000	1946	$25,500,000
1944	5,000,000	1947	65,600,000
1945	12,100,000		

Objections

Recent production data on gas and liquid-fuel stoves for domestic cooking are as follows:

Year	Gas stoves	Liquid-fuel stoves	Year	Gas stoves	Liquid-fuel stoves
1943	361,000	299,000	First 11 months of 1947	2,254,000	514,000
1944	663,000	39[illegible],000	1947 data on an annual basis, unadjusted	(2,459,000)	(561,000)
1945	1,025,000	508,000			
1946	1,881,000	523,000			

Source: Compiled from data collected by the Bureau of the Census, Department of Commerce.

Sales of electric flatirons, and electric water heaters by members of the National Electrical Manufacturers' Association in recent years have been as follows:

Year	Flatirons	Water heaters	Year	Flatirons	Water heaters
1939	2,003,000		1944		
1940	2,155,000		1945		130,000
1941	2,726,000		1946	4,154,000	400,000
1942			1947 data on an annual basis, unadjusted [1]	(5,800,000)	(795,000)
1943					

[1] The 1947 figure for flatirons is based on sales for the first 8 months of the year and the 1947 figure for water heaters is based on sales for the first 9 months of the year.

Source: Compiled from data from the National Electrical Manufacturers' Association, collected by the Survey of Current Business, Department of Commerce.

Sales of electric fans by members of the National Electrical Manufacturers' Association have been as follows:

Year ending Aug. 31—		Year ending Aug. 31—	
1939	499,000	1943	317,000
1940	632,000	1944	286,000
1941	844,000	1945	466,000
1942	819,000	1946	577,000

Source: Compiled from data from the National Electrical Manufacturers' Association, collected by the Survey of Current Business, Department of Commerce.

Figures on sales of electric applicances by members of the association are not strictly comparable from year to year, due to changes in membership of the Association. These figures do not represent total sales of the appliances.

Objections to the tax on electric, gas, and oil appliances were voiced at the 1947 hearings before the House Ways and Means Committee on the grounds that it is a tax on essentials; that it is particularly burdensome on low-income groups; that it is contrary to the veterans' housing program; that it taxes the capital equipment of restaurants; and that it is discriminatory in taxing some types of household equipment and not others, such as vacuum cleaners, washing machines, sewing machines, and furniture, which may be higher priced and more likely to be considered luxuries than the taxed items.

A manufacturer of oil cook stoves stated that his firm was particularly affected by the competition from tax-free coal and wood cook stoves. Also, he argued that at present a manufacturer acting as his own jobber is penalized by the tax, and he recommended that the tax, if continued, be calculated uniformly as a percentage of wholesale value.

A representative of the National Electrical Manufacturers' Association argued that it was inconsistent to tax electric flatirons while electric ironing machines, which are more expensive, are not taxed. He pointed to another inconsistency in that electric, gas, and oil water heaters are taxed while hot water range boilers are not taxed.

A representative of the National Association of Fan Manufacturers argued that the tax on electric direct motor-driven fans is inconsistent in its treatment of industrial fans. Industrial fans, he said, are of two types, direct-connected and belt-driven, and, although they perform the same functions, the former is taxed and the latter is not. He suggested amending the tax so as to apply only to household-type fans.

Pending bills

No bills have been introduced in the Senate in the Eightieth Congress that would amend the tax on electric, gas, and oil appliances.

In the House, the following bills would affect the tax on electric, gas, and oil appliances:

H. R. 3248—To repeal the tax on electric, gas, and oil cook stoves;

H. R. 3589—To repeal the tax on electric, gas, and oil cook stoves; and

H. R. 4352—To repeal the tax on electric, gas, and oil appliances, while imposing a general manufacturers' excise tax of 10 percent.

XII. TAX ON ELECTRIC LIGHT BULBS AND TUBES

Description

Electric light bulbs and tubes are taxed at the rate of 20 percent when sold by the manufacturer or importer.

Revenues

Revenues from this tax for the past 5 fiscal years have been as follows:

1943	$3, 700, 000	1946	$17, 800, 000
1944	5, 400, 000	1947	23, 200, 000
1945	11, 000, 000		

Objections

Opposition to this tax in the 1947 hearings before the House Ways and Means Committee centered on the burden on the consumer and the collection difficulties of the industry. It was argued that electric light bulbs are essential and that repeal of the tax would result in an immediate price reduction of a cost-of-living item.

A brief filed by General Electric stated that they absorbed the tax until it was increased from 5 to 20 percent in 1944. At that time they decided that increasing the manufacturers' list prices to cover the tax would result in multiplying the tax on the consumer several times, so the method was adopted of collecting the tax directly from the consumer. Since most electric-light-bulb sales are small in amount, this policy has required the recording of a tremendous number of transactions, so that collection costs to the industry have been high.

Pending bills

No bills have been introduced in the Senate in the Eightieth Congress that would amend the tax on electric light bulbs and tubes. In the House the following bills have been introduced that would affect this tax:

H. R. 467—To repeal the wartime excise-tax rates, reducing the tax on electric-light bulbs and tubes from 20 to 5 percent.

H. R. 4352—To repeal the tax on electric-light bulbs and tubes, while imposing a general manufacturers' excise tax of 10 percent;

H. R. 4405—To repeal the wartime excise-tax rates, reducing the tax on electric light bulbs and tubes from 20 to 5 percent; and

H. R. 4708—To repeal the wartime excise-tax rates, reducing the tax on electric-light bulbs and tubes from 20 to 5 percent.

XIII. TAXES ON FIREARMS AND AMMUNITION

Description

Sales and transfers of. firearms and ammunition and dealers in these articles are taxed at the following rates:

Sale of pistols and revolvers by the manufacturer or importer, 11 percent.

Transfers of machine guns and certain short-barrelled firearms, $200 each.

Transfers of certain single-shot firearms, $1 each.

Sale of firearms (other than pistols and revolvers), shells, and cartridges by the manufacturer or importer, 11 percent.
Importers or manufacturers of firearms, $500 per year.
Pawnbrokers dealing in firearms, $300 per year.
Other dealers in firearms, $200 per year.
Manufacturers of only certain single-shot firearms, $25 per year.
Dealers in only certain single-shot firearms, $1 per year.

Revenues

Revenues from all taxes and licenses on firearms for the past five fiscal years have been as follows:

1943	$1,200,000	1946	$5,300,000
1944	1,100,000	1947	9,400,000
1945	3,200,000		

Pending bills

No bills are pending in the Senate which would affect these taxes. In the House H. R. 4352 would repeal the manufacturers' tax on firearms (other than pistols and revolvers), shells, and cartridges, while imposing a general manufacturers' excise tax of 10 percent.

XIV. TAX ON FURS

Description

A retail tax of 20 percent is levied on articles made of fur if the fur is the component of chief value and is more than three times as valuable as the next most valuable component.

Revenues

Revenues from the tax on furs for the past five fiscal years have been as follows:

1943	$44,200,000	1946	$91,700,000
1944	58,700,000	1947	97,500,000
1945	79,400,000		

Objections

Fur sales by dealers, in millions of dollars, since 1939 are indicated by the following figures:

	Millions		Millions
1939	$31.7	1944	$45.3
1940	40.9	1945	64.5
1941	51.2	1946	66.2
1942	42.5	First 10 months of 1947	42.7
1943	59.6		

Source: Compiled from data from the American Fur Merchants Association and collected by the Survey of Current Business, Department of Commerce.

The above figures cover sales made by members of the American Fur Merchants Association and probably cover nearly half the fur sales.

In the 1947 hearings before the House Ways and Means Committee, the objection was made that the tax on furs is discriminatory, since furs are the only wearing apparel items which are heavily taxed. It was argued that fur coats are not a luxury in the Northern States, particularly since a fur coat may last for a number of years and may, in the long run, turn out to be a cheaper investment than a cloth coat. Since the fur tax is levied on the entire retail price of the fur coat, including all components and dealer mark-ups, the tax may amount to 30 to 70 percent of the actual value of the fur in the coat.

A fur-coat maker stated that, while the 1947 amendment to the fur tax (which made coats taxable only if the fur were more than three times as valuable as the next most valuable component instead of simply being taxable if the fur were the most valuable component) was desired by fur raisers and trappers, it has not been helpful to the coat makers. He pointed out that, while fur scarves sold alone are taxable, they are not taxable under the present law if they are sewed on cloth coats. He stated that uncertainty as to whether or not the fur tax would be continued has reduced sales considerably.

Pending bills

No bills are now pending in the Senate which would affect the fur tax. The following bills which would amend the tax on furs have been introduced in the House:

H. R. 109—To tax fur articles selling for more than $1,000 at 20 percent, and to tax fur articles selling for $1,000 or less at 10 percent;

H. R. 467—To repeal the war excise tax rates, reducing the tax on furs from 20 to 10 percent.

H. R. 4352—To repeal the tax on furs, while imposing a general manufacturers' excise tax of 10 percent;

H. R. 4405—To repeal the wartime excise tax rates, reducing the tax on furs from 20 to 10 percent; and

H. R. 4708—To repeal the wartime excise tax rates, reducing the tax on furs from 20 to 10 percent.

XV. TAXES ON GASOLINE AND LUBRICATING OIL

Description

Excise taxes on gasoline and lubricating oil are as follows:

Gasoline, 1½ cents per gallon when sold by the producer.

Lubricating oils, 6 cents per gallon when sold by the producer.

Revenues

Revenues from the taxes on gasoline and lubricating oils for the past five fiscal years have been as follows:

1943	$332,100,000
1944	323,700,000
1945	498,400,000
1946	$480,300,000
1947	515,700,000

Objections

The following figures show the consumption of lubricating oil in recent years:

Domestic consumption of lubricants

[Millions of barrels]

1939	23.7
1940	24.7
1941	30.3
1942	29.1
1943	31.5
1944	32.4
1945	35.3
1946	34.9
1st 11 months of 1947	33.2
1947 data on an annual basis, unadjusted	36.2

Source: Compiled from data from the Bureau of Mines Department of the Interior, collected by the Survey of Current Business, Department of Commerce. Includes supplies shipped abroad for use of United States military forces.

Objections to these taxes in the 1947 hearings before the House Ways and Means Committee were voiced as part of general objections to all the taxes falling on motor vehicles and their use. It was argued that these taxes are regressive, since they are paid largely by low-income groups; that they are taxes on doing business, since a large share of the taxes eventually enter into the cost of producing or distributing goods; that they are taxes on farmers, since most farmers have to depend on automobiles for transportation; and that gas and oil is already heavily taxed by the States. This latter point is not only a grievance on the part of the consumer but it is also an objection raised by the State governments to Federal excise taxes on gasoline and oil, on the grounds that the States should have the exclusive use of this tax.

The National Grange, in a statement presented to the Ways and Means Committee, recommended that gasoline taxes should be used exclusively for highway purposes.

Pending bills

No bills are pending before the Senate which would affect the taxes on gasoline and lubricating oil.

The following bills have been introduced in the House of Representatives which would change the taxes on gasoline and oil:

H. R. 4352—To raise the tax on gasoline to 2 cents per gallon and to repeal the tax on lubricating oils, and

H. R. 4708—To reduce the tax on gasoline from 1½ cents to 1 cent and to reduce the tax on lubricating oils from 6 cents to 4 cents.

XVI. TAX ON JEWELRY

Description

Retail sales of jewelry are taxed at 20 percent, except that watches retailing for $65 or less and alarm clocks retailing for $5 or less are taxed at 10 percent.

Revenues

Revenues from the jewelry tax for the past five fiscal years have been as follows:

1943	$88,400,000	1946	$223,300,000
1944	114,400,000	1947	236,600,000
1945	184,200,000		

Objections

Estimated retail sales by jewelry stores since 1939 have been as follows:

	Estimated sales (millions of dollars)		Estimated sales (millions of dollars)
1939	362	1944	982
1940	426	1945	1,071
1941	587	1946	1,239
1942	753	1947	1,236
1943	964		

Source: Compiled from estimates of total operating receipts of stores classed as jewelry stores by the Survey of Current Business, Department of Commerce.

A representative of the Clock Manufacturers' Association objected to the 20-percent tax on kitchen clocks and to the fact that clock-type or "dollar watches," purchased by low-income groups, are taxed at all. He felt that the fact that the 20-percent tax rate applied to alarm clocks of over $5 while applying to watches only above the $65 level was a discrimination against the clock industry, leading to consumer preference for watches.

A technical objection to the jewelry tax was made by the National Button Association, who felt that ornament buttons for women's dresses (containing rhinestones or imitation pearls) should not be taxed as jewelry, particularly since they go on women's low-priced apparel. Another objection to the jewelry tax was that it is levied on the whole price of pens and pencils if they contain any ornaments made of precious metal or imitations of precious metal. Watch bracelets are another example of this distinction. A stainless-steel watch bracelet is tax free, but if the bracelet is gold plated it is taxed on its entire value no matter how thin the plating may be.

Pending bills

One bill is pending before the Senate which would amend the jewelry tax. This is H. R. 4259, which would exempt the first $25 of the price of jewelry articles.

The following bills which affect the jewelry tax have been introduced in the House:

H. R. 467—To repeal the wartime-tax rates, reducing the jewelry tax to a flat 10 percent;

H. R. 2051—To repeal the wartime-tax rate on jewelry, reducing the tax to 10 percent;

H. R. 4352—To repeal the tax on jewelry, while imposing a general manufacturers' excise tax of 10 percent;

H. R. 4405—To repeal the wartime-tax rates, reducing the tax on jewelry to 10 percent; and

H. R. 4708—To repeal the wartime-tax rates, reducing the tax on jewelry to 10 percent.

XVII. TAX ON LUGGAGE, PURSES, TOILET CASES, ETC.

Description

A retail excise tax of 20 percent is imposed on trunks, traveling bags, brief cases, purses, handbags, wallets, toilet cases, etc.

Revenue

Revenue from this tax for the past four fiscal years has been as follows:

1944	$13, 100, 000	1946	$81, 400, 000
1945	73, 900, 000	1947	84, 600, 000

Objections

In the 1947 hearings before the House Ways and Means Committee, objection to the tax centered largely on three arguments: First, the articles taxed are not luxuries; second, consumer resistance to the tax is having serious effects on the businesses involved; and third, the tax discriminates against women.

Representatives of the leather-goods and handbag industries argued that their articles are necessities and that the 20-percent tax imposed on them was based on the assumption that they were luxuries. They pointed out that all persons who travel must have luggage and that every woman must carry a handbag.

They stated that it is unfair to tax the products of their factories while other women's accessories such as hats, belts, and scarves, which are just as likely to fall in the luxury class, are left untaxed.

A representative of the American Hardware Co., stating that his firm is the largest manufacturer of luggage, quoted figures showing that from 1940 to 1946 both the number of employees of his firm and the number of pieces of luggage produced dropped more than 50 percent. Representatives of the ladies' handbag industry stated that they were suffering from a severe decline in sales.

A representative of the New York Federation of Women's Clubs said that it is discriminatory to tax ladies' handbags while not taxing men's pockets, point out that men have 20 pockets [sic] in which to carry their belongings while women must depend on handbags.

Pending bills

No bills have been introduced in the Senate during the Eightieth Congress which would affect the luggage tax.

The following bills in the House of Representatives include provisions affecting the luggage tax:

H. R. 467—To repeal the luggage tax;

H. R. 4352—To repeal the luggage tax and to impose a general manufacturers' excise tax of 10 percent;

H. R. 4405—To repeal the luggage tax; and

H. R. 4708—To repeal the luggage tax.

XVIII. TAXES ON MATCHES

Description

Matches are taxed at the manufacturer's level at the following rates:

Ordinary matches, 2 cents per 1,000.

Fancy or colored matches, 5½ cents per 1,000.

White phosphorus matches, 2 cents per 100.

Revenues

Revenues from these taxes for the past five fiscal years have been as follows:

1943	$9,400,000	1946	$10,200,000
1944	8,700,000	1947	8,400,000
1945	9,400,000		

Objections

The tax on white phosphorus matches is designed to discourage their production on the grounds that their manufacture is dangerous to the workers involved.

Ordinary matches are a peculiar commodity in that a large share of the output is given away rather than being sold. In the 1947 hearings before the House Ways and Means Committee it was estimated that about 60 percent of the total match production is given away with cigarette and cigar purchases, in the form of paper match books carrying advertising. It was stated that, contrary to popular belief, the advertising on the match books reduces the cost of the matches to tobacconists by only about 20 percent.

It was argued that, since people expect matches to be given away with tobacco purchases, the tobacconist is forced to pay most of the tax and this squeezes his profit margin. The tax amounts to 1 cent for each 25 match books. As free distribution of matches falls off, sales by the match manufacturers decline.

General objections to the tax on ordinary matches were that it is discriminatory since cigarette lighters are not taxed; that it is a tax on a specific type of advertising; that it is a tax on a necessity; that it is a nuisance tax since revenues are so small; and that it is a tax on small business (the tobacconist).

Pending bills

No bills have been introduced in the Senate which would change the taxes on matches.

In the House, H. R. 4352 would repeal the tax on ordinary and fancy matches and impose a general manufacturers' excise tax of 10 percent.

XIX. TAXES ON OLEOMARGARINE

Description

The following manufacturers' taxes on oleomargarine and occupational taxes on oleomargarine producers and dealers are levied:

Yellow oleomargarine, 10 cents per pound.
Imported oleomargarine, 15 cents per pound.
All other oleomargarine, one-fourth cent per pound.
Manufacturers of oleomargarine, $600.
Wholesale dealers in oleomargarine—
- If they sell yellow oleomargarine, $400.
- If they sell only other oleomargarine, $200.

Retail dealers in oleomargarine—
- If they sell yellow oleomargarine, $48.
- If they sell only other oleomargarine, $6.

Revenues

Total revenues from taxes on oleomargarine and oleomargarine dealers for the past five fiscal years have been as follows:

1943	$2,600,000	1946	$4,900,000
1944	4,100,000	1947	5,900,000
1945	5,500,000		

Objections

Tax-paid withdrawals of oleomargarine and factory production of creamery butter in recent years have been as follows:

[In millions of pounds]

Year	Tax-paid withdrawals of oleomargarine from factory [1]		Factory production of creamery butter [2]	Year	Tax-paid withdrawals of oleomargarine from factory [1]		Factory production of creamery butter [2]
	Colored	*Uncolored*			*Colored*	*Uncolored*	
1939	0.3	300.0	1,782	1945	20.3	503.3	1,364
1940	.3	317.4	1,837	1946	18.1	513.7	1,168
1941	.6	362.7	1,872	1947 data on an annual basis, unadjusted	[3](26.0)	[3](610.5)	[4] 1,322
1942	1.0	362.7	1,764				
1943	5.1	494.9	1,674				
1944	16.0	480.0	1,489				

[1] Compiled from data from the Bureau of Internal Revenue, collected by the Survey of Current Business, Department of Commerce.
[2] Compiled from data from the Bureau of Agricultural Economics, Department of Agriculture, collected by the Survey of Current Business, Department of Commerce.
[3] Based on data for the first 9 months of 1947.
[4] Data for the complete year.

Pending bills

Two bills to repeal the oleomargarine taxes have been introduced in the Senate. They are S. 985 and S. 1907.

The following bills to repeal oleomargarine taxes have been introduced in the House: H. R. 159, H. R. 2245, H. R. 4470, H. R. 4681, H. R. 4708, H. R. 4930, and H. R. 4937. H. R. 1227 would repeal the oleomargarine retailers' license taxes.

XX. TAXES ON PHOTOGRAPHIC APPARATUS

Description

Taxes on sales of photographic apparatus by the manufacturers and importers are levied at the following rates:

Cameras weighing 4 pounds or less, 25 percent.
Lenses and photographic apparatus and equipment, 25 percent.
Unexposed films, plates, and sensitized paper, 15 percent.

Revenues

Revenues from this tax for the past five fiscal years have been as follows:

1943	$11, 200, 000	1946	21, 200, 000
1944	11, 900, 000	1947	36, 200, 000
1945	19, 300, 000		

Objections

A number of objections were made to the tax on photographic apparatus in the 1947 hearings before the House Ways and Means Committee. It was argued that the tax increases the capital investment of photofinishers by 25 percent, and it was pointed out that the tax must be paid even on the cost of specialized capital equipment designed and built by the manufacturer for his own use. It was pointed out that many products used in the photographic field are also used for other purposes, and that these products are taxed when made by photographic firms, but are tax-free when made by nonphotographic firms, giving these latter companies a competitive advantage. It was noted that, while large cameras not considered suitable for amateur use are not taxed, their accessories are taxed.

It was argued that revenues from the tax on photographic apparatus are not as large as they appear to be, because business firms deduct a large share of the amounts paid on the tax in computing their income taxes and because the Government itself is paying the tax on a considerable amount of photographic equipment which it purchases.

In addition to the photofinishers, it was pointed out that photoengravers, lithographers, and the photographic departments of publications now pay a 25-percent tax on their capital outlays for photographic apparatus.

Pending bills

There is now pending in the Senate a House bill (H. R. 4259) which contains a provision that would limit the tax on photographic apparatus and supplies to small cameras and unexposed amateur roll film, reducing the tax rate to 10 percent.

The following bills which would amend the tax on photographic apparatus have been introduced in the House:

H. R. 1691—To limit the tax on sensitized paper to photographic sensitized paper;

H. R. 3648—Identical with the section in H. R. 4259 dealing with the tax on photographic apparatus; and

H. R. 4352—To repeal the tax on photographic apparatus and impose a general manufacturers' excise tax of 10 percent.

XXI. TAX ON PLAYING CARDS

Description

A tax of 13 cents per pack is levied on each pack of playing cards containing 54 cards or less, when manufactured or imported and sold.

Revenues

Revenues from this tax for the past five fiscal years have been as follows:

1943	$7,700,000	1946	$9,800,000
1944	7,400,000	1947	7,300,000
1945	7,500,000		

Pending bills

No bills are pending in either the Senate or the House which would affect this tax.

XXII. TAX ON RADIOS, PHONOGRAPHS, RECORDS, AND MUSICAL INSTRUMENTS

Description

A tax of 10 percent is levied on the following articles when sold by the manufacturer or importer:

- Radio receiving sets.
- Automobile radio receiving sets.
- Combination radio-phonographs.
- Phonographs.
- Chassis, cabinets, tubes, reproducing units, power packs, built-in antennas, and phonograph mechanisms suitable for use with radios and phonographs.
- Phonograph records.
- Musical instruments.
- (As interpreted the tax affects only the sound unit on television receivers.)

Revenues

Revenues from this tax for the past five fiscal years have been as follows:

1943	$8,700,000	1946	$20,100,000
1944	5,900,000	1947	82,500,000
1945	7,700,000		

Objections

General objections to the tax on radios were raised during the 1947 hearings before the House Ways and Means Committee on the grounds that the tax is likely to hurt the radio business by discouraging the development of frequency modulation and, to a lesser extent, television, and that the tax is a handicap to educational and cultural activities.

It was argued that the demand for radios is highly elastic, with the result that the addition to the price which is represented by the tax will substantially reduce purchases. It was claimed that deciding what equipment is "suitable for use with" radios has resulted in difficult administrative problems, and one witness recommended that if the tax on radios is retained the tax on parts should be repealed.

A representative of the Philco Radio Co. argued that, as applied to "name brand" radios the tax is unfair because it is a tax computed as a percentage of the costs of advertising the brand name as well as a percentage of the cost of manufacturing the radio. Private-brand radio manufacturers who do not advertise, but sell their output to mail-order houses or automobile manufacturers, pay a tax calculated as a percentage only of manufacturing cost plus profit. He urged that either advertising and distribution costs should be excluded from the tax base or else the tax should be changed to a flat tax per electronic tube.

A representative of an association owned by the air carriers urged an exemption for radios and parts used by common carriers in their business. He pointed out that air lines use radio receivers for air-ground communication and that such a use for radios was not a luxury. He argued that the present tax results in increased costs for air transportation.

A representative of the National Association of Music Merchants, in protesting the tax on musical instruments, said "Musical instruments are purchased primarily for educational, religious, and character-building purposes." He argued that the tax discourages purchase of musical instruments for beginners and that if children do not begin playing an instrument before they are 12 years old they usually do not begin at all, so that his industry is suffering a permanent loss of business through the present imposition of the tax.

He argued that, for the most part, the tax on musical instruments is paid by school children and that insofar as the instruments are purchased by professional musicians it is a tax on the tools of a trade. Also, he felt that the tax on musical instruments is an unfair burden on churches who wish to purchase organs, pianos, and other musical instruments.

Pending bills

A House bill (H. R. 4259) which would exempt musical instruments sold for use in religious or in nonprofit educational institutions is now pending in the Senate. In the House the following pending bills would amend the tax on radios, phonographs, records, and musical instruments:

H. R. 1683, similar to H. R. 4259.

H. R. 3182, similar to H. R. 4259.

H. R. 4352—to repeal the tax on radios, phonographs, records, and musical instruments and to impose a general manufacturers' excise tax of 10 percent.

XXIII. TAX ON REFRIGERATORS AND AIR CONDITIONERS

Description

Household refrigerators, refrigerating apparatus, and self-contained air-conditioning units are taxed at the rate of 10 percent when sold by the manufacturer or importer.

Revenues

Revenues from this tax for the past five fiscal years have been as follows:

1943	$6,000,000	1946	$9,200,000
1944	2,400,000	1947	37,400,000
1945	1,600,000		

Objections

Sales of electric refrigerators to dealers and jobbers by members of the National Electrical Manufacturers' Association in recent years have been as follows:

	Thousands of units		*Thousands of units*
1939	1,956	1945	287
1940	2,719	1946	1,811
1941	3,552	First 10 months of 1947	2,408
1942	520	1947 data on an annual basis, unadjusted	(2,890)
1943	168		
1944	43		

Source: Compiled from data from the Edison Electric Institute, collected by the Survey of Current Business, Department of Commerce.

The above figures are not strictly comparable because of the movement of firms in and out of the reporting association. They do not include refrigerators operated by other fuels.

In the 1947 hearings before the House Ways and Means Committee it was argued that this tax and other taxes on household equipment were contrary to the Government's program to keep down the cost of veterans' housing.

Statistics were presented by the National Electrical Manufacturers' Association to show that refrigerators are no longer luxuries. They estimated that in April 1940, 16.8 million families had incomes in excess of $1,000 per year and that there were 16,000,000 mechanical refrigerators in use at that time. In other words, refrigerators were in general use by families with incomes down to $1,000.

The representative of the association urged that, if it were absolutely necessary to tax refrigerators and other household equipment, the tax should be lowered and spread equitably over all home furnishings and equipment so that it would not have a discriminatory effect on the market. At the present time nonmechanical refrigerators, vacuum cleaners, and washing machines are not taxed.

Pending bills

No bills are now pending in the Senate that would amend the tax on refrigerators and air conditioners. In the House, H. R. 4352 would repeal this specific tax, while imposing a general manufacturers' excise tax of 10 percent.

XXIV. TAX ON SAFE DEPOSIT BOX RENTAL

Description

Safe-deposit boxes are taxed at 20 percent of the amount collected for their use.

Revenue

Revenue from the tax on lease of safe-deposit boxes for the past five fiscal years has been as follows:

1943	$6,100,000	1946	$7,900,000
1944	6,600,000	1947	8,600,000
1945	7,300,000		

Objections

In the 1947 hearings before the House Ways and Means Committee the tax on rental of safe-deposit boxes was objected to by a representative of the Standard Safe Deposit Co. He estimated that there were approximately 10,000,000 safe-deposit-box renters in the United States. He argued that the tax is a nuisance tax, pointing to the relatively small amount of revenue involved. He said that safe-deposit boxes are not a luxury, but rather a reasonable means of arranging for the safekeeping of documents. He also objected that this tax is not properly an excise tax, on the ground that it is a tax, not on a commodity, but on the rental of vacant space.

Pending bills

No bills have been introduced in the Senate in the Eightieth Congress which would affect the tax on safe-deposit-box rentals.

In the House of Representatives H. R. 4352 would reduce the tax on safe-deposit-box rentals from 20 to 10 percent.

XXV. TAX ON SILVER BULLION TRANSFERS

Description

Transfers of any interest in silver bullion are taxed 50 percent of the excess of the transfer price over the cost plus allowed expenses.

Revenues

Revenues from this tax for the past five fiscal years have been as follows:

1943	$100,000	1946	$150,000
1944	50,000	1947	1,100,000
1945	25,000		

This tax was originally enacted as part of the Silver Purchase Act of 1934, and its purpose was to discourage speculation in silver and to induce delivery of silver to the Government at that time.

Pending bills

No bills were introduced in either the Senate or the House during the first session of the Eightieth Congress which would affect this tax.

XXVI. TAX ON SPORTING GOODS

Description

Certain specified sporting goods are taxed 10 percent when sold by the manufacturer or importer. The tax covers equipment for the following sports: Badminton, baseball, basketball, billiards and pool, bowling, boxing, cricket, croquet, curling, deck tennis, fencing, fishing, football, golf, gymnasium sports, hockey, indoor baseball, lacrosse, polo, skating, skiing, soccer, softball, squash, table tennis, tennis, tobogganing, track, trap shooting, vaulting, volley ball, water polo, and wrestling. In the case of some of the sporting-goods items, an exemption is provided for children's equipment below specified minimum sizes.

Revenues

Revenues from this tax for the past five fiscal years have been as follows:

1943	$4,100,000	1946	$7,900,000
1944	2,500,000	1947	17,100,000
1945	4,200,000		

Objections

General objections to the sporting-goods tax were raised in the 1947 hearings before the House Ways and Means Committee on the grounds that it taxes equipment which is necessary for the healthy development of the country's youth; that it is contrary to extensive Government programs for development of playgrounds and other athletic facilities; and that athletic equipment is an aid in checking juvenile delinquency.

It was argued that all sporting goods should be exempt except those suitable for official games, and that the present exemptions of certain small sizes of sports equipment suitable for children do not go far enough. For example, while baseball bats under 26 inches in length are exempt, all gloves and mitts are taxed, no matter how small. It was argued that it is discriminatory to tax sporting goods sold to private and denominational schools and charitable and church organizations while exempting sporting goods sold to public schools and municipal organizations.

A representative of the Athletic Institute, Inc., recommended that the present manufacturers' tax on all sporting goods be replaced by a tax levied at the retail level on golf equipment.

A roller-skate manufacturer argued that outdoor roller skates should be exempt from tax, since only children under 12 use outdoor roller skates.

Pending bills

No bills have been introduced in the Senate in the Eightieth Congress which would change the tax on sporting goods. In the House, H. R. 4352 would repeal the specific tax on sporting goods and impose a general manufacturers' excise tax of 10 percent.

XXVII. TAXES ON TOBACCO

Description

The following manufacturers' taxes are levied on tobacco products:

- Chewing and smoking tobacco, 18 cents per pound.
- Snuff, 18 cents per pound.
- Cigars:
  - Weighing up to 3 pounds per 1,000, 75 cents per thousand.
  - Weighing more than 3 pounds per 1,000, a tax based on the price at which they are meant to retail, graduated according to the following retail prices:
    - Up to 2½ cents each, $2.50 per 1,000.
    - 2½ to 4 cents each, $3 per 1,000.
    - 4 to 6 cents each, $4 per 1,000.
    - 6 to 8 cents each, $7 per 1,000.
    - 8 to 15 cents each, $10 per 1,000.

15 to 20 cents each, $15 per 1,000.
More than 20 cents each, $20 per 1,000.

Cigarettes:
Weighing up to 3 pounds per 1,000, $3.50 per 1,000 (7 cents per pack of 20 cigarettes).
Weighing more than 3 pounds per 1,000, $8.40 per 1,000.

Cigarette paper (other than for use in the manufacture of cigarettes):
Sets containing between 25 and 50 papers, one-half cent.
Sets containing between 50 and 100 papers, 1 cent.
Sets containing more than 100 papers, one-half cent for each 50 papers or fraction thereof.

Cigarette tubes, 1 cent for each 50 tubes or fraction thereof.

In terms of popular retail prices, the tax rates on cigars and cigarettes would be about as follows:

10 percent of the price of 2-for-5-cent cigars.
9 percent of the price of 3-for-10-cent cigars.
8 percent of the price of 5-cent cigars.
9 percent of the price of 2-for-15-cent cigars.
10 percent of the price of 10-cent cigars.
8 percent of the price of 2-for-25-cent cigars.
7 percent of the price of 15-cent cigars.
10 percent of the price of 20-cent cigars.
8 percent of the price of 25-cent cigars.
4 percent of the price of 50-cent cigars.
47 percent of the price of a 15-cent pack of 20 cigarettes.

Revenues

Revenue from tobacco taxes for the last five fiscal years has been approximately as follows:

1943	$924,000,000	1946	$1,166,000,000
1944	988,000,000	1947	1,238,000,000
1945	932,000,000		

In the fiscal year 1947 cigarettes furnished 92.5 percent of total tobacco-tax revenues, cigars furnished 3.9 percent, and chewing and smoking tobacco accounted for 2.9 percent.

Objections

Cigarette-consumption statistics since 1939 are as follows:

Small cigarettes removed for consumption

[Billions of cigarettes]

	Tax-paid	Tax-free [1]	Total		Tax-paid	Tax-free [1]	Total
1939	172	9	181	1944	239	85	324
1940	180	9	189	1945	267	65	332
1941	206	12	218	1946	321	31	352
1942	235	22	257	1947	336	[2] (34)	370
1943	257	39	296				

[1] Tax-free cigarettes include exports for armed forces overseas, other exports, sea stores, etc.
[2] Based on data for the first 11 months of 1947, unadjusted.

Source: Compiled from data from the Bureau of Internal Revenue, collected by the Survey of Current Business, Department of Commerce.

At the 1947 hearings before the House Ways and Means Committee, a representative of the small companies manufacturing cigarettes objected to the flat rate of the cigarette tax as forcing the "economy" brands (10-cent cigarettes) off the market. Under the present tax low-priced cigarettes pay a higher tax percentagewise than the more expensive brands. With a Federal tax of 7 cents per pack, a 10-cent pack of cigarettes would have only 3 cents to cover costs of raw materials and manufacturing, and to provide wholesale and retail mark-ups. The small manufacturers argued that there is an increasing concentration of the cigarette business in the hands of the large, name brand manufacturers, and that the only effective competition the smaller companies can offer is in the low-priced field. For this reason they urged a graduated cigarette tax which would result in 10-cent cigarettes paying half the tax that higher-priced brands pay.

Cigar consumption figures for recent years are as follows:

Tax-paid withdrawals of large cigars

[Millions of cigars]

	Number		Number
1939	5,311	1944	4,737
1940	5,355	1945	4,929
1941	5,787	1946	5,836
1942	6,206	1947	5,625
1943	5,223		

Source: Compiled from data from the Bureau of Internal Revenue, collected by the Survey of Current Business, Department of Commerce.

Representatives of the cigar manufacturers argued that the failure of cigar consumption to keep pace with increased demand for other commodities in recent years is due, at least in part, to the tax rates. They recommended that the general level of the tax be reduced to about 5 percent instead of 10 percent as at present, and stated that the present set of tax rates, graduated by retail price brackets, do not conform to recognized breaking points for purposes of retail sales. They stated that as a result of this latter situation a relatively small price increase is likely to put a cigar in a higher tax bracket, while substantial price reductions can be made without reducing the tax.

Consumption of manufactured tobacco and snuff in recent years has been as follows:

Tax-paid withdrawals of tobacco and snuff

[Millions of pounds]

1939	341	1944	294
1940	342	1945	314
1941	338	1946	251
1942	322	1947	239
1943	306		

Source: Compiled from data from the Bureau of Internal Revenue, collected by the Survey of Current Business, Department of Commerce.

Chewing tobacco manufacturers, like cigar manufacturers, urged tax reduction as a remedy for their declining market. They pointed out that not all the tobacco on a stalk is suitable for cigarettes and that if the market for smoking and chewing tobacco disappears the tobacco grower will suffer. Also, the Government has a large investment in tobacco suitable for chewing grades, purchased under price-support programs, and it was argued that if a reduction in the tax rate stimulated consumption the Government might save money by being able to move this tobacco without suffering a loss on it.

Pending bills

No Senate bills relating to tobacco taxes are now pending. Pending in the House are:

H. R. 323—Exempting cigarettes and large cigars sold or given to veterans' homes or hospitals for the benefit of veterans convalescing or confined therein;

H. R. 2227—Providing that cigarette, cigar, tobacco, and snuff tax stamps state the amount of the tax;

H. R. 3365—Exempting cigarettes sold to bona fide veterans' organizations for free distribution to veterans or soldiers in Government hospitals; and

H. R. 3912—Reducing the tax on chewing and smoking tobacco by 50 percent and reducing the tax on low-priced cigarettes by 50 percent.

XXVIII. TAX ON TOILET PREPARATIONS

Description

A tax at the rate of 20 percent is levied on retail sales of toilet preparations, including perfumes, toilet water, cosmetics, hair oils, aromatic cachous, and toilet powders.

Revenues

Revenues from the tax on toilet preparations for the past five fiscal years have been as follows:

1943	$32,700,000	1946	$95,600,000
1944	44,800,000	1947	95,500,000
1945	86,600,000		

Objections

A number of objections to the tax on toilet preparations were raised in the 1947 hearings before the House Ways and Means Committee. The tax was attacked by a representative of the Toilet Goods Association on the grounds that cosmetics, far from being a luxury, are essential to every woman who wants to get or keep a job. He argued that the notion that cosmetics are not necessities is outworn and prejudiced, and to the extent that cosmetics are luxuries they compete with other luxuries not subject to tax, such as candy, hosiery, and stationery.

Objections raised by a representative of the National Association of Retail Druggists were concerned to a large extent with the difficulties retailers have in collecting the tax on toilet preparations. He stated that collecting the tax was a tremendous record-keeping job complicated by problems of breakage, pilferage, and shop-worn merchandise. He argued that druggists were penalized by not knowing definitely what items were subject to tax and that their position has been made more difficult by the fact that the Bureau of Internal Revenue has from time to time changed its opinion on articles subject to tax.

He argued that the tax as presently written is inconsistent. It taxes Sen-Sen while not taxing chewing gum, and it taxes certain shampoos while not taxing soap. He objected to the fact that taxes are levied on baby oils, foot-powders, deodorants and other articles of this sort which are sold for medicinal or health use. He recommended that if the tax on toilet preparations must be continued, it should be collected at the manufacturers' level in order to relieve 55,000 drug stores from the burden of collecting it.

The special problems of barbers and beauty shop operators under the retailers tax on toilet preparations was raised during the 1947 hearings. Beauty shops and barber shops are both customers for and retailers of toilet preparations. Consequently, they must pay a tax on cosmetics used in their shops and must collect the tax on cosmetics sold in their shops. It is argued that, rather than bother with the regulations involved, many operators have altogether ceased selling cosmetics at retail. Insofar as the tax on toilet preparations is paid by beauty and barber shop operators for cosmetics they use in their shops it was argued that the tax is a tax on tools of labor.

Pending bills

One bill is pending before the Senate which would amend the tax on toilet preparations. This is H. R. 958—To exempt aromatic cashous (Sen-Sen) from the tax on toilet preparations.

The following bills which would amend the tax on toilet preparations have been introduced in the House:

H. R. 467—To repeal the wartime excise tax rates, reducing the toilet preparations tax from 20 percent to 10 percent;

H. R. 3825—To exempt toilet preparations which are sold for use in barber shops or beauty shops;

H. R. 4287—To repeal the tax on toilet preparations;

H. R. 4288—To tax toilet preparations when sold by the manufacturer or importer instead of when sold by the retailer;

H. R. 4352—To repeal the tax on toilet preparations, and to impose a general manufacturers' excise tax of 10 percent;

H. R. 4405—To repeal the wartime excise tax rates, reducing the tax on toilet preparations from 20 percent to 10 percent; and

H. R. 4708—To repeal the wartime excise tax rates, reducing the tax on toilet preparations from 20 percent to 10 percent.

XXIX. TAXES ON TRANSPORTATION

Description

The following taxes are levied on transportation:

Transportation of oil by pipe line, 4½ percent of the cost of such transportation or of a fair charge for such transportation;

Transportation of property—coal, 4 cents per short ton on the first haul; other property, 3 percent of the price of the transportation;

Transportation of persons—15 percent of the price of such transportation, including amounts paid for seats, berths, etc.

Exemptions from the tax on transportation of persons include trips outside the northern portion of the western hemisphere, trips which cost 35 cents or less, commuters' tickets, and transportation by motor vehicles which have a seating capacity of less than 10 and which do not operate on established lines.

Revenues

Revenues from the transportation taxes for the past five fiscal years have been as follows:

Fiscal year	Transportation of oil by pipe line	Transportation of persons	Transportation of property
1943	$13,700,000	$87,100,000	$82,600,000
1944	15,900,000	153,700,000	215,500,000
1945	16,300,000	234,200,000	221,100,000
1946	14,800,000	226,700,000	220,100,000
1947	17,000,000	244,000,000	275,700,000

Objections

Railway revenues from passengers and freight and railway net operating income in recent years are shown by the following figures:

Revenues of class I railroads

[Billions of dollars]

Year	Total operating revenues	Freight revenues	Passenger revenues	Year	Total operating revenues	Freight revenues	Passenger revenues
1940	4.3	3.5	0.4	1944	9.4	7.0	1.8
1941	5.3	4.4	.5	1945	8.9	6.5	1.7
1942	7.5	5.9	1.0	1946	7.6	5.8	1.3
1943	9.1	6.8	1.7	1947	8.7	7.0	1.0

Source: Compiled from data from the Interstate Commerce Commission, collected by the Survey of Current Business, Department of Commerce.

Net railway operating income of Class I railroads

Year	Billions	Year	Billions
1940	$0.7	1945	$0.9
1941	1.0	1946	.6
1942	1.5	First 11 months of 1947	.7
1943	1.4	1947 data on an annual basis, unadjusted	(.8)
1944	1.1		

Source: Compiled from data from the Interstate Commerce Commission, collected by the Survey of Current Business, Department of Commerce.

The following figures on passenger miles for the class I railroads and for domestic airplane travel further illustrate recent trends in passenger transportation. Figures for railroad passenger-miles are for revenue passengers; figures for airplane passenger-miles include both revenue and nonrevenue passengers through 1945 and include only revenue passengers for 1946 and 1947.

Passenger-miles traveled by class I railroads and by domestic airplanes

[Billions of miles]

Year	Railroad passenger-miles	Airplane passenger-miles	Year	Railroad passenger-miles	Airplane passenger-miles
1939	22.7	0.7	1945	91.7	3.5
1940	23.8	1.1	1946	64.7	5.9
1941	29.3	1.6	First 11 months of 1947	42.0	5.6
1942	53.7	1.5	1947 data on an annual basis, unadjusted	(45.8)	(6.1)
1943	87.9	1.6			
1944	95.6	2.3			

Source: Compiled from data of the Survey of Current Business, Department of Commerce.

In the 1947 hearings before the House Ways and Means Committee, general objections to both the tax on transportation of persons and the tax on transportation of property were raised by representatives of regions of the United States and its territories which are far from the principal population centers. Representatives of Alaska, Hawaii, and California objected that the tax on transportation of persons discriminates against these areas in competition for the tourist trade. The Los Angeles Chamber of Commerce said that this tax makes it difficult for the city of Los Angeles to get conventions. The delegate from Hawaii said that the tax discouraged travel to Hawaii and placed a premium on travel to foreign countries, pointing out that tourists traveling to the Orient save a substantial sum in taxes by taking transportation which goes direct to foreign ports without stopping at Hawaii.

Westerners complained that the taxes on transportation of persons and of property (as well as the taxes on telegrams and long-distance phone calls) discriminate against their area on the basis of distance. And they cited examples of the effect of these taxes on the price of western fruit and vegetables, which were offered for sale in markets on the Atlantic seaboard. They felt that if these taxes are continued they should be levied at a flat rate, perhaps like the present tax on the transportation of coal.

General objection was raised to the tax on transportation of persons on the ground that, when increased to 10 percent in 1942 and to 15 percent in 1944, an important factor leading to this increase was the desire to discourage civilian travel. Now, it is claimed, these taxes are having just this discouraging effect at a time when it is no longer desired. Transportation of persons by railroad or by bus is in direct competition with transportation by private automobiles. This competition was to a large extent removed during the war years by gas rationing, but increased availability of private motor transportation has resulted in the 15-percent tax reducing public transportation business. An important point made by representatives of the railroads was that a large share of the railroad passenger travel is commercial; they estimated 50 to 60 percent.

Representatives of air-freight carriers felt that the tax on transportation of property is making it more difficult for them to get established. Representatives of public truckers argued that the tax puts them at a disadvantage by encourgaing shippers to do their own hauling.

A principal objection raised to the tax on transportation of property was that it is burdensome on the carriers to collect. It was argued that since the tax is computed separately on thousands of freight bills it results in greatly increased paper work. It was stated that the bookkeeping work is particularly difficult for the tax on transportation of coal because records must be kept to show whether or not each load of coal has been taxed before, since the tax is levied only on the initial movement of the coal. An additional objection raised to the tax on transportation of coal was that the coal is in direct competition with natural gas and that the natural-gas lines are not subject to a similar tax.

It was argued that the tax on transportation of property in its present form has necessarily given rise to a number of difficult problems of interpretation. A representative of the National Sand and Gravel Association said, for example, that the Bureau of Internal

Revenue, in dealing with the problem of the removal of topsoil, has interpreted the law to mean that a tax is levied if the owner of the topsoil tells the trucker where to take it, but no tax is levied if the owner lets the trucker dispose of the soil wherever he pleases.

Pending bills

One bill is pending in the Senate which would amend the transportation tax:

S. 710—To exempt certain small aircraft not operating on established routes from the tax on transportation of persons.

The following bills affecting transportation taxes have been introduced in the House:

H. R. 467—To repeal the wartime increase (from 10 percent to 15 percent) in tax on the transportation of persons;

H. R. 1026—To exempt certain small aircraft not operated on established lines from the tax on transportation of persons;

H. R. 2975—To exempt from tax the transportation of persons on boats used for fishing purposes;

H. R. 3318—To repeal the tax on transportation of persons;

H. R. 3768—To exempt from tax the transportation of persons on boats for fishing purposes;

H. R. 4352—To repeal the tax on transportation of property and to reduce the tax on transportation of persons from 15 percent to 10 percent;

H. R. 4405—To repeal the tax on transportation of property and to repeal the wartime increase (from 10 percent to 15 percent) in the tax on transportation of persons;

H. R. 4708—To repeal the tax on transportation of property and to repeal the wartime increase (from 10 percent to 15 percent) in the tax on transportation of persons; and

H. R. 4726—To repeal the taxes on transportation of persons and transportation of property.

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