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SENATE

} REPORT
No. 1837

EXEMPTING CERTAIN RECREATIONAL FACILITIES FOR MEMBERS OF THE ARMED FORCES FROM THE TAX IMPOSED BY SECTION 3268 OF THE INTERNAL REVENUE CODE

JUNE 26 (legislative day, JUNE 21), 1952.—Ordered to be printed

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

REPORT

[To accompany H. R. 5734]

The Committee on Finance, to whom was referred the bill (H. R. 5734) to amend section 3268 of the Internal Revenue Code so as to exempt certain recreational facilities from the tax prescribed therein, having considered the same, report favorably thereon with amendments and recommend that the bill, as amended, do pass.

The amendments are as follows:

At the end of the bill add two new sections as follows:

SEC. 2. Subsection (a) (4) (D) of the Renegotiation Act, as amended by section 201 (e) of the Renegotiation Act of 1951 and by section 617 of the Revenue Act of 1951, is hereby amended by striking out "October 31, 1951" and inserting in lieu thereof "December 31, 1952".

SEC. 3. Section 201 (h) of the Renegotiation Act of 1951 is amended by striking out "twelve months" and inserting in lieu thereof "two years".

Amend the title so as to read:

An Act to amend section 3268 of the Internal Revenue Code so as to exempt certain recreational facilities from the tax prescribed therein, and for other purposes.

GENERAL STATEMENT

This bill would amend section 3268 of the Internal Revenue Code so as to exempt from the occupational tax bowling alleys and billard or pool tables where such alleys or tables are used exclusively by members of the Armed Forces on any property owned, reserved, or used by, or otherwise acquired for the use of, the United States if no charge is made for their use. The occupational tax is \$20 per year for each bowling alley, billiard table or pool table.

In the usual case these alleys and tables are operated from profits derived from ships service stores and post exchanges. Such profits are devoted to recreational programs for members of the armed serv-

ices and the occupational tax reduces the funds available for these purposes.

This legislation was requested by the Department of Defense. A letter received from Hon. Daniel K. Edwards, Assistant Secretary of Defense, dated December 26, 1951, to Hon. Sam Rayburn, Speaker of the House of Representatives, enclosing a draft of this legislation, stated:

The imposition of this tax imposes a hardship on the military departments in connection with their recreational programs as generally no charge is, or should be, made for the use of recreational facilities of these types. In the case of retraining command activities, the provision of an adequate recreational program is considered essential for morale, yet no charge can be made for the use of recreational facilities by those confined in a nonpay status.

Your committee is advised that there would be no appreciable loss of revenue if this bill should be enacted.

Your committee's first amendment extends the date for the filing of claims for net renegotiation rebates arising under the World War II renegotiation statute. Section 201 (c) of the Renegotiation Act of 1951, as amended by the Revenue Act of 1951, fixes the expiration date for the filing of such claims. Among other requirements it is provided that a net renegotiation rebate is not to be repaid unless a claim has been filed with the Administrator of General Services on or before October 31, 1951. Your committee's first amendment extends the time for filing to December 31, 1952.

Your committee's second amendment extends for an additional year the time during which a litigant may substitute a new defendant for the War Contracts Price Adjustment Board in suits with respect to renegotiated contracts. Section 201 (h) of the Renegotiation Act of 1951 permitted such a substitution within 12 months after its effective date. It is the understanding of your committee that in a large number of suits pending in the Tax Court no motion for substitution was made within this 12-month period, and that these suits will be dismissed without consideration on their merits unless the time for filing motions for substitution is extended.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

SECTION 3268 (a) OF THE INTERNAL REVENUE CODE

SEC. 3268. TAX ON BOWLING ALLEYS, AND BILLIARD AND POOL TABLES

(a) *Rate.*—Every person who operates a bowling alley, billiard room, or pool room shall pay a special tax of \$10 per year¹ for each bowling alley, billiard table, or pool table. Every building or place where bowls are thrown or where games of billiards or pool are played, except in private homes, shall be regarded as a bowling alley, billiard room, or pool room, respectively. No tax shall be imposed under this section with respect to a billiard table or pool table in a hospital if no charge is made for the use of such table. *The tax imposed under this section shall not apply for any period beginning after June 30, 1952, with respect*

¹ Section 1650 of the Internal Revenue Code (relating to war tax rates of certain miscellaneous taxes) provides that the applicable rate shall be \$20 per year in lieu of the \$10 per year rate specified in section 3268 (a).

to any bowling alley, billiard table, or pool table maintained exclusively for the use of members of the Armed Forces on any property owned, reserved, or used by, or otherwise acquired for the use of, the United States if no charge is made for their use.

THE RENEGOTIATION ACT (ACT OF APRIL 28, 1942, AS AMENDED)

(a) * * *

(4) * * *

(D) * * * A net renegotiation rebate shall not be repaid unless a claim therefor has been filed with the Board on or before the date of its abolition, or unless a claim shall have been filed with the Administrator of General Services (i) on or before [October 31, 1951] December 31, 1952, or (ii) within ninety days after the making of an agreement or the entry of an order under subsection (c) (1) determining the amount of excessive profits, whichever is later. A claim shall be deemed to have been filed when received by the Board or the Administrator, whether or not accompanied by a statement of the Commissioner of Internal Revenue showing the amortization deduction allowed for the renegotiated year upon the recomputation made pursuant to section 124 (d) of the Internal Revenue Code.

THE RENEGOTIATION ACT OF 1951

SEC. 201. FUNCTIONS UNDER WORLD WAR II RENEGOTIATION ACT.

* * * * *

(h) SAVINGS PROVISION.—This section shall not be construed (1) to prohibit disbursements authorized by the War Contracts Price Adjustment Board and certified pursuant to its authority prior to the effective date of this section, (2) to affect the validity or finality of any agreement or order made or issued pursuant to law by the War Contracts Price Adjustment Board or pursuant to delegations of authority from it, or (3) to prejudice or to abate any action taken or any right accruing or accrued, or any suit or proceeding had or commenced in any civil cause; but any court having on its docket a case to which the War Contracts Price Adjustment Board is a party, on motion or supplemental petition filed at any time within [twelve months] two years after the effective date of this section, showing a necessity for the survival of such suit, action, or other proceeding to obtain a determination of the questions involved, may allow the same to be maintained by or against the United States.

