
REPEAL OF TAX ON ADMISSIONS TO MOTION PICTURES

JULY 22 (legislative day, JULY 6), 1953.—Ordered to be printed

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

R E P O R T

[To accompany H. R. 157]

The Committee on Finance, to whom was referred the bill (H. R. 157) to provide that the tax on admissions shall not apply to moving picture admissions, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

PURPOSE OF THE LEGISLATION

The purpose of this legislation is to remove the tax on admissions to motion pictures if the principal amusement offered with respect to such admission is the showing of motion pictures. The exemption from the tax will apply regardless of whether the motion picture is shown in a motion-picture theater or elsewhere. Thus admissions to motion pictures conducted by charities and other nonprofit organizations will also be exempt from the tax.

The admissions tax was first imposed during World War I as an emergency measure. The rate was then 1 cent for every 10 cents or fraction thereof. In succeeding Revenue Acts admissions under certain amounts were exempted. These exempted amounts ranged from 10 cents in the Revenue Act of 1921 to \$3 in the Revenue Act of 1928. Under the Revenue Act of 1932 the exemption was lowered to 40 cents and in the Revenue Act of 1940 it was reduced to 20 cents. In October 1941 the exemption was eliminated except with respect to children's admissions under 10 cents. In 1944 the present rate became effective, which is 1 cent for each 5 cents or major fraction thereof on the price paid for the admission.

This bill is necessitated by the serious economic condition confronting the motion-picture industry. Since 1946 more than 5,000 motion-picture theaters have closed their doors. Receipts from general admissions have been declining steadily since 1947 and by far the greater part of this decline is in the receipts from admissions to motion-

picture theaters. On April 20, 1953, the House Ways and Means committee held a hearing on the bill and the testimony covered over 120 pages. This testimony showed the distressing plight of the industry at the present time. While since 1946 almost every other industry has shown a decided increase in profits, the total net income of all United States theaters showing motion pictures declined 29.7 percent. In 1946 the American people spent more than \$1½ billion on the movies. Today they are spending only around \$1 billion, and the attendance is still on the decline. The industry has been extremely hard hit through the introduction of television and other competing activities. It should be remembered that motion-picture theaters by their very nature are not adaptable to other activities and when the motion-picture theater closes the theater building and equipment ordinarily have to be disposed of at a heavy loss.

It is estimated that the net loss in revenue resulting from the repeal of the admissions tax on admissions to motion pictures will amount to approximately \$100 million. This estimate takes into account an increase in the revenue from income taxes due to such repeal. It is believed that the situation demands immediate action.

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 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 1700 (A) (1) OF THE INTERNAL REVENUE CODE

SUBCHAPTER A—ADMISSIONS

SEC. 1700. TAX.

There shall be levied, assessed, collected, and paid—

(a) Single or Season Ticket; Subscription.—

(1) Rate.—A tax of 1 cent for each 10 cents or fraction thereof* of the amount paid for admission to any place, including admission by season ticket or subscription. No tax shall be imposed on the amount paid for admission of a child under 12 years of age if the amount paid is less than 10 cents. *The tax imposed under this paragraph shall not apply to the amount paid for admission to a moving-picture theater if the principal amusement offered with respect to such admission is the showing of moving pictures.*

*Under sec. 1650 of the Code (relating to war tax rates) the effective rate is now 1 cent for each 5 cents or major fraction thereof.