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} REPORT
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INCOME TAX WITHHELD ON NONCASH REMUNERATION TO RETAIL COMMISSION SALESMEN

JULY 26, 1955.—Ordered to be printed

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

REPORT

[To accompany H. R. 542]

The Committee on Finance, to whom was referred the bill (H. R. 542) to amend the Internal Revenue Code, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

By virtue of this act, the Committee on Finance accepts the report of the Committee on Ways and Means, which is as follows:

PURPOSE

This bill amends section 3402 of the Internal Revenue Code of 1954 by adding a new subsection which exempts from the withholding tax provisions certain noncash remuneration paid to retail commission salesmen.

GENERAL STATEMENT

Under present law, the term "wages" for purposes of the withholding tax on wages, includes remuneration for services performed by an employee, including the cash value of remuneration includible in gross income paid in any medium other than cash. However, there are exemptions from such withholding for certain types of taxable wages, such as wages paid agricultural laborers, ministers, etc.

The bill provides that when an employee is paid in a medium other than cash for services performed by him as a retail commission salesman, the remuneration will not be subjected to withholding if the individual is ordinarily compensated solely by way of cash commissions. It is required, under the bill as reported, that the employer in such cases file with the Secretary of the Treasury or his delegate any information with respect to the noncash remuneration that may be required under regulations prescribed by the Secretary of the Treasury or his delegate.

Employers who pay their retail salesmen on a commission basis frequently offer noncash prizes to salesmen who exceed their quotas or who achieve outstanding sales records and so on. The stimulus to sales promotion which is provided by these noncash prizes may be substantially lessened if the employer is required to withhold from the employee's wages to the extent of the fair market value of these prizes. The bill, therefore, exempts this noncash remuneration from the

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withholding tax. It does not, however, affect the taxability to the retail commission salesman of the noncash remuneration.

The bill is effective with respect to remuneration paid after the date of enactment of this bill.

No revenue loss is expected to result from the enactment of this bill.

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 3402 OF THE INTERNAL REVENUE CODE

SEC. 3402. INCOME TAX COLLECTED AT SOURCE.

(a) REQUIREMENT OF WITHHOLDING.—Every employer making payment of wages shall deduct and withhold upon such wages (*except as provided in subsection (j)*) a tax equal to 18 percent of the amount by which the wages exceed the number of withholding exemptions claimed, multiplied by the amount of one such exemption as shown in subsection (b) (1).

* * * * *

(i) ADDITIONAL WITHHOLDING.—The Secretary or his delegate is authorized by regulations to provide, under such conditions and to such extent as he deems proper for withholding in addition to that otherwise required under this section in cases in which the employer and the employee agree (in such form as the Secretary or his delegate may by regulations prescribe) to such additional withholding. Such additional withholding shall for all purposes be considered tax required to be deducted and withheld under this chapter.

(j) *NONCASH REMUNERATION TO RETAIL COMMISSION SALESMAN.*—*In the case of remuneration paid in any medium other than cash for services performed by an individual as a retail salesman for a person, where the service performed by such individual for such person is ordinarily performed for remuneration solely by way of cash commission an employer shall not be required to deduct or withhold any tax under this subchapter with respect to such remuneration, provided that such employer files with the Secretary or his delegate such information with respect to such remuneration as the Secretary or his delegates may by regulation prescribe.*

