

## REPEALING THE MANUFACTURERS' EXCISE TAX ON MOTORCYCLES

JULY 29, 1955.—Ordered to be printed

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

### R E P O R T

[To accompany H. R. 5647]

The Committee on Finance to whom was referred the bill (H. R. 5647) to repeal the manufacturers' excise tax on motorcycles, 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 OF BILL

This bill removes motorcycles from the base of the 10 percent manufacturers' excise tax on passenger cars, etc. This is accomplished by striking out the term "motorcycles" in section 4061 (a) (2) of the Internal Revenue Code of 1954. This change is to be effective as of the first of the month beginning more than 10 days after the enactment of this bill.

#### REASONS FOR BILL

Your committee believes that the repeal of the excise tax on motorcycles is desirable primarily because the industry is a depressed industry, which in the past several years at least has been faced with declining sales. Profits of the three leading manufacturers in the industry (presently accounting for more than 90 percent of domestic sales) show a declining trend since 1947. In that year profits amounted to nearly \$3.5 million, in 1948 they had declined to \$2.3 million, and by 1950 they had shrunk to approximately \$1.4 million. In 1951 the profits of the 3 producers amounted to only \$300,000 and since that time they have generally declined until the 3 producers were faced with a loss of slightly over \$400,000 in 1954. During this 8-year period when the profits of the entire domestic industry exceeded \$1 million in only 3 years, the excise tax payments exceeded a million dollars in all but 2 years of these and even in those 2, the excise payments were only slightly under a million dollars.

Sales of the 3 leading domestic producers shrunk from over \$29 million in 1948 to slightly under \$16 million in 1954, a decline of 45 percent in the 7-year period. Employment of these three producers also decreased steadily in this period. From a level of about 3,800 workers in 1948, their employment declined to a level of slightly under 1,900 in 1954.

Your committee believes that where there is a general and steady decline in an industry during a period of generally rising profits, it is undesirable to ask the industry to pay special excise taxes. Moreover, the fact that the aggregate amount collected from the motorcycle industry is not large, makes it possible to make this reduction without seriously impairing the revenues.

It is understood that nearly half of the motorcycles purchased are used by individuals seeking an economical means of transportation. Moreover, such use by individuals, coupled with the use made of motorcycles by small commercial businesses, are believed to account for over two-thirds of all purchases.

It is estimated that this bill will decrease revenues by approximately \$1.5 million in a full year of operation. This takes into account both domestic production and imports.

This bill has been reported unanimously by your committee.

#### 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 4061 OF THE INTERNAL REVENUE CODE OF 1954

##### SEC. 4061. IMPOSITION OF TAX.

(a) AUTOMOBILES.—There is hereby imposed upon the following articles (including in each case parts or accessories therefor sold on or in connection therewith or with the sale thereof) sold by the manufacturer, producer, or importer a tax equivalent to the specified percent of the price for which so sold:

(1) \* \* \*

(2) Articles taxable at 10 percent except that on and after April 1, 1955, the rate shall be 7 percent—

Automobile chassis and bodies other than those taxable under paragraph (1).

Chassis and bodies for trailers and semitrailers (other than house trailers) suitable for use in connection with passenger automobiles.

**[Motorcycles.]**

A sale of an automobile, trailer, or semitrailer shall, for the purposes of this paragraph, be considered to be a sale of the chassis and of the body.

