

TO AMEND AND SUPPLEMENT THE FEDERAL-AID ROAD ACT APPROVED JULY 11, 1916, TO AUTHORIZE APPROPRIATIONS FOR CONTINUING THE CONSTRUCTION OF HIGHWAYS; TO AMEND THE INTERNAL REVENUE CODE OF 1954 TO PROVIDE ADDITIONAL REVENUE FROM THE TAXES ON MOTOR FUEL, TIRES, AND TRUCKS AND BUSES

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MAY 25 (legislative day, MAY 24), 1956.—Ordered to be printed

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

## R E P O R T

[To accompany H. R. 10660]

The Committee on Finance, to whom was referred title II of the bill (H. R. 10660) to amend and supplement the Federal-Aid Road Act approved July 11, 1916, to authorize appropriations for continuing the construction of highways; to amend the Internal Revenue Code of 1954 to provide additional revenue from the taxes on motor fuel, tires, and trucks and buses; and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are indicated in the bill as reported by linetype and italics.

### I. GENERAL STATEMENT WITH RESPECT TO TITLE II

Title II of H. R. 10660 as amended by your committee was designed to raise revenue from new and existing highway-user taxes to provide for Federal highway expenditures under title I of this bill as amended by the Senate Committee on Public Works. Title II of the bill as reported by your committee contains a provision which reduces apportionments to the States under the interstate highway system if these apportionments would otherwise have the effect of creating a deficit in the highway trust fund in any year. Your committee believes that this gives assurance that the highway program as set forth in H. R. 10660 as amended is truly a pay-as-you-build program.

For the 16-year period beginning July 1, 1956, and ending June 30, 1972, title II of H. R. 10660, as amended, imposes certain new taxes, increases others, and provides that amounts equivalent to these taxes,

together with amounts equivalent to certain existing highway-user taxes, are to be placed in a special highway trust fund. It is estimated that receipts to be paid into this trust fund for the entire 16-year period will amount to \$38.2 billion of which \$23,684 million represents present-law taxes and \$14,518 million represents new or increased taxes. Expenditures under the Federal highway program for the same period (as provided for in existing authorizations and authorizations in title I of H. R. 10660, as amended) will amount to \$30.5 billion. Thus trust-fund receipts are expected to exceed these expenditures by \$7.7 billion. This excess of receipts over expenditures will be available for additional highway expenditures from the trust fund.

The new revenue sources provided under title II of H. R. 10660, as amended, are:

1. A 1-cent-a-gallon increase in the gasoline, special motor fuel, and diesel fuel taxes, raising these taxes to 3 cents. These increases apply only to fuel for use in highway vehicles registered for use on the public highways.

2. An increase of 3 cents a pound in the tax on tires (now 5 cents) as well as a new tax of 3 cents a pound on camelback for retreading tires. This increase and the new tax apply only to tires of the type used on highway vehicles.

3. A 2-percentage-point increase in the present 8-percent manufacturers' tax on trucks, buses, truck trailers, etc. (as well as a continuation of the 3 percentage points in excess of 5 percent); and

4. A new annual tax on trucks and buses of \$2.50 per 1,000 pounds of "taxable gross weight" over 26,000 pounds if registered (or required to be registered) for use on the highways.

## II. THE NEW OR INCREASED TAXES

Title II of H. R. 10660, both as passed by the House and as amended by your committee provides new or increased taxes from several different revenue sources. These new or increased taxes under the House and your committee's bill are as follows:

Article	Unit of tax	Rates under—			
		Present law		House bill	Finance committee amendments
		Before Apr. 1, 1957	On and after Apr. 1, 1957		
Gasoline.....	Gallon.....	2 cents.....	1½ cents.....	3 cents.....	3 cents.....
Diesel fuel.....	Gallon.....	2 cents.....	1½ cents.....	3 cents.....	3 cents.....
Special motor fuel.....	Gallon.....	2 cents.....	1½ cents.....	3 cents.....	3 cents.....
Tires.....	Pound.....	5 cents.....	5 cents.....	8 cents.....	8 cents.....
Tread rubber (camelback).....	Pound.....	0.....	0.....	3 cents.....	3 cents.....
Trucks, buses, truck-trailers, etc.....	Mfrs. price.....	8 percent.....	5 percent.....	10 percent.....	10 percent.....
Use tax on vehicles and maximum load.....	1,000 lbs. of taxable gross weight.....	0.....	0.....	\$1.50 on total weight where this weight exceeds 26,000 pounds.....	\$2.50 on excess of weight over 26,000 pounds.....

These new or increased taxes go into effect on July 1, 1956.

In the case of both the House bill and your committee's amendments, limitations are imposed in the case of the taxes described

above which tend to restrict their application to cases involving highway use. However, there are two differences in this respect between the House and your committee's bill. The application of the additional tax on special motor fuel under the amendments made by your committee is limited to "highway vehicles," instead of to "motor vehicles" as provided under the House bill. Moreover, your committee makes the additional 1-cent motor fuel taxes applicable only to highway vehicles which are registered (or required to be) for use on the highways. Another difference between the House bill and the bill as revised by your committee is the treatment accorded local or mass transit systems in the case of the taxes on motor fuel and the use of heavy vehicles. The House bill provided exemptions or refunds from these increased or new taxes in the case of transit systems, but the bill as amended by your committee does not.

These new or increased taxes under both versions of the bill are expected to increase revenues by approximately \$600 million in the fiscal year 1957 with about two-thirds of this increase being attributable to the gasoline tax. In the fiscal year 1958 when these increases are fully effective, and also when the 5 percentage points (instead of 2 points) of the ad valorem tax on trucks, buses, truck trailers, etc., is properly classified as a new revenue, collections are expected to amount to \$748 million under your committee's amendments (\$763 million under the House bill). Growth in the use of the article subject to these taxes is expected to increase collections from them to about \$1.2 billion a year by the fiscal year 1972. More detailed estimates of collections from these increased taxes, as well as estimates of certain existing highway user taxes, are shown in table 1, which is presented subsequently in connection with the discussion of the highway trust fund.

Your committee's bill raises slightly less in new revenue than does the House bill because of the revision made in the use tax on heavy vehicles. The revisions made in this tax by your committee are expected to raise \$376 million less in revenue in the 16-year period up to 1972 than the House measure. This difference amounts to \$20 million in 1957, gradually increasing to \$28 million by 1972. On the other hand, your committee's bill is expected to result in a revenue increase over the House bill of \$5 million a year, or \$80 million over the 16-year period as a result of the elimination of the special relief measures in the House bill for local transit systems in the case of the fuel taxes and the use tax on heavy vehicles. Thus, on an overall basis your committee's bill will result in \$296 million less in revenue than the House bill.

*(a) Increase in gasoline and special fuels taxes*

Both the House and your committee's bill provide the same increases in the taxes on gasoline, diesel fuel, and special motor fuels. In the case of all three of these fuel taxes the rate under both bills is increased from 2 cents to 3 cents a gallon for the 16-year period from July 1, 1956, through June 30, 1972. After the latter date these tax rates will revert to 1½ cents a gallon, the rate which would be applicable on April 1, 1957, without the passage of this bill.

Under the House bill the 3-cents-a-gallon tax on gasoline was to apply to gasoline for use in any highway vehicle without regard to how the vehicle was actually used. The present 2 cents rate was to continue to apply to gasoline for use in other than highway vehicles.

Under your committee's bill the 3 cents a gallon tax is to apply to gasoline for use in a highway vehicle registered (or required to be registered) for use on the highways under State law or the laws of any foreign country. A 3-cent tax also will be collected in the case of other gasoline uses, but then a refund of 1 cent is to be allowed, making the net tax in such cases 2 cents.

Your committee limited the additional tax to registered highway vehicles to make the new revenue sources under this bill conform more closely with the purposes for which expenditures may be made under the trust fund; namely, a highway program.

Your committee's bill also differs from the House bill in the case of the gasoline tax in the procedure provided for obtaining a refund of the additional 1-cent tax. Under the House bill in the case of direct sales by a producer for a nonhighway vehicle, the sale could be made at a 2-cent tax rate. Where a wholesale or retail dealer made the sale for a nonhighway vehicle, the House version of the bill provided for the use of a 1-cent refund. Under this procedure the dealer makes the sale for the nonhighway vehicle on the basis of a 2-cent tax rate and then files a claim for a refund for the additional 1-cent tax he has paid which is processed up through the original manufacturer before going to the Internal Revenue Service.

Your committee's bill substitutes for this exemption or refund, a procedure under which the nonhighway user files a refund claim directly with the Internal Revenue Service in a manner similar to that already provided in the case of gasoline purchased for use on a farm for farming purposes. While the procedure under your committee's bill generally provides for an annual refund claim, provision is made for the filing of quarterly returns where the claim is filed for at least 100,000 gallons of gasoline. Your committee believes that the direct refund is preferable to the exemption or refund procedure provided under the House bill, because this direct refund procedure is already in use in the case of the more numerous claims of farmers, and because this procedure eliminates a great deal of paperwork for gasoline producers.

The 2-cent diesel fuel tax under present law applies only to fuel for diesel-powered highway vehicles, and is continued under the House bill without change except for an increase of the 2-cent tax rate to 3 cents. Your committee's bill applies the additional 1-cent tax only to diesel-powered highway vehicles which are registered for use on the highways. This change conforms with the change made by your committee in the case of the gasoline tax. The present 2-cent rate of tax will continue to apply to diesel-powered highway vehicles which are not registered for use on the highways.

The 2-cents-a-gallon tax on special motor fuels under present law is imposed with respect to fuels sold for use for the propulsion of a motor vehicle, motorboat, or airplane. Under the House bill the tax on special motor fuel was increased to 3 cents a gallon in the case of fuel sold for use in a motor vehicle (or subsequently so used). The present 2-cents-a-gallon tax would have continued to apply with respect to fuel for the propulsion of a motorboat or airplane. Your committee has made two modifications in the treatment provided by the House bill. First, as in the case of the gasoline and diesel fuel taxes, it has made the additional tax in the case of special motor fuels applicable only in the case of vehicles registered for use on the high-

ways. Second, it has made the additional 1-cent tax applicable only in the case of a "highway vehicle," as distinct from a "motor vehicle," as provided by the House bill. This change was made because the attention of your committee was called to certain types of vehicles which are classified as motor vehicles, but not as highway vehicles. As a result, if it were not for the change made by your committee, special motor fuel used in these "motor vehicles" would be taxed at 3 cents a gallon while gasoline used in the same type of vehicles would be taxed at only 2 cents a gallon (on a net basis).

As a result of the two changes made by your committee, users of special motor fuels will continue to pay a 2 cents a gallon tax in the case of special motor fuels sold for use (or subsequently so used) in a motorboat or airplane, or in a motor vehicle which is not a registered highway vehicle.

Under your committee's bill where diesel fuel or special motor fuel is sold or used for other than in a registered highway vehicle, an exemption or refund with respect to the additional 1-cent tax is available. Thus, where either of these fuels is purchased for use in other than a registered highway vehicle, it may be purchased on the basis of a 2-cent tax, or if a 3-cent tax has been paid and the fuel is subsequently used in other than a registered highway vehicle, a 1-cent credit or refund may be claimed. Your committee has retained the exemption and refund procedure with respect to these taxes, instead of making use of direct refunds as in the case of gasoline, because these are retail taxes rather than manufacturers' taxes. Thus, these procedures do not involve the large amount of paperwork which would be required under the gasoline tax.

Under the House bill special relief was provided in the case of the gasoline, diesel fuel, and special motor fuel taxes for fuel used in the operation of local transportation systems. The relief was granted through the form of a refund of the additional 1-cent tax where the fuel was used in vehicles engaged in furnishing scheduled common carrier, public passenger, land transportation service along regular routes. In such cases the refund was to be available only if 60 percent or more of the total passenger fare revenue of the carrier was attributable to fares exempt from the excise tax on the transportation of persons (on the grounds that they do not exceed 35 cents or that they constitute commutation fares). The refund in such cases would have been limited to the proportion of the additional motor fuel taxes paid by the carrier which the exempt passenger fare revenue represented of the total passenger fare revenue.

Your committee has removed the special relief provision for local transit systems because such systems are likely to make substantial use of the highways which are benefited by the Federal aid provided under title I of this bill. In this connection your committee takes note of the fact that 55 percent of the funds under the interstate highway system and 25 percent of the funds under the regular road program are expected to be spent for highways in urban areas, where these transit systems are operating. Your committee sees no particular reason for exempting local transit systems which does not as readily apply to any other hard-pressed businesses making use of the highways.

For the fiscal years 1957 through 1972, both versions of the bill set aside the additional 1-cent tax on gasoline, diesel fuel and special motor fuel for the highway trust fund. In addition, the present

2-cent tax with respect to these fuels are set aside for the highway trust fund for the period beginning July 1, 1956, and ending June 30, 1972. In this latter case, however, the amount set aside includes only liabilities incurred after June 30, 1956, which has the effect of bringing into the highway trust fund in the fiscal year 1957 only about 10 of the 12 months' collections.

*(b) Taxes on tires and on tread rubber*

The same increase in the tax on tires and new tax on tread rubber is provided in both the House and your committee's bills. In the case of tires of the type used on highway vehicles the rate is increased from 5 cents a pound to 8 cents a pound and in the case of tread rubber a new tax of 3 cents a pound is imposed. These increased or new taxes apply for the period from July 1, 1956, through June 30, 1972. After the latter date the tax on tires of the type used on highway vehicles will revert to 5 cents a pound (the present tax rate on all tires) and the tax on tread rubber will become inapplicable. The tax on tires other than those of the type used on highway vehicles will remain at 5 cents a pound.

In general a highway vehicle is a vehicle which if new would be subject to the manufacturers' excise on trucks, buses, passenger cars, etc., or which is a motorcycle. This, of course, means that other tires, such as bicycle tires, will not be subject to the increased tax.

Tread rubber is defined as material commonly or commercially known as tread rubber or camelback, or substitute material used in recapping or retreading tires. An exemption is provided for tread rubber sold by a manufacturer for use other than in recapping or retreading tires of the type used on highway vehicles. Similarly, where a dealer or other person uses or sells tread rubber for use other than in the recapping or retreading of tires of the type used on highway vehicles, a refund may be claimed.

The additional tire tax and also the new tax on tread rubber have been restricted to tires of the type used on highway vehicles (or tread rubber for recapping these tires) because title II of both the House and your committee's version of this bill is designed to raise revenue for a highway program. It is necessary to base the additional taxes on "tires of the type used on highway vehicles" because of the difficult administrative problems which would be involved in attempting to base the taxes on the actual use to which the tires are placed. For example, it would not be possible to determine finally the use to which a tire might be placed until that tire was worn out since, although initially placed on a nonhighway vehicle, it could readily be transferred to a highway vehicle.

For the fiscal year 1957 both versions of the bill set aside the additional 3 percentage points, in the case of the tire tax, and the entire tax on tread rubber for the highway trust fund. For the fiscal years 1958 through 1972 the entire tax on tires, inner tubes, and tread rubber is set aside for the highway trust fund.

*(c) Tax on sale by manufacturer of trucks, buses, and truck trailers*

The same increase in the tax on the sale by the manufacturer of trucks, buses, and truck trailers is provided by both the House and your committee's bill. At the present time the tax imposed on the sale of trucks, buses, and truck trailers is 8 percent of the sales price. The Tax Rate Extension Act of 1956 continued this 8-percent rate of

tax until April 1, 1957. In the absence of this bill, the rate at that time would revert to 5 percent. Both versions of this bill increase the tax rate with respect to these trucks, buses and truck trailers to 10 percent for the period from July 1, 1956, to June 30, 1972. At that latter date the tax will revert to 5 percent, the rate which in the absence of H. R. 10660 would become effective on April 1, 1957.

The House and your committee's bill sets aside 2 percentage points of the tax with respect to trucks, buses, and truck trailers for the highway trust fund for the fiscal year ending June 30, 1957. For the fiscal years 1958 through 1972, 5 percentage points of this tax are set aside for the highway program.

*(d) Tax on use of heavy trucks and buses*

A new tax on the use of heavy trucks and buses is provided by both the House and your committee's bill. Under both versions the tax is imposed on the use of public highways by highway vehicles having a "taxable gross weight" of more than 26,000 pounds. The actual tax applied, however, differs somewhat under the two versions of the bill. Under the House bill vehicles weighing more than 26,000 pounds are taxed at a rate of \$1.50 per year for each 1,000 pounds of "taxable gross weight" or fraction thereof. This applied not only to the weight above 26,000 pounds but also, where the tax was applicable, to the weight below that amount as well. Thus, under the House bill a truck having a "taxable gross weight" of slightly more than 26,000 pounds would pay a tax of \$40.50.

Your committee has modified the tax provided by the House bill to eliminate the "notch" which occurs at the 26,000-pound dividing line. Your committee believes that it is inequitable to impose no tax below the 26,000 pounds but to tax a truck weighing slightly over 26,000 pounds not only for its weight in excess of the 26,000-pound limit but also with respect to the 26,000 pounds. As a result, your committee's bill makes this tax applicable only to the weight in excess of 26,000 pounds, but in order to minimize the revenue loss resulting from this change has increased the tax to \$2.50 per year for each 1,000 pounds. Thus, in the case of a truck having a "taxable gross weight" of slightly more than 26,000 pounds, your committee's bill would require the payment of the minimum tax of \$2.50. A comparison of the relative taxes under the two versions of the bill for other truck weights is shown in the following tabulation:

Truck weight, in pounds	Tax under—	
	House bill	Senate amendments
28,000.....	\$42.00	\$5.00
30,000.....	45.00	10.00
35,000.....	52.50	22.50
40,000.....	60.00	35.00
55,000.....	82.50	72.50
65,000.....	97.50	97.50
70,000.....	105.00	110.00

This tax, under both versions of the bill applies only to highway motor vehicles used on a highway. The tax is payable by the person in whose name the vehicle is registered, or is required to be registered,

by the laws of a State, Territory, or the District of Columbia. The tax is an annual tax imposed for the year beginning July 1. However, if the first use of the vehicle on the highways occurs after the end of July, a proration formula is provided which has the effect of reducing the tax proportionately for the number of months at the beginning of the year during which the highway vehicle was not so used.

As indicated above, this tax is imposed on the basis of the "taxable gross weight" of a highway motor vehicle. "Taxable gross weight" generally is the unloaded weight of the highway motor vehicle fully equipped for service together with any semitrailer or trailer equipped for service customarily used in connection with motor vehicles of the type in question whether or not so used in connection with a particular vehicle with respect to which the tax is imposed. The term "taxable gross weight" also includes the weight of the maximum load customarily carried by vehicles of the type in question (and on the semitrailers or trailers) whether or not a particular vehicle actually carries a maximum load of this size. In practice it is anticipated that the Treasury Department will develop formulas or classifications for determining the weight of different types of trucks and buses for the purpose of this tax.

An exemption is provided from this use tax under the House bill for mass or local transit buses. Under the House bill buses need not pay this tax, even though weighing more than 26,000 pounds when loaded if—

- (1) the bus in question is a transit-type bus, as distinct from a bus designed for longer distance transportation, and
- (2) at least 60 percent of the passenger fare revenue of the bus system involved was attributable to fares exempt from the excise tax on the transportation of persons (on the grounds that they do not exceed 35 cents or are commutation fares).

Your committee's bill removes this exemption from the use tax on heavy vehicles in the case of transit systems because such systems are likely to make substantial use of the highways which are benefited by the Federal aid provided under title I of this bill. In this connection your committee takes note of the fact that 55 percent of the funds under the interstate highway system and 25 percent of the funds under the regular road program are expected to be spent for highways in urban areas where these transit systems are operated. Your committee sees no particular reason, therefore, for exempting local transit systems, which does not as readily apply to other hard-pressed businesses making use of the highways.

Exemption is also provided under both the House and your committee's bill for use of motor vehicles by States or political subdivisions. This is in accord with the treatment provided States and local governmental units in the case of most other excise taxes. In addition the Secretary of the Treasury is authorized to exclude from the application of this tax a particular motor vehicle or class of motor vehicles used by the United States if he determines that a substantial burden or expense will be avoided and that the benefit of any exemption claimed will accrue to the United States. Treatment of this type for the United States also is now provided in the case of most other excises.



(c) *Floor stock taxes and refunds*

Floor stock taxes are provided under both versions of the bill with respect to inventories in the hands of dealers on July 1, 1956, the starting date of the new or increased taxes. The floor stock taxes are provided with respect to the following types of inventories:

(1) Trucks, buses, and truck trailers held by a dealer. The floor stock tax in this case is imposed at the rate of 2 percent of the price for which the article is purchased by the dealer, or if the price to which the article was sold by the manufacturer is established to the satisfaction of the Treasury Department, then the tax is to be imposed at the rate of 2 percent of the price for which the truck, etc., was sold by the manufacturer.

(2) Tires of the type used on highway vehicles held by a dealer for sale or held for sale in connection with other articles or used in the manufacture of other articles. In this case the floor stock tax is imposed at the rate of 3 cents a pound.

(3) Tread rubber held by a dealer. The floor stock tax is to be at the rate of 3 cents a pound. The tax in this case is not to apply in the case of any person who establishes to the satisfaction of the Treasury Department that all of the tread rubber held by him will be used otherwise than in the recapping or retreading of tires of the type used on highway vehicles.

(4) Gasoline held by a dealer. The floor stock tax is imposed at the rate of 1 cent a gallon, but does not apply to gasoline held in retail gasoline stations or otherwise held for sale at the place where intended to be sold at retail.

The House bill contains no provision indicating how soon after the rate increase date, namely, July 1, 1956, these floor stock taxes are to be paid. Thus, under the House bill this would be determined administratively, and based upon past practice probably would not be until 60 or 90 days after the date of the increase. Your committee believes, however, that it is desirable to give taxpayers assurance of at least this amount of time for the payment of these floor stock taxes. For that reason, it has added a provision to the bill indicating that these taxes need not be paid until such time after September 30, 1956, as the Secretary or his delegate may prescribe.

Refunds are to be available with respect to the floor stock taxes in both versions of the bill in the same manner as if they were the regular excise taxes on the particular products involved.

Both the House and your committee's bill make provision for floor stock refunds with respect to inventories on hand on July 1, 1972, in the case of the same articles:

- (1) Trucks, buses, and truck trailers;
- (2) Tires of the type used on highway vehicles;
- (3) Tread rubber; and
- (4) Gasoline.

The refunds are to be available with respect to inventories held by dealers for sale on which tax has been paid. The refunds in these cases are to be based upon the difference between the tax paid on the article and the tax applicable with respect to the article after June 30, 1972. The requests for refunds are to be submitted by the manufacturers on or before November 10, 1972, based upon requests submitted to them before October 1, 1972, by the dealers who held the

floor stocks. The amount of the credit or refund must have been paid by the manufacturer to the dealer on or before November 10, 1972, or consent must have been obtained, on or before such date, from the dealer for the manufacturer to obtain the credit or refund. In the case of gasoline, as in the case of floor-stock taxes, no refund is to be allowed with respect to gasoline held in retail stocks.

Both versions of the bill also redraft the floor stock refund presently available on April 1, 1957, with respect to passenger cars. This is required by reason of the fact that the floor stock refund provision for trucks, buses, etc., must be separated from the existing automotive floor stock provision and made applicable with respect to floor stocks on hand on July 1, 1972, rather than April 1, 1957. In addition, however, the new floor stock refund provision in the case of passenger automobiles corrects an error in the 1954 code which unintentionally would have provided floor stock refunds with respect to automotive parts and accessories in the case of the reduction from 8 percent to 5 percent which occurs on April 1, 1957.

Other special refund provisions are also provided but they have been described previously in connection with the specific taxes.

### III. THE HIGHWAY TRUST FUND

Both versions of the bill establish a highway trust fund. Provision is made for the appropriation to the trust fund of amounts equal to the collections from certain taxes, generally for the 16-year period from June 30, 1956, to July 1, 1972. The amounts in the trust fund are made available (as provided by appropriation acts) for expenditures to meet obligations incurred under the Federal Aid Road Act of 1916 to the extent the expenditures are attributable to Federal-aid highways. In addition, provision is made for the trust fund to obtain advances from the general fund of the Treasury to meet temporary deficits in the trust fund. These advances are repayable to the Treasury when there are funds available in the trust fund which are not needed currently for the highway program. Any balances of the fund are to be vested in United States interest-bearing securities and any advances obtained from the general fund are to be repayable with interest.

As indicated in tabular material presented below, the trust fund is expected to be self-financing over the 16-year period. In any case however, the section on the highway trust fund declares it to be the policy of Congress to bring about a balance of total receipts and total expenditures of the trust fund for the entire period involved and it is stated that if it hereafter appears that this balance will not be obtained, Congress is to enact legislation in order to bring about such a balance. Moreover, your committee has added a provision which will have the effect of limiting highway expenditures in such a manner as not to result in a deficit in the highway trust fund even on a temporary basis. This provision is described more fully below. It is also declared to be the policy of Congress under both the House and your committee's bill that if the distribution of the tax burden among the various classes of persons using the highways or deriving benefits from them is not equitable, Congress is to enact legislation to bring about an equitable distribution.

(a) *Tax receipts of the fund*

Table 1 shows the total tax revenues which title II of H. R. 10660 as amended by your committee allocates to the highway trust fund for the 16-year period, starting with July 1, 1956, and ending June 30, 1972. The revenue estimates, as shown in this table, include both taxes imposed under present law, and the new or increased taxes provided by your committee's bill. The total receipts set aside for highway purposes over the 16-year period under your committee's bill amount to approximately \$38.2 billion, as contrasted to about \$38.5 billion under the House bill. Of the \$38.2 billion under your committee's bill about \$14.5 billion represents new or increased highway user taxes while the remaining \$23.7 billion represents existing highway user taxes.

TABLE 1.—Estimated tax receipts allocated to highway trust fund, fiscal years 1957-72<sup>1</sup>

[In millions of dollars]

Fiscal year	Present law taxes					New or increased taxes								Total receipts	
	Gasoline, 2 cents per gallon <sup>2</sup>	Diesel fuel, 2 cents per gallon	Tires, 5 cents per pound	Inner tubes, 9 cents per pound	Total, present law taxes	Gasoline, 1 cent per gallon <sup>3</sup>	Diesel fuel, 1 cent per gallon	Tires, 3 cents per pound <sup>4</sup>	Tread rubber, 3 cents per pound <sup>5</sup>	Trucks, buses, truck trailers, etc.		Trucks, etc., over 26,000 pounds, \$2.50 per thousand pounds annual tax	Total, new or increased taxes	Annual	Cumulative
										3 percent of manufacturers price (from 5 to 8 percent) <sup>6</sup>	2 percent of manufacturers price (from 8 to 10 percent)				
1957-----	7 846	7 22	-----	-----	868	411	11	95	8	-----	47	25	597	1, 465	1, 465
1958-----	994	27	184	18	1, 223	476	14	98	9	75	50	26	748	1, 971	3, 436
1959-----	1, 031	28	191	18	1, 268	493	14	100	11	81	54	27	780	2, 048	5, 484
1960-----	1, 064	29	197	9	1, 299	509	14	103	9	78	52	27	792	2, 091	7, 575
1961-----	1, 099	30	204	9	1, 342	526	15	108	11	84	56	28	828	2, 170	9, 745
1962-----	1, 133	31	210	9	1, 383	542	15	111	8	84	56	29	846	2, 229	11, 974
1963-----	1, 169	32	217	9	1, 427	559	16	111	12	87	58	29	872	2, 299	14, 273
1964-----	1, 203	33	223	9	1, 468	575	16	116	11	90	60	30	898	2, 366	16, 639
1965-----	1, 237	34	229	9	1, 509	593	17	124	14	87	58	31	924	2, 433	19, 072
1966-----	1, 269	35	235	9	1, 548	608	18	127	11	96	64	32	956	2, 504	21, 576
1967-----	1, 307	36	242	9	1, 594	626	18	129	12	96	64	32	977	2, 571	24, 147
1968-----	1, 341	37	248	9	1, 635	642	18	132	14	96	64	33	999	2, 634	26, 781
1969-----	1, 375	37	255	9	1, 676	658	19	135	11	99	66	34	1, 022	2, 698	29, 479
1970-----	1, 407	38	261	9	1, 715	673	19	135	14	99	66	35	1, 041	2, 756	32, 235
1971-----	1, 436	39	266	9	1, 750	687	19	140	11	99	66	36	1, 053	2, 808	35, 043
1972-----	1, 650	47	273	9	1, 979	781	23	145	14	105	76	36	1, 180	3, 159	38, 202
Total	19, 561	535	3, 435	153	23, 684	9, 359	267	1, 909	180	1, 356	957	490	14, 518	38, 202	-----

<sup>1</sup> Essentially based on an assumed average rate of growth of about 3 percent compounded for the entire period. The rate of growth is not uniform, however, over the period. In the earlier years it is above 3 percent and in the later years below 3 percent.

<sup>2</sup> After deduction of refunds of tax on farm gasoline, estimated at 6 percent.

<sup>3</sup> After deduction of all use in other than highway-type vehicles, estimated at 10 percent, since this portion of the tax will be refunded.

<sup>4</sup> After deduction of tires for non-highway-type vehicles, estimated at 12 percent.

<sup>5</sup> After deduction of rubber for tires for non-highway-type vehicles, estimated at 6 percent.

<sup>6</sup> This is shown as an increased tax because the present rate does not extend beyond April 1, 1957.

<sup>7</sup> Excludes receipts from taxes accrued prior to July 1, 1956.

<sup>8</sup> Including receipts after June 30, 1972, of taxes accrued on or before that date.

<sup>9</sup> Including receipts after June 30, 1972, of taxes accrued on or before that date, less floor stocks refunds paid in 1973.

NOTE.—Derived from data presented by the Treasury Department and Bureau of Public Roads.

The highway trust fund receipts include all of the new or additional highway-user taxes imposed by title II of H. R. 10660 for the period beginning July 1, 1956, and ending June 30, 1972. Under both the House and your committee's bill these include:

1. The 1-cent-per-gallon increase in the tax on gasoline;
2. The 1-cent-per-gallon increase in the tax on diesel fuel and special motor fuels;
3. The 3-cents-per-pound increase in the tax on tires;
4. The 3-cents-a-pound tax on tread rubber (camelback);
5. The 2 percentage point increase (from 8 percent to 10 percent) in the ad valorem tax on trucks, buses, truck trailers, etc.; and
6. The use tax on trucks and buses weighing over 26,000 pounds.
7. Floor stock taxes on most of the above taxes.

In addition, for the fiscal year 1958 and subsequent years the trust fund receipts include a 3 percentage point ad valorem tax on trucks, buses, truck trailers, etc., which in the absence of this bill would expire as of April 1, 1957. This is the portion of the present rate between 5 percent and 8 percent. At present the tax rate on these trucks, etc., is 8 percent of the price at which sold by the manufacturer. Under present law, however, this rate reverts to 5 percent as of April 1, 1957. Since this bill provides a 10-percent tax in the case of trucks, etc., sold on or after July 1, 1956, it in reality raises this tax above what it otherwise would be under present law—

1. by 2 percentage points for the period from July 1, 1956, to April 1, 1957; and
2. by 5 percentage points from April 1, 1957, until July 1, 1972. Such amounts therefore (except for receipts in the period from April 1, 1957, to July 1, 1957, in the case of the 3 percentage points) are allocated to the highway trust fund.

Title II of H. R. 10660 under both versions of the bill also allocate to the highway trust fund the equivalent of the revenue derived from certain existing highway user taxes. As recommended by the President, the present 2-cent tax on gasoline and other motor fuels is allocated to the highway trust fund. In addition, beginning July 1, 1957, the bill allocates for the use of the highway program an amount equal to the collections from the present 5-cent per pound tax on tires and from the present 9-cent per pound tax on inner tubes. It is believed that it is proper to use the existing taxes on tires and inner tubes to aid in the financing of an expanded highway program, since they are just as clearly highway user taxes as are the motor fuel taxes which Congress has traditionally recognized as such. It should also be recognized that substantial benefits from the proposed highway program will accrue to the economy as a whole and that the proposed highway program has been advocated in part because it is essential to the country's national defense. Moreover, even with the tire and tube taxes allocated to the highway trust fund there will still remain several highway user taxes in the general fund (see table 4). Neither the House nor your committee's bill, however, allocates the tire and tube taxes to the highway trust fund for the fiscal year 1957. This action was taken to make sure that this bill would have no adverse effect upon the budget balance for the fiscal year 1957.

The collections from the present gasoline and diesel fuel taxes going into the trust fund for the fiscal year 1957, as well as all of the new or

increased taxes, do not represent a full year's collections. In the case of the present gasoline and diesel fuel taxes, approximately 2 months' collections or about \$160 million are retained as a general-fund revenue. This amount is left as a general-fund revenue so as not to affect the budget for the fiscal year 1957 and also because the administration had taken this amount into account in planning its nonhighway budgetary expenditures for 1957. In the case of the new or increased taxes, since the taxes are imposed as of July 1, 1956, the normal lag of collections behind liabilities means that these collections also will reflect less than a full year's liability in 1957. So that the trust fund will reflect full collection from these taxes for an entire 16-year period (15 years in the case of the present tire and tube taxes and 3 percentage points of the manufacturers' tax on trucks, etc.), both versions of the bill provide that collections in the fiscal year 1973, to the extent attributable to liabilities incurred in the fiscal year 1972, are to be set aside for the highway program.

Table 1 also reflects certain other adjustments provided for in the bill with respect to the trust fund. The gasoline-tax receipts are reduced by the refunds which will be paid to farmers for farm use of gasoline under Public Law 466. No adjustment for these refunds is reflected in receipts for the fiscal year 1957, however, since the refund paid in this period is attributable to the gasoline tax before allocation to the highway trust fund. On the other hand, estimated refunds to farmers for the fiscal year 1973 are shown as a reduction in the receipts for the fiscal year 1972. Similar treatment is also provided under your committee's bill with respect to estimated refunds to nonhighway users of gasoline for the fiscal year 1973. Provision is also made for floor-stock refunds payable in the fiscal year 1973 after the termination of the increased rates or new taxes provided by both versions of this bill. To the extent these refunds are attributable to the new or increased tax rates, and would not be payable in the absence of this bill, a downward adjustment is made in the receipts for the last year shown on the table for these refunds.

*(b) Highway expenditures from the fund*

Both the House and your committee's bill provide that amounts in the trust fund are to be available to the extent provided by appropriation acts for expenditures after June 30, 1956, and before July 1, 1972, to meet obligations of the United States incurred under the Federal Aid Road Act to the extent the expenditures are attributable to Federal-aid highways (including administrative expenses of the Bureau of Public Roads payable from these appropriations). These expenditures may include obligations incurred before June 30, 1956, to the extent they represent expenditures made after that time. On the same basis the expenditures do not include obligations incurred before July 1, 1972, which are not spent until after that date.

Table 2 shows the estimated expenditures under the Federal-aid highway program based upon expenditures already authorized but not yet incurred and, those authorized under title I of H. R. 10660 as amended by the Senate Committee on Public Works. The total of such expenditures as estimated in table 2 for the period up to July 1, 1972, is \$30,508 million. This amount is divided between the program for primary, secondary, and urban roads and the program for the interstate road system.

**TABLE 2.—Estimated Federal expenditures for Federal-aid highways under H. R. 10660 as reported by Senate Public Works Committee and under existing legislation for the fiscal years 1957 to 1972, inclusive**

[In millions of dollars]

Fiscal year	Primary, secondary, and urban roads			Interstate highways			Totals		
	1954 and prior acts	H. R. 10660 authorized	Total	1954 and prior acts	H. R. 10660	Total	1954 and prior acts	H. R. 10660 authorized	Total
1957-----	690	50	740	110	200	310	800	250	1, 050
1958-----	450	400	850	150	600	750	600	1, 000	1, 600
1959-----	250	607	857	43	1, 150	1, 193	293	1, 757	2, 050
1960-----	140	760	900	-----	1, 700	1, 700	140	2, 460	2, 600
1961-----	75	825	900	-----	1, 900	1, 900	75	2, 725	2, 800
1962-----	50	475	525	-----	2, 000	2, 000	50	2, 475	2, 525
1963-----	-----	325	325	-----	2, 000	2, 000	-----	2, 325	2, 325
1964-----	-----	200	200	-----	2, 000	2, 000	-----	2, 200	2, 200
1965-----	-----	100	100	-----	2, 000	2, 000	-----	2, 100	2, 100
1966-----	-----	58	58	-----	2, 000	2, 000	-----	2, 058	2, 058
1967-----	-----	-----	-----	-----	2, 000	2, 000	-----	2, 000	2, 000
1968-----	-----	-----	-----	-----	2, 000	2, 000	-----	2, 000	2, 000
1969-----	-----	-----	-----	-----	2, 000	2, 000	-----	2, 000	2, 000
1970-----	-----	-----	-----	-----	1, 450	1, 450	-----	1, 450	1, 450
1971-----	-----	-----	-----	-----	1, 175	1, 175	-----	1, 175	1, 175
1972-----	-----	-----	-----	-----	575	575	-----	575	575
<b>Total..</b>	<b>1, 655</b>	<b>3, 800</b>	<b>5, 455</b>	<b>303</b>	<b>24, 750</b>	<b>25, 053</b>	<b>1, 958</b>	<b>28, 550</b>	<b>30, 508</b>

NOTE.—Derived from data presented by the Treasury Department and Bureau of Public Roads.



As indicated in table 2, existing authorizations, arising from the Federal Aid Highway Act of 1954 and prior acts, account for most of the anticipated expenditure in the fiscal year 1957, but taper off quite rapidly after the fiscal year 1959, disappearing entirely after the fiscal year 1962.

H. R. 10660 as amended by the Senate Public Works Committee, in the case of the primary, secondary, and urban road program, actually only authorizes funds for the fiscal year 1957 and the four succeeding years. The amount authorized for the primary, secondary, and urban road program for the 5 years is \$3,800 million and this amount is shown in table 2 spread over the longer period of years in which it has been estimated by the Bureau of Public Roads that this amount will be spent. This is in addition to the \$1,655 million already authorized for the fiscal year 1957 and subsequent years. This bill as amended by the Senate committee expresses no intent as to expenditures for primary, secondary, and urban roads in years beyond those for which authorizations are made.

H. R. 10660 as passed by the House authorized funds for primary, secondary, and urban roads for the fiscal years 1957, 1958, and 1959. Under the House bill the new authorizations for these years amounted to \$1,550 million. In addition, the House bill expressed the intent that during the 13-year period of the highway program these authorizations should be increased progressively at the rate of \$25 million a year. The amount which would be authorized if this intent were to be carried out would be \$9,125 million. These authorizations (and expression of intent) under the House bill, plus existing authorizations, would amount to \$12,330 million.

Thus, based upon actual authorizations the expenditures under the Senate Public Works Committee version of title I would exceed those provided by the House by \$2,250 million, but after the expression of intent is taken into account the primary, secondary, and urban road program under the House bill exceeds that under the Senate committee bill by \$6,875 million.

In the case of the interstate system, H. R. 10660, as amended by the Senate Committee on Public Works authorizes expenditures of \$24,750 million for the 13-year period 1957 through 1969. The Bureau of Public Roads estimates, as reflected in table 2, show this entire amount as being spent in the period prior to July 1, 1972. Under the House bill the comparable new authorizations for the interstate highway system amounted to \$24,825 million or \$75 million above that authorized in the Senate committee version of the bill.

Table 2 reflects no new authorizations for primary, secondary, and urban roads beyond the fiscal year 1961 since H. R. 10660 as amended by the Senate committee on Public Works neither makes authorizations nor expresses an intent with respect to the years beyond 1961 in the case of the regular road program. However, as is shown subsequently in table 3, receipts of the trust fund are expected to exceed the expenditures described above (plus interest requirements) by nearly \$7.7 billion. This amount would be available for highway aid in the latter years of the highway trust fund. This is discussed further below in connection with the fund balance.

H. R. 10660 as amended by the Senate Committee on Public Works increases the authorized mileage on the interstate system from 40,000 to 42,500 miles. This additional 2,500 miles (as well as any other

authorizations in the future) may at some time require the extension of the financing provisions of the highway revenue bill beyond June 30, 1972, or require the imposition of additional taxes. Approved projects on any part of the presently designated interstate system, or any subsequent additions thereto, shall be eligible for financing under this act.

*(c) Limitation of apportionments.*

Your committee has added a new subsection to the section of the bill dealing with the highway trust fund. The provision added is designed to give assurance that no deficit will develop in the highway trust fund. This result is achieved by requiring the Secretary of the Treasury (in consultation with the Secretary of Commerce) from time to time to estimate the balance of the highway trust fund available to meet expenditures required to be made from the fund. Whenever he determines that the fund balance will be insufficient to meet the expenditures required as a result of the apportionment to the States of Federal aid highway funds, he is to advise the Secretary of Commerce as to the amount of the expected deficiency. The Secretary of Commerce is then to reduce the funds available for apportionment to the States with respect to the interstate system so as to forestall the estimated deficiency. This reduction in the apportionments for the interstate system is to be made among the States on a pro rata basis. Subsequently, as the Secretary of the Treasury estimates that highway trust fund balances will become available to meet these apportionments to the States for the interstate highway system, the amounts previously withheld are to be apportioned by the Secretary of Commerce to the various States.

Because your committee has provided for the withholding of apportionments only with respect to the interstate system, this provision will not in any way effect the regular Federal aid highway program. It will, however, give specific and definite assurance that the Federal aid highway program will be paid for on a pay-as-you-build basis. This will give assurance of congressional reconsideration of the highway program at any time in the future that revenues appear to be inadequate to meet the highway program presently planned, since either new revenues will have to be raised at such a time or the expenditure program will have to be curtailed or postponed. Your committee believes, however, that revenues, which had been conservatively stated in this report, are likely to be high enough to make this provision inoperative.

*(d) Operation of the fund*

In most respects the highway trust fund is to be handled in a manner similar to that provided for the trust fund for the old-age and survivors insurance program.

Provision is made in the highway trust fund for amounts to be borrowed from the general fund of the Treasury when the highway tax receipts, plus any fund balances, are inadequate to meet current highway expenditures. These amounts, to be known as repayable advances, are to be repaid with interest to the general fund when the Secretary of the Treasury finds money is available for this purpose. In view of the amendment added by your committee adjusting apportionments, this aspect of the highway trust fund will be inoperative except for periods of less than a year.

On the other hand, any highway trust fund balances not needed for current expenditures (or repayments to the general fund) are to be invested in interest-bearing obligations of the United States or in obligations guaranteed by it. Special obligations may be issued for this purpose if the Secretary of the Treasury deems the purchase of other Government, or Government-guaranteed, obligations not to be in the public interest.

The interest rate of the special obligations in which the fund balances may be invested, and also any advances repayable to the general fund, are in general to bear interest at the average rate of interest on all marketable interest-bearing obligations of the United States (included in the public debt). Currently this rate is about 2½ percent.

Table 3 shows the current estimates with respect to the highway trust fund for each of the fiscal years 1957 through 1972. These estimates are shown without taking into account the effect of adjustments of apportionments as provided by your committee's bill. A summary of the same information is as follows:

(In millions)

I. RECEIPTS FOR 16-YEAR PERIOD

1. Tax receipts.....	\$38, 202
2. Interest receipts.....	50
	<hr/>
Total.....	38, 252

II. EXPENDITURES FOR 16-YEAR PERIOD

1. Expenditures authorized by H. R. 10660 (as amended by the Senate Committee on Public Works) and prior acts.....	30, 508
2. Interest on repayable advances.....	46
	<hr/>
Total expenditures under existing law, under H. R. 10660 as amended and for interest on general fund advances.....	30, 554
4. Remaining balance available for additional highway expenditures....	7, 698
	<hr/>
Total.....	38, 252

The expenditure estimates shown in the first column of table 3 were taken from table 2 and show expenditures already authorized, and those which would be authorized under H. R. 10660 as amended. These expenditures for the 16-year period are estimated at \$30,508 million. The receipt estimates (in the fourth column) taken from table 1, amount to \$38,202 million for the 16-year period. Thus for this period, tax receipts are expected to exceed the above-described highway expenditures by \$7,694 million.

**TABLE 3.—Estimated expenditures, receipts, and balances of the highway trust fund for the fiscal years 1957 to 1972, inclusive, under H. R. 10660, title I as amended by the Senate Public Works Committee and title II as amended by the Senate Finance Committee<sup>1</sup>**

(In millions of dollars)

Fiscal year	Highway expenditures			Total tax receipts	Excess (+) or charge (-) tax receipts over highway expenditures	Interest credit (+) or charge (-) to trust fund	Net annual credits (+) or charges (-) to trust fund	Trust fund balance credit (+) or debit (-) at end of year
	From existing authorizations and those made under H. R. 10660 as amended (provides for \$900 million annually, fiscal years 1957-61 for primary, secondary, and urban roads)	Funds in excess of column (1) available for additional expenditures	Total funds available for highway expenditures					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1957-----	1,050		1,050	1,465	+415	+5	+420	+420
1958-----	1,600		1,600	1,971	+371	+14	+385	+805
1959-----	2,050		2,050	2,048	-2	+18	+16	+821
1960-----	2,600		2,600	2,091	-509	+13	-496	+325
1961-----	2,800		2,800	2,170	-630		-630	-305
1962-----	2,525		2,525	2,229	-296	-10	-306	-611
1963-----	2,325		2,325	2,299	-26	-14	-40	-651
1964-----	2,200		2,200	2,366	+166	-13	+153	-498
1965-----	2,100		2,100	2,433	+333	-7	+326	-172
1966-----	2,058	272	2,330	2,504	+174	-2	+172	
1967-----	2,000	571	2,571	2,571				
1968-----	2,000	634	2,634	2,634				
1969-----	2,000	698	2,698	2,698				
1970-----	1,450	1,306	2,756	2,756				
1971-----	1,175	1,633	2,808	2,808				
1972-----	575	2,584	3,159	3,159				
Total-----	30,508	7,698	38,206	38,202	-4	+4		

<sup>1</sup> Excluding effect of provision limiting construction expenditures to amounts available in trust fund each year.

NOTE.—Derived from data presented by the Treasury Department and Bureau of Public Roads.

As is indicated by table 3, if no account is taken of the adjustment to apportionments provided by your committee's bill, it would be necessary under present revenue and expenditure estimates to borrow from the general fund beginning in the fiscal year 1961. Further borrowings would have to be made in each of the subsequent years through 1963 and the trust fund deficit under these assumptions would not be wiped out until 1966. From that time on a progressively larger amount would be available each year over and above the expenditures authorized by H. R. 10660 as amended by the Senate Committee on Public Works. This, of course, arises from the fact that the authorizations with respect to the regular Federal road program are not made beyond the fiscal year 1961. The total funds over and above those authorized, which it is estimated will be available for highway expenditure in the 16-year period (shown in col. 2), amount to \$7,698 million. Additional funds may also be available for the highway program since the receipts shown have been based on a conservative rate of growth, and, therefore, may be understated. An understatement of receipts would result in the understatement of the trust-fund balances, or in the understatement of the additional amounts available for highway expenditures.

Taxes allocated to the trust fund in the early months of the fiscal year 1957 probably will not be sufficient to meet Federal highway aid expenditures in those same months, although the situation can be expected to be righted later in the year, and for the year as a whole, the trust fund should have sufficient revenue to meet expenditure requirements with a safe margin. However, it is expected that during the early part of the year some provision will be necessary to permit expenditures to be temporarily charged to the general fund, followed by accounting adjustments to transfer such charges from the general fund to the trust fund before the end of the fiscal year.

#### D. INVESTIGATION AND REPORT TO CONGRESS

The Secretary of Commerce, in cooperation with other Federal agencies and the various State highway departments is authorized and directed under this bill to make a study of the effect on design, construction, and maintenance of Federal-aid highways of the use of different types of vehicles and the frequency of these vehicles in the traffic stream. An investigation is also to be made of the proportionate shares of design, construction, and maintenance costs of the Federal-aid highways which are attributable to the various classes of vehicles using the highways. In addition, the Secretary of Commerce has been directed to take into account other benefits, both direct and indirect, accruing to different classes of persons as the result of the Federal-aid highways. This might include, for example, the effect on property values near these Federal-aid highways and also the importance of these highways to the national-defense program. These studies are to be coordinated with the research authorized by section 10 of the Federal Aid Highway Act of 1954 and with tests such as the Illinois road test provided for in section 102 (e) of title I in this bill.

The Secretary of Commerce is to prepare and present a final report for Congress as soon as possible but in no case later than March 1, 1959. Progress reports on the status of these studies are to be made on or before March 1, 1957, and March 1, 1958.

The purpose of these studies is to make available to Congress information which it may use to determine what taxes should be imposed to assure to the extent practical an equitable distribution of the tax burden among the different classes of persons using the Federal-aid highways or deriving benefits from these highways. In this connection, of course, account should be taken not only of the highway user taxes which are specifically allocated to the highway trust fund, but also all other highway user or related excise taxes imposed by the Federal Government.

Table 4 shows the various types of highway related taxes presently imposed, as well as the additional amounts imposed under title II of H. R. 10660 as amended by the Senate Committee on Public Works. These data are shown on an estimated basis for the fiscal years 1957 through 1972. For this entire period highway user or related taxes under present law amount to nearly \$41 billion while such taxes added by title II of H. R. 10660 as amended amount to nearly \$15 billion. This makes a grand total of nearly \$56 billion of highway user or highway related taxes which will be imposed for this period. With taxes of this magnitude involved, care must be taken that the burden is distributed equitably.

TABLE 4.—Estimated tax receipts from selected excise taxes, fiscal years 1957-72

Fiscal year	Present law taxes								
	Gasoline <sup>1</sup>	Diesel fuel <sup>1</sup>	Lubricating oil (50 percent) <sup>2</sup>	Passenger automobiles	Trucks, buses, and trailers	Parts and accessories	Tires	Tubes	Total, present law
	Rates of tax								
	<i>Cents per gallon</i>	<i>Cents per gallon</i>	<i>Cents per gallon</i>	<i>Manufacturers' price, percent</i>	<i>Manufacturers' price, percent</i>	<i>Manufacturers' price, percent</i>	<i>Cents per pound</i>	<i>Cents per pound</i>	
1957-----	2	2	6	10	8	8			
1958-72-----	2	2	6	7	5	5	5	9	
	In millions of dollars								
1957-----	846	22	39	857	208	205			2,177
1958-----	994	27	36	620	125	128	184	18	2,132
1959-----	1,031	28	42	637	135	145	191	18	2,227
1960-----	1,064	29	42	651	130	145	197	9	2,267
1961-----	1,099	30	42	665	140	150	204	9	2,339
1962-----	1,133	31	42	665	140	155	210	9	2,385
1963-----	1,169	32	48	679	145	160	217	9	2,459
1964-----	1,203	33	45	686	150	165	223	9	2,514
1965-----	1,237	34	48	700	145	170	229	9	2,572
1966-----	1,269	35	51	700	160	175	235	9	2,634
1967-----	1,307	36	51	714	160	180	242	9	2,699
1968-----	1,341	37	51	728	160	185	248	9	2,759
1969-----	1,375	37	54	728	165	190	255	9	2,813
1970-----	1,407	38	54	749	165	195	261	9	2,878
1971-----	1,436	39	57	749	165	200	266	9	2,921
1972-----	1,650	47	57	756	175	205	273	9	3,172
Total-----	19,561	535	759	11,284	2,468	2,753	3,435	153	40,948

See footnotes at end of table, p. 24.

TABLE 4.—Estimated tax receipts from selected excise taxes, fiscal years 1957-72—Continued

Fiscal year	New or increased taxes under this bill							Total, all taxes
	Gasoline <sup>1</sup>	Diesel fuel <sup>1</sup>	Tires <sup>2</sup>	Tread rubber <sup>1</sup>	Trucks, buses, and trailers <sup>1</sup>	Trucks over 26,000 pounds	Total, new taxes <sup>1</sup>	
	Rates of tax							
	<i>Cents per gallon</i>	<i>Cents per gallon</i>	<i>Cents per pound</i>	<i>Cents per pound</i>	<i>Manufacturers' price, percent</i>	<i>Per thousand pounds</i>		
1957.....	1	1	3	3	2	\$2. 50	-----	-----
1958-72.....	1	1	3	3	5	2. 50	-----	-----
	In millions of dollars							
1957.....	411	11	95	8	47	25	597	2, 774
1958.....	476	14	98	9	125	26	748	2, 880
1959.....	493	14	100	11	135	27	780	3, 007
1960.....	509	14	103	9	130	27	792	3, 059
1961.....	526	15	108	11	140	28	828	3, 167
1962.....	542	16	111	8	140	29	846	3, 231
1963.....	559	16	111	12	145	29	872	3, 331
1964.....	575	16	116	11	150	30	898	3, 412
1965.....	593	17	124	14	145	31	924	3, 496
1966.....	608	18	127	11	160	32	956	3, 590
1967.....	626	18	129	12	160	32	977	3, 676
1968.....	642	18	132	14	160	33	999	3, 758
1969.....	658	19	135	11	165	34	1, 022	3, 835
1970.....	673	19	135	14	165	35	1, 041	3, 919
1971.....	687	19	140	11	165	36	1, 058	3, 979
1972.....	781	23	145	14	175	36	1, 174	4, 346
Total.....	9, 359	267	1, 909	180	2, 307	490	14, 512	55, 460

<sup>1</sup> Adjusted in the same manner as indicated in table 1.<sup>2</sup> Estimated portion other than for industrial purposes.<sup>3</sup> Includes effect of floor stocks refunds.

NOTE.—Derived from data presented by the Treasury Department and Bureau of Public Roads.



## IV. TECHNICAL EXPLANATION OF TITLE II

The technical explanation given below relates both to the House bill and to the bill as amended by your committee unless otherwise indicated.

## SECTION 201. SHORT TITLE FOR TITLE II

*Subsection (a).*—Subsection (a) provides that title II may be cited as the "Highway Revenue Act of 1956."

*Subsection (b).*—Subsection (b) provides that amendments to any section or other provision made by title II are considered to be made to a section or other provision of the Internal Revenue Code of 1954.

## SECTION 202. INCREASE IN TAXES ON DIESEL FUEL AND ON SPECIAL MOTOR FUELS

Section 202 increases the present retail and use taxes on diesel fuel and on special motor fuels from 2 cents a gallon to 3 cents a gallon.

*Subsection (a).*—Section 4041 (a) of the 1954 Code imposes a tax of 2 cents a gallon on any liquid sold for use, or used, as a fuel in a diesel-powered highway vehicle. Subsection (a) of section 202 of H. R. 10660 increases this tax from 2 cents a gallon to 3 cents a gallon. Your committee added two sentences after paragraph (2) of section 4041 (a). The first of these would exempt from the 1 cent increase in tax, diesel fuel which is sold for use or used in a diesel-powered highway vehicle which at the time of such sale or use is not registered, and not required to be registered, for highway use under the laws of any state or foreign country (or in the case of a diesel-powered highway vehicle owned by the United States which is not used on the public highways). The other new sentence provides that if tax at 2 cents a gallon has been paid on diesel fuel but such liquid is used as a fuel in a diesel-powered highway vehicle which at the time of this use is registered, or required to be registered, for highway use under the laws of any state or foreign country (or in the case of a diesel-powered highway vehicle owned by the United States which is used on the public highways), the user incurs liability for an additional tax of 1 cent a gallon on the fuel so used. For purposes of the 1954 Code this additional tax is considered as a tax imposed by section 4041 (a) (2). The House bill would impose a tax of 3 cents a gallon on diesel fuel sold for use or used as fuel in a diesel-powered highway vehicle even though such vehicle never used the highways. The effect of your committee's amendment is to provide an exemption from the 1-cent increase where such diesel-powered highway vehicle is never operated or used on the highways. The test applied under the bill (other than in the case of United States-owned vehicles) is whether the vehicle is registered, or required to be registered, under the laws of any State or foreign country. Thus, if a diesel-powered highway vehicle is neither registered in any State or foreign country for highway use nor is required to be registered in any State or foreign country only a 2-cent-a-gallon rate is applicable. On the other hand if the diesel-powered highway vehicle is either registered or required to be registered as indicated in the preceding sentence the 3-cent-a-gallon rate is applicable.

*Subsection (b).*—Section 4041 (b) of the 1954 Code imposes a tax of 2 cents a gallon on special motor fuels sold for use, or used, as a

fuel for the propulsion of a motor vehicle, motorboat, or airplane. The special motor fuels concerned are benzol, benzene, naphtha, liquefied petroleum gas, and any other liquid fuel (other than gasoline, diesel fuel, kerosene, gas oil, or fuel oil).

Subsection (b) of section 202 of H. R. 10660 increases this tax from 2 cents a gallon to 3 cents a gallon. Your committee has modified the amendment to section 4041 (b) proposed in the House bill, relating to the exemption from the increased rate on special motor fuels. Under the House bill the increased rate would not apply in the case of a liquid sold for use, or used, as fuel in the propulsion of a motorboat or airplane. Your committee's bill would add two new sentences to section 4041 (b) of the 1954 Code. The first of these sentences provides that the increased rate will not apply in the case of special motor fuels sold for use, or used, otherwise than as a fuel for the propulsion of a highway vehicle which, at the time of such sale, or use, is registered, or required to be registered, for highway use under the laws of any State or foreign country (or in the case of a vehicle owned by the United States which is used on the public highways). The second new sentence provides that if special motor fuels on which tax was imposed at the rate of 2 cents a gallon are subsequently used in a highway vehicle which is, or is required to be, so registered (or in the case of a vehicle owned by the United States which is used on the public highways), the user would be liable for an additional tax of 1 cent a gallon. For purposes of the 1954 Code, this additional tax is to be considered as a tax imposed by section 4041 (b) (2). Under your committee's amendment the 2-cent rate would apply in the case of special motor fuel used in propelling such non-highway motor vehicles as forklift trucks.

It should be noted that unless there was a taxable sale of the special motor fuel under section 4041 (b) (1), any person using such liquid as a fuel for the propulsion of a highway vehicle which is registered or required to be registered under the laws of any State or foreign country will be liable for tax under section 4041 (b) (2) at the rate of 3 cents a gallon, and any person using such liquid as a fuel for the propulsion of a motorboat, an airplane, or a highway vehicle which is neither registered, nor required to be registered, under the laws of any State or foreign country will be liable for tax under such section at the rate of 2 cents a gallon.

*Subsection (c).*—Section 4041 (c) of the 1954 code provides for a reduction of the tax on diesel fuel and on special motor fuels from 2 cents a gallon to 1½ cents a gallon effective April 1, 1957. Subsection (c) of section 202 of H. R. 10660 provides that the reduction to 1½ cents a gallon shall take effect on July 1, 1972.

#### SECTION 203. INCREASE IN TAX ON TRUCKS, TRUCK TRAILERS, BUSES, ETC.

Section 203 amends section 4061 (a) (1) of the 1954 Code which imposes a manufacturers' excise tax on the sale of trucks, truck trailers, buses, etc. Under present law, the tax is 8 percent of the sales price. Under H. R. 10666, during the period beginning July 1, 1956, and ending June 30, 1972, the tax would be 10 percent of the sales price and on and after July 1, 1972, the tax would be 5 percent of the sales price.

**SECTION 204. INCREASE IN TAXES ON TIRES OF THE TYPE USED ON HIGHWAY VEHICLES; TAX ON TREAD RUBBER, ETC.**

*Subsection (a).*—Section 4071 of the 1954 Code imposes a manufacturers' excise tax on the sale of tires wholly or in part of rubber at the rate of 5 cents a pound, and on the sale of inner tubes for tires at the rate of 9 cents a pound. Subsection (a) of section 204 of H. R. 10660 amends section 4071 so as to increase the rate of tax on tires of the type used on highway vehicles from 5 cents a pound to 8 cents a pound. It also imposes a new tax of 3 cents a pound on tread rubber sold by the manufacturer, producer, or importer. Under the amendment, the taxes on tires other than tires of the type used on highway vehicles, and on inner tubes, will continue at 5 cents a pound and 9 cents a pound, respectively.

Subsection (b) of section 4071, as it is proposed to be amended, continues the present method of determining the weight of tires and inner tubes, and extends that method to the new tax on tread rubber. Thus the weight of tread rubber for purposes of the new tax will be the total weight, as determined under regulations prescribed by the Secretary or his delegate.

Subsection (c) of section 4071, as proposed to be amended, provides that on July 1, 1972, the tax on tires of the type used on highway vehicles will be reduced from 8 cents a pound to 5 cents a pound, and the tax on tread rubber will cease to apply.

*Subsection (b).*—Subsection (b) of section 204 of H. R. 10660 amends section 4072 of the 1954 code (which defines the term "rubber"). Under the new section 4072 (b), the term "tread rubber" is defined as meaning any material which is commonly or commercially known as tread rubber or camelback, or any substitute for such material which is of the type used in recapping or retreading tires.

The new section 4072 (c) defines the term "tires of the type used on highway vehicles" as meaning tires of the type used (1) on motor vehicles which are highway vehicles, or (2) on vehicles of the type used in connection with motor vehicles which are highway vehicles. The defined term is used in section 4071 (a) (1) (which imposes the 8-cent-a-pound tax on tires of the type used on highway vehicles) and in section 4073 (c) (relating to the exemption from the tax on tread rubber in certain cases).

Bicycle tires do not come within the definition of tires of the type used on highway vehicles. Therefore, the tax status, and the rate of tax, in the case of bicycle tires is unchanged by H. R. 10660.

*Subsection (c).*—Subsection (c) of section 204 of H. R. 10660 amends section 4073 of the 1954 Code (relating to exemptions from the taxes on tires and tubes) to provide that, under regulations prescribed by the Secretary or his delegate, the new tax on tread rubber will not apply to tread rubber sold by the manufacturer, producer, or importer, to any person for use by such person otherwise than in the recapping or retreading of tires of the type used on highway vehicles.

*Subsection (d).*—subsection (d) of section 204 of H. R. 10660 makes a technical amendment to the table of sections of part II of subchapter A of chapter 32 to reflect the change made by subsection (b) in the heading to section 4072 of the 1954 Code.

## SECTION 205. INCREASE IN TAX ON GASOLINE

Section 205 amends section 4081 of the 1954 Code with respect to the present 2 cents a gallon excise tax on gasoline sold by producers or importers.

Under H. R. 10660 section 4081 (a) would impose a tax of 3 cents a gallon on gasoline sold by the producer or importer thereof or by any producer of gasoline.

Under section 4081 (b) as proposed in the House bill it was provided that the tax should be 2 cents a gallon in lieu of 3 cents a gallon in case of gasoline sold by the producer or importer to any person for use by such person otherwise than as fuel in a highway vehicle. This provision has been deleted by your committee. In lieu of such provision, which would have permitted sales at the reduced 2-cent rate in certain cases, a provision has been added under section 208 of H. R. 10660 which would permit the payment by the Secretary or his delegate to the ultimate purchaser of the gasoline of an amount equal to 1 cent a gallon for each gallon of gasoline used for certain nonhighway purposes.

Under the bill as amended by your committee there would no longer be any provision for a sale at the reduced 2 cent rate and section 4081 (b) would now provide for a reduction in the rate of tax on and after July 1, 1972, to 1½ cents a gallon.

## SECTION 206. TAX ON USE OF CERTAIN VEHICLES

*Subsection (a).*—Subsection (a) amends chapter 36 of the Internal Revenue Code of 1954 by adding a new subchapter D, relating to tax on use of certain vehicles. This subchapter contains four new sections, sections 4481 through 4484, inclusive.

Subsection (a) of the new section 4481 imposes a tax on the use on the public highways of any highway motor vehicle which (together with the trailers and semitrailers customarily used in connection with vehicles of the same type) has a taxable gross weight of more than 26,000 pounds. Under the House bill, the rate of tax is \$1.50 a year for each 1,000 pounds or fraction thereof of the taxable gross weight. Your committee has amended subsection (a) so that a tax is imposed on the use of any highway motor vehicle at the rate of \$2.50 a year for each 1,000 pounds of taxable gross weight or fraction thereof in excess of 26,000 pounds of taxable gross weight. Thus, a highway motor vehicle for which the taxable gross weight is 29,400 pounds will be subject to a tax of \$10 under your committee's amendment, in contrast to a tax of \$45 in such case under the House bill.

Under subsection (b) of the new section 4481, the tax is to be paid by the person in whose name the highway motor vehicle is, or is required to be, registered under the law of the State in which such vehicle is, or is required to be, registered or, in the case of a vehicle owned by the United States, by the appropriate department or agency of the United States.

Subsection (c) of the new section 4481 deals with the proration of the tax in cases where the first use on the public highways of the highway motor vehicle occurs after July 31 of the year. Subsection (c) provides that in such a case the tax shall be prorated on a monthly basis. For example, if the first use on the public highways of a high-

way motor vehicle occurs on August 20, the tax will be computed at the rate of  $1\frac{1}{2}$ ¢ of \$2.50 for each thousand pounds or fraction thereof of the taxable gross weight of the vehicle in excess of 26,000 pounds of taxable gross weight.

Subsection (d) of the new section 4481 provides that if the tax imposed by that section is paid with respect to any highway motor vehicle for any 1-year period beginning on July 1, no further tax shall be imposed by that section for that period with respect to such vehicle. Similarly, in the case of any highway motor vehicle with respect to which the tax for any 1-year period beginning on July 1 is prorated under subsection (c) because the first use occurs after July 31, if the tax reckoned under such proration is paid, no further tax shall be imposed by section 4481 for the 1-year period so beginning on July 1.

Subsection (e) of the new section 4481 specifies the period during which the tax imposed by the section shall be in effect. This is the 16-year period beginning on July 1, 1956, and ending on June 30, 1972.

The new section 4482 of the 1954 Code contains definitions of the terms "highway motor vehicle," "taxable gross weight," "State," "year," and "use."

Section 4482 (a) defines a "highway motor vehicle" as a motor vehicle which is a highway vehicle.

Section 4482 (b) defines "taxable gross weight" when used with respect to any highway motor vehicle. In the case of a single-unit truck or bus, the taxable gross weight is the sum of the actual unloaded weight of the truck or bus fully equipped for service plus the weight of the maximum load customarily carried on trucks or buses of the same type as the truck or bus in question.

In the case of a highway motor vehicle of the type customarily used in connection with one or more trailers or semitrailers, the "taxable gross weight" is the sum of the actual unloaded weight of the power unit fully equipped for service and the actual unloaded weight of the semitrailer, trailer, or combination of semitrailer or trailers, fully equipped for service, customarily used in connection with highway motor vehicles of the same type, plus the weight of the maximum load customarily carried on all of the units in question.

Taxable gross weight is to be determined in all cases in the manner provided in regulations prescribed by the Secretary or his delegate. The Secretary or his delegate is authorized in his discretion to include in such regulations formulas or other methods for determining the taxable gross weight of vehicles by classes, specifications, or otherwise. For example, a formula may be provided under which the weight attributable to passengers carried by a bus would be determined by multiplying the passenger capacity of the bus (determined as prescribed by the regulations) by a stated number of pounds per passenger.

Section 4482 (c) defines the terms "State," "year," and "use." The term "State" means a State, a Territory of the United States, and the District of Columbia. The term "year" means the 1-year period beginning on July 1. The term "use" means use in the United States (that is, any of the 48 States, Alaska, Hawaii, or the District of Columbia) on the public highways. Thus, if a highway truck having a taxable gross weight of 30,000 pounds is used solely in a lumbering operation and is never used on the public highways, the use of such truck is not subject to tax under section 4481. For pur-

poses of subsection (a) of section 4481 (which imposes the new tax), and for purposes of subsection (c) of that section (which relates to the proration of tax), the mere transportation of a new vehicle to the point of sale will not be considered to be use of such vehicle.

Section 4483 relates to exemptions from the tax imposed by section 4481. Subsection (a) provides that under regulations prescribed by the Secretary or his delegate, the tax imposed by section 4481 is not to apply to the use of any highway motor vehicle by a State, a Territory of the United States, the District of Columbia, or any political subdivision of any of the foregoing.

Subsection (b) provides that the Secretary of the Treasury may authorize exemption from the tax imposed by section 4481 as to the use by the United States of any particular highway motor vehicle, or class of highway motor vehicles, if he determines that the imposition of the tax with respect to such use will cause substantial burden or expense which can be avoided by granting tax exemption and that full benefit thereof will accrue to the United States.

The House bill had a subsection (c) under section 4483 which would have provided that the tax imposed by section 4481 is not to apply to transit-type buses used by a qualified transit system. Your committee has deleted this exemption.

#### SECTION 207. FLOOR-STOCKS TAXES

Section 207 imposes floor-stocks taxes equal to the increase in the taxes on trucks, truck trailers, buses, etc., tires of the type used on highway vehicles, and gasoline, and equal to the new tax on tread rubber. In general, the taxes are imposed on articles held on July 1, 1956, by persons other than manufacturers and consumers.

*Subsection (a).*—Subsection (a) adds a new section 4226, relating to floor-stocks taxes, to the 1954 code. Paragraphs (1) through (4) of section 4226 (a) deal with the floor-stocks taxes on trucks, truck trailers, buses, etc., tires of the type used on highway vehicles, tread rubber, and gasoline, respectively.

Where a dealer on July 1, 1956, holds a vehicle, such as a truck, truck trailer, or bus, the tax on which is increased by the bill, he will be subject to a floor-stocks tax at the rate of 2 percent of the price for which the article was purchased by him. If the price for which the article was sold by the manufacturer, producer, or importer is established to the satisfaction of the Secretary or his delegate, then, in lieu of computing the tax on the price for which the article was purchased, the tax is to be at the rate of 2 percent of the price for which the article was sold by the manufacturer, producer, or importer. The 2-percent rate is based upon the difference between the present 8 percent and the proposed 10 percent rate of tax.

The floor-stocks tax on tires of the type used on highway vehicles will be the difference between the existing tax on tires (5 cents a pound) and that imposed under H. R. 10660 (8 cents a pound). This tax will apply to tires of the type used on highway vehicles held for sale on July 1, 1956, by dealers. The tax also will apply to tires of the type used on highway vehicles held on such date by a manufacturer, producer, or importer of vehicles for installation on vehicles and to tires which have been placed on vehicles held on such date by the manufacturer, producer, or importer for sale.

The tax does not apply to tires held for sale by the manufacturer, producer, or importer thereof. Also the tax does not apply to tires actually mounted on vehicles held for sale by persons who are not the manufacturers, producers, or importers of such vehicles. The tax does not apply to bicycle tires.

Where any person (other than the manufacturer, producer, or importer) on July 1, 1956, holds tread rubber for sale or use, he will be subject to a floor-stocks tax at the rate of 3 cents a pound, unless he establishes that all the tread rubber held by him on July 1, 1956, will be used for purposes other than the recapping or retreading of tires of the type used on highway vehicles. Thus, if any of the tread rubber held by such a person is to be used in the recapping or retreading of tires of the type used on highway vehicles, a floor-stocks tax at the rate of 3 cents a pound is imposed on all tread rubber held by him on July 1, 1956. However, under sections 4226 (b) and 6416 (b) (2) (K) of the 1954 code as added by H. R. 10660, provision is made for credit or refund of the floor-stocks tax in the case of tread rubber used or resold for use otherwise than in the recapping or retreading of tires of the type used on highway vehicles.

The floor-stocks tax on gasoline will be 1 cent a gallon, which is the difference between the present tax (2 cents a gallon) and that imposed under this bill (3 cents a gallon). The floor-stocks tax on gasoline will not apply to retail stocks of gasoline held at the place where intended to be sold at retail.

Subsection (a) of section 207 of the bill further provides (in subsec. (b) of sec. 4226) that the credit or refund provisions of section 6416 shall be applicable to floor-stock taxes. In addition, subsection (a) of section 207 of the bill provides (in subsec. (c) of sec. 4226) that terms "dealer" and "held by a dealer" as used in new section 4226 shall have the meaning assigned to them by section 6412 (a) (3). Under section 207 of the House bill no specific provision is made for the time of payment of the floor-stocks taxes imposed by that section. Your committee has added a new subsection (d) to section 4226 which provides that the floor-stocks taxes imposed by section 4226 (a) shall be paid at such time after September 30, 1956, as may be prescribed by the Secretary or his delegate. Of course, if the tax is in jeopardy, the Secretary or his delegate may make a jeopardy assessment under the authority of section 6862.

*Subsection (b).*—Subsection (b) of section 207 of the bill is a technical amendment conforming the table of sections of subchapter F of chapter 32 to the amendment made by subsection (a).

#### SECTION 208. CREDIT OR REFUND OF TAX

*Subsection (a).*—Subsection (a) of section 208 amends subsections (a), (b), and (c) of section 6412 of the 1954 Code (relating to floor-stocks refunds).

Section 6412 (a), as it is proposed to be amended, provides for floor-stocks refunds, without interest, with respect to passenger automobiles, trucks and buses, tires of the type used on highway vehicles, tread rubber, and gasoline. Floor-stocks refunds will be made with respect to inventories of these articles held by dealers at the time the tax in question is reduced in rate or is terminated under the provisions of the bill, and will be in an amount equal to the difference between

the tax paid by the manufacturer, producer, or importer, and the amount of tax made applicable to the article on the rate reduction date or the tax termination date.

The tax rates under the bill on trucks and buses, tires of the type used on highway vehicles, and gasoline are reduced on June 30, 1972, and the new tax on tread rubber terminates on that date. Thus, floor-stocks refunds will be available in the case of trucks and buses at the rate of 5 percent, tires of the type used on highway vehicles at the rate of 3 cents a pound, tread rubber at the rate of 3 cents a pound, and gasoline at the rate of 1½ cents a gallon. The bill provides for floor-stocks refunds for passenger automobiles held on April 1, 1957 (the date provided by the Tax Rate Extension Act of 1956 for reducing the 10 percent rate to 7 percent).

A uniform procedure applies to all floor-stocks refunds provided for under the bill. The manufacturer who paid the tax must file a claim for floor-stocks refund or credit within 4 months and 10 days after the rate reduction date or tax termination date based on a request submitted to him within 3 months after such date by the dealer who held the floor stocks with respect to which refund or credit is claimed. Refund or credit will not be allowed unless within the time fixed for the filing of the claim, reimbursement has been made to the dealer by the manufacturer or the written consent of the dealer to the allowance of the credit or refund has been obtained by the manufacturer.

The bill eliminates the present provision in the 1954 Code for floor-stocks refunds on automobile parts and accessories.

*Subsection (b).*—Subsection (b) of section 208 of the bill adds 2 paragraphs, instead of 4 paragraphs as proposed in the House bill, after subparagraph (I) of section 6416 (b) (2) of the 1954 Code (relating to special cases in which taxpayments are considered overpayments).

Subparagraph (J) under the House bill provides a credit or refund in the case of special motor fuels with respect to which tax was paid under section 4041 (b) (1) of the 1954 code at the rate of 3 cents a gallon. Under the House bill, if such liquid is used or resold for use as a fuel for the propulsion of a motorboat or airplane, the tax paid under section 4041 (b) (1) would be deemed to be an overpayment at the rate of 1 cent a gallon. Your committee has amended the proposed subparagraph (J) to provide for a creditor refund at the rate of 1 cent a gallon to the person who paid the tax in the case of a liquid with respect to which tax was paid under either section 4041 (a) (1) (diesel fuel) or 4041 (b) (1) (special motor fuels) which was used or resold for use as a fuel in a highway vehicle which at the time of such use or resale was not registered nor required to be registered for highway use under the laws of any State or foreign country (or in the case of a vehicle owned by the United States which was not used on the public highways). Thus, for example, credit or refund of the 1-cent increase in tax paid on special motor fuels would be allowable if the liquid was used or resold for use in propelling a motorboat, airplane, or fork-lift truck.

Your committee has deleted subparagraph (K) of the House bill which would have provided for a credit or refund at the rate of 1 cent a gallon in the case of gasoline with respect to which tax was paid at the rate of 3 cents a gallon and which was used or resold for use other than as a fuel in a highway vehicle. Instead, your committee has provided that refund in such case be made direct to the



user of the gasoline under a new section 6421 as added in subsection (c) of this section.

Subparagraph (L) of the House bill has been deleted by your committee. Under this deleted provision credit or refund of a specified portion of the 1-cent increase in the tax paid on gasoline, diesel fuel, and special motor fuels, would be allowed where such liquids were used by certain transit systems.

Subparagraph (M) of the House bill has been redesignated by your committee as subparagraph (K) and, as in the House bill, credit or refund of the tax paid on tread rubber under section 4071 (a) (4) at the rate of 3 cents a pound would be allowed if the tread rubber is used or resold for use otherwise than in the recapping or retreading of tires of the type used on highway vehicles. Your committee has made a technical amendment to this subparagraph which makes it inapplicable in case the credit or refund of such tax is allowable under section 6416 (b) (3).

*Subsection (c).*—Subsection (c) of section 208 of the bill as added by your committee amends subchapter B of chapter 65 of the Internal Revenue Code of 1954 by renumbering section 6421 as 6422 and inserting a new section 6421.

Subsection (a) of the new section 6421 provides that if gasoline is used otherwise than as a fuel in a highway vehicle which is registered or required to be registered for highway use (or in the case of a vehicle owned by the United States which is used on the public highways) then the Secretary or his delegate shall pay to the ultimate purchaser of such gasoline an amount equal to 1 cent for each gallon of gasoline so used.

Subsection (b) of section 6421 provides for the time of filing claims under subsection (a). Your committee has provided two methods of filing claims with respect to gasoline used for which a refund in the amount of 1 cent a gallon is allowed under subsection (a) of new section 6421. These methods are mutually exclusive. The first method is by filing a claim for all gasoline used during any 1-year period ending June 30. Only one claim may be filed under this method, and such claim, to be allowed, must be filed on or before September 30 following the end of the year to which the claim relates. This first method is the general method to be used.

Under this second method the claimant may file a claim at the end of any calendar quarter during the 1-year period ending on June 30 provided that the claim covers at least 100,000 gallons of gasoline and provided further that it covers all gasoline for which refund may be claimed used by such claimant since the last claim was filed. Such claim, to be allowed, must be filed on or before September 30 following the end of the year for which the claim is filed. Under the second method, in addition, a person may file a claim for less than 100,000 gallons for the period ending June 30 if he has previously filed a claim or claims for any part of the year under this method. Such claim for the period ending June 30 must cover all gasoline used between the period for which the prior claim was filed and June 30.

The following example will illustrate the operation of the procedure for filing claims under the second method: X corporation would be entitled to file claims for the following gallons of gasoline for the

respective quarters indicated, assuming that such corporation was entitled to a refund under subsection (a) for all such gasoline:

July 1 to Sept. 30, 75,000 gallons used.....	No claim may be filed.
Oct. 1 to Dec. 31, 75,000 gallons used.....	Claim may be filed for 150,000 gallons under par (2) of sec. 6421 (b).
Jan. 1 to Mar. 31, 150,000 gallons used.....	Claim may be filed for 150,000 gallons under par. (2) of sec 6421 (b).
Apr. 1 to June 30, 90,000 gallons used.....	Claim may be filed under par. (2) of sec. 6421 (b) for 90,000 gallons.

Subsection (c) gives the term "gasoline" the same meaning given to such term by section 4082 (b) of the code.

Subsection (d) (1) of section 6421 provides two conditions which must be observed in determining the amount of any payment to be made under section 6421.

First, it prohibits payment of any amount with respect to any gasoline which the Secretary or his delegate determines was exempt from the tax imposed by section 4081 of the 1954 Code. Thus if gasoline was purchased tax free under any provision of the code and then used otherwise than as fuel in a highway vehicle, such gasoline could not be included in determining any amount claimed under section 6421.

Secondly, it provides that any amount that would otherwise be payable under section 6421 with respect to any gasoline shall be reduced by any other amount which the Secretary or his delegate determines is payable under section 6421 or is refundable under any other provision of the 1954 Code to any person with respect to such gasoline.

Subsection (d) (2) provides that section 6421 shall not apply with respect to gasoline which was used on a farm for farming purposes.

*Subsections (d) and (e).*—Subsections (d) (3) and (e) of section 208 of the bill make conforming changes in tables of sections and add appropriate cross references.

Subsection (d) (1) provides that section 6206 (relating to special rules applicable to excessive claims) is applicable with respect to claims filed under section 6421.

Subsection (d) (2) amends section 6675 (relating to excessive claims for gasoline used on farms) so as to make the provisions of that section applicable to claims filed under section 6421.

Subsection (e) of section 6421 provides that all provisions of law, including penalties, applicable in respect of the tax imposed by section 4081 shall, insofar as applicable and not inconsistent with section 6421, apply in respect of the payments provided for in section 6421 to the same extent as if such payments constituted refunds of overpayments of the tax so imposed. Under this provision (to mention some, but not all, of the provisions which will apply) sections 6514 (relating to credits or refunds after period of limitations), 6532 (relating to periods of limitation on suits), 7405 (relating to action for recovery of erroneous refunds), and 7422 (relating to civil actions for refunds by taxpayers) of the 1954 Code apply.

For the purpose of determining the correctness of any claim made under this section, or of any payment made pursuant to such claim, subsection (e) (2) makes applicable paragraphs (1), (2), and (3) of section 7602 of the 1954 code, relating to the examination of books and witnesses, as if the claimant were the person liable for tax.

Subsection (f) provides that the Secretary or his delegate may by regulations prescribe the conditions, not inconsistent with the provisions of section 6421, under which payments may be made under section 6421. Some of the conditions that might be appropriately prescribed by regulations are, for example:

- (1) The type of records that will be required to be kept;
- (2) The form on which the claim must be filed;
- (3) The information to be contained in such claim; and
- (4) The evidence necessary to support such claim.

Subsection (g) provides that payments under section 6421 may be made only with respect to gasoline purchased after June 30, 1956 and before July 1, 1972.

Subsection (h) provides appropriate cross-references to other provisions of the 1954 code.

#### SECTION 209. HIGHWAY TRUST FUND

*Subsection (a).*—Subsection (a) creates a trust fund to be known as the highway trust fund which shall consist of such amounts as may be appropriated or credited to the trust fund.

*Subsection (b).*—Subsection (b) contains a declaration of the policy of the Congress with respect to the trust fund and the distribution of the tax burden under title II of the bill. This subsection provides that if it hereafter appears (1) that the total receipts of the trust fund (exclusive of any amounts appropriated to the trust fund as advances) will be less than the total expenditures from the trust fund (exclusive of expenditures representing repayment of advances to the trust fund), or (2) that the distribution of the tax burden among the various classes of persons using the Federal-aid highways or otherwise deriving benefits from such highways is not equitable, the Congress shall enact legislation in order to bring about a balance of total receipts of the trust fund and total expenditures from the trust fund, or an equitable distribution of the tax burden, as the case may be.

*Subsection (c).*—Paragraph (1) of subsection (c) appropriates to the trust fund amounts equivalent to specified percentages of the taxes imposed under certain sections of the Internal Revenue Code of 1954 or under the corresponding provisions of the Internal Revenue Code of 1939 or prior revenue laws, which are received before July 1, 1972. The appropriations made by paragraph (1) are in amounts equivalent to the sum of:

(1) 100 percent of the taxes received after June 30, 1956, under sections 4041 (taxes on diesel fuel and special motor fuels), 4071 (a) (4) (tax on tread rubber), and 4081 (tax on gasoline);

(2) 20 percent of the tax received after June 30, 1956, and before July 1, 1957, under section 4061 (a) (1) (tax on trucks, buses, etc.);

(3) 50 percent of the tax received after June 30, 1957, under section 4061 (a) (1) (tax on trucks, buses, etc.);

(4) 37½ percent of the tax received after June 30, 1956, and before July 1, 1957, under section 4071 (a) (1) (tax on tires of the type used on highway vehicles);

(5) 100 percent of the taxes received after June 30, 1957, under section 4071 (a) (1), (2), and (3) (taxes on tires of the type used on highway vehicles, other tires, and inner tubes);

(6) 100 percent of the tax received under section 4481 (tax on use of certain vehicles);

(7) 100 percent of the floor stocks taxes imposed by section 4226 (a).

In the case of any tax described in item (1), (2), or (4), above, amounts of any such tax received in the Treasury during the fiscal year ending June 30, 1957, shall be taken into account, for purposes of computing the amount appropriated to the trust fund, only to the extent attributable to liability for tax incurred after June 30, 1956. In computing appropriations to the trust fund after June 30, 1957, there will be taken into account such amounts of the taxes described above which are received in the Treasury after that date and before July 1, 1972.

Paragraph (2) of subsection (c) appropriates to the trust fund amounts equivalent to the following specified percentages of the taxes imposed under certain sections of the 1954 Code which are received in the Treasury after June 30, 1972, and before July 1, 1973:

(1) 100 percent of the taxes under sections 4041 (taxes on diesel fuel and special motor fuels), 4071 (a) (4) (tax on tread rubber), and 4081 (tax on gasoline);

(2) 20 percent of the tax under section 4061 (a) (1) (tax on trucks, buses, etc.);

(3) 37½ percent of the tax under section 4071 (a) (1) (tax on tires of the type used on highway vehicles); and

(4) 100 percent of the tax under section 4481 (tax on use of certain vehicles).

In computing amounts appropriated to the trust fund by paragraph (2), there shall be taken into account only the amounts of the taxes which are attributable to liability for tax incurred before July 1, 1972.

The amounts appropriated to the trust fund by subsection (c) are to be transferred at least monthly from the general fund of the Treasury to the trust fund on the basis of estimates by the Secretary of the Treasury. The transfer on an estimated basis is provided in order to insure availability of moneys in the trust fund at the earliest practicable date and prior to the time the actual amount of receipts can be ascertained. Proper adjustments are to be made in the amounts subsequently transferred to the trust fund to the extent that the estimates were in excess of, or were less than, the actual amounts required to be transferred.

*Subsection (d).*—Subsection (d) provides authorization pursuant to which there may be appropriated to the trust fund, as repayable advances, such amounts (in addition to the amounts appropriated by subsection (c)) as may be required to make the expenditures referred to in section 209 (f).

*Subsection (e).*—Subsection (e) relates to the management of the trust fund. Paragraph (1) of subsection (e) provides that it shall be the duty of the Secretary of the Treasury to hold the trust fund and to report annually, after consultation with the Secretary of Commerce, to the Congress on the status and operations of the trust fund, including the expected condition and operations during each fiscal year thereafter up to and including the fiscal year ending June 30, 1973. Paragraph (1) further provides that the report shall be printed as a House document of the session of the Congress to which the report is made.

Paragraph (2) directs the Secretary of the Treasury to invest such portion of the amounts in the trust fund as is not, in his judgment, required to meet current withdrawals from the trust fund, in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. Special obligations may be issued to the trust fund. Such obligations would bear interest at a rate equal to the average rate of interest borne by all marketable interest-bearing obligations of the United States then forming a part of the public debt, computed as of the end of the calendar month next preceding the date when the special obligations are issued. However, the bill contains a provision that such special obligations shall be issued only if the Secretary of the Treasury determines that the purchase of other obligations in which the trust fund is permitted to invest on original issue or at the market price is not in the public interest. The bill expressly provides that advances to the trust fund made pursuant to the authorization provided in section 209 (d) shall not be invested.

Paragraph (3) of section 209 (e) authorizes the Secretary of the Treasury to sell regular obligations acquired by the trust fund at the market price and to redeem the special obligations at par plus accrued interest, and paragraph (4) of that section provides that the interest on, and the proceeds from the sale or redemption of, obligations held in the trust fund shall be credited to and form a part of the trust fund.

*Subsection (f).*—Subsection (f) relates to expenditures which may be made from the trust fund. Paragraph (1) provides that amounts in the trust fund shall be available, as provided by appropriation acts for making expenditures during the period July 1, 1956, to June 30, 1972, inclusive, to meet those obligations of the United States incurred, either before or after the effective date of the bill, under the Federal-Aid Road Act which are attributable to Federal-Aid Highways. The expenditures referred to are those which normally have been paid out of the appropriation entitled "Federal-Aid Highways, Bureau of Public Roads, Department of Commerce."

Paragraph (2) provides that advances made to the trust fund pursuant to section 209 (d) shall be repaid, and interest on such advances shall be paid, to the general fund of the Treasury at such time or times as the Secretary of the Treasury determines that there are moneys in the trust fund available for such purpose. Such paragraph also provides that the rates of interest with respect to such advances shall be determined in the same manner as the rate of interest is to be determined in connection with special obligations which the Secretary of the Treasury is authorized to issue pursuant to section 209 (e). Interest on such advances shall be compounded annually.

Paragraph (3) of the House bill provides that the Secretary of the Treasury shall pay into the trust fund amounts equivalent to those paid under sections 6420 of the 1954 Code (relating to amounts paid with respect to gasoline used on farms). Paragraph (3) has been amended by your committee to provide that the Secretary of the Treasury shall pay, from time to time, from the trust fund into the general fund of the Treasury, amounts equivalent to the amounts paid under sections 6420 (relating to amounts paid in respect of gasoline used on farms) and 6421 (relating to amounts paid in respect of gasoline used for certain nonhighway purposes). In computing

amounts to be paid from the trust fund into the general fund there shall be taken into consideration only those amounts paid prior to July 1, 1973, on the basis of claims filed pursuant to the provisions of sections 6420 and 6421 for periods beginning after June 30, 1956, and ending before July 1, 1972.

Paragraph (4) provides that the Secretary of the Treasury shall pay, from time to time, from the trust fund into the general fund of the Treasury, amounts equivalent to the following percentages of the floor stocks refunds made before July 1, 1973, under section 6412 (a) (2) of the 1954 Code:

(1) 40 percent of the refunds in respect of articles subject to the tax imposed by section 4061 (a) (1) of such code (trucks, buses, etc.);

(2) 100 percent of the refunds in respect of articles subject to tax under section 4071 (a) (1) or (4) of such code (tires of the type used on highway vehicles and tread rubber); and

(3) 66 $\frac{2}{3}$  percent of the refunds in respect of gasoline subject to tax under section 4081 of such code.

*Subsection (g).*—Subsection (g) places limitations upon the amounts of apportionments for the Interstate Highway System in order to avoid deficits in the highway trust fund. It does not, in any way, affect the regular Federal-aid highway program. This subsection provides that the Secretary of the Treasury shall from time to time, after consulting with the Secretary of Commerce, estimate the amounts which will be available in the highway trust fund (excluding repayable advances and excluding the amounts necessary to meet all other expenditures from the trust fund, principally the apportionments for regular highway-aid program, to meet the payments from the fund for construction of the Interstate System. This means that in making the required estimates the Secretary of the Treasury must consider all past and prospective receipts of the fund, except repayable advances, and all past and prospective payments out of the fund, including repayment of advances but excluding payments out of future apportionments for the Interstate System, in order that a determination may be made as to the amounts available for apportionment each year for the Interstate System.

Whenever the Secretary of the Treasury determines for any fiscal year that the amounts in the trust fund will be insufficient to defray the expenditures required as a result of apportionment to the States of the amounts authorized to be appropriated for any fiscal year for the construction, reconstruction, or improvement of the Interstate System, and to defray other expenditures required to be made from such fund, he shall so advise the Secretary of Commerce and shall further advise him as to the aggregate amount which will be available in such fund to defray expenditures required as a result of apportionment to the States for the Interstate System for such fiscal year. The Secretary of Commerce is required to determine the percentage which such aggregate amount is of the aggregate of the amounts authorized to be appropriated for such fiscal year for the Interstate System, and, notwithstanding any other provision of law, shall proportionately reduce the apportionments for the Interstate System for such fiscal year.

Whenever the Secretary of the Treasury determines that there will be available in the highway trust fund (excluding repayable advances

and the amounts necessary to meet the apportionments for highways other than the Interstate System) amounts which will be available to defray expenditures required as a result of apportionment of any Interstate System funds previously withheld from apportionment for any fiscal year, he shall so advise the Secretary of Commerce, who shall apportion in any year to the States such portion of the funds previously withheld from apportionment as the Secretary of the Treasury has advised him may be apportioned without causing expenditures from the trust fund to exceed amounts available (excluding repayable advances and the amounts necessary to meet the apportionments for highways other than the Interstate System) to defray such expenditures. Any such funds apportioned, previously withheld from apportionment, shall remain available for expenditure (obligation) by the States until the close of the third fiscal year following the fiscal year in which apportioned.

#### SECTION 210. INVESTIGATION AND REPORT TO CONGRESS

*Subsection (a).*—Subsection (a) sets forth the purpose of section 210 of the bill. This purpose is to make available to the Congress information on the basis of which it may determine what taxes should be imposed by the United States, and in what amounts, in order to assure, insofar as practicable, an equitable distribution of the tax burden among the various classes of persons using the Federal-aid highways or otherwise deriving benefits from such highways.

*Subsection (b).*—Subsection (b) directs the Secretary of Commerce to make a study and investigation of (1) the effects on the design, construction, and maintenance of Federal-aid highways of the use of vehicles of different specifications and the frequency with which such vehicles occur in the traffic streams, (2) the proportionate share of the cost of such highways attributable to each class of persons using such highways, and (3) any direct and indirect benefits accruing to any class of persons which are attributable to public expenditures for such highways but which are in addition to the benefits derived from actual use. Under this subsection the study and investigation made by the Secretary of Commerce is to be made in cooperation with other Federal officers and agencies (particularly the Interstate Commerce Commission) and in cooperation with the highway departments of the States, Territories, and the District of Columbia.

*Subsection (c).*—Subsection (c) directs the Secretary of Commerce to coordinate the study and investigation required by section 210 of the bill with certain specified research, tests, and other activities provided in section 102 (e) of H. R. 10660 (as amended by the Senate Committee on Public Works) and in other legislation.

*Subsection (d).*—Subsection (d) requires the Secretary of Commerce to report to the Congress the results of the study and investigation provided by section 210 of the bill. The final report is to be made as soon as possible but in no event later than March 1, 1959. The subsection also provides for two progress reports before such date.

*Subsection (e).*—Subsection (e) authorizes appropriations from time to time out of the highway trust fund of such sums as may be necessary to enable the Secretary of Commerce to carry out the provisions of section 210 of the bill.

## SECTION 211. EFFECTIVE DATE OF TITLE II

This section provides that title II of the bill, Highway Revenue Act of 1956, shall take effect on the date of the enactment of the bill, except that the amendments made by section 202 (the increase in the taxes on diesel fuel and on special motor fuels), section 203 (the increase in the tax on trucks, truck trailers, buses, etc.), section 204 (the increase in the taxes on tires of the type used on highway vehicles and the new tax on tread rubber), and section 205 (the increase in the tax on gasoline) shall take effect on July 1, 1956. Other provisions added to the code by title II of the bill contain their effective dates in the respective code provisions.

## 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):

## INTERNAL REVENUE CODE OF 1954

## CHAPTER 31—RETAILERS EXCISE TAXES

\* \* \* \* \*

## Subchapter E—Special Fuels

Sec. 4041. Imposition of tax.

Sec. 4042. Cross reference.

## SEC. 4041. IMPOSITION OF TAX.

(a) DIESEL FUEL.—There is hereby imposed a tax of **[2]** 3 cents a gallon upon any liquid (other than any product taxable under section 4081)—

(1) sold by any person to an owner, lessee, or other operator of a diesel-powered highway vehicle, for use as a fuel in such vehicle; or

(2) used by any person as a fuel in a diesel-powered highway vehicle unless there was a taxable sale of such liquid under paragraph (1).

*In the case of a liquid taxable under this subsection sold for use or used as a fuel in a diesel-powered highway vehicle which (at the time of such sale or use) is not registered, and not required to be registered, for highway use under the laws of any State or foreign country (or, in the case of a diesel-powered highway vehicle owned by the United States, which is not used on the highway), the tax imposed by paragraph (1) or by paragraph (2) shall be 2 cents a gallon in lieu of 3 cents a gallon. If a liquid on which tax was imposed by paragraph (1) at the rate of 2 cents a gallon by reason of the preceding sentence is used as a fuel in a diesel-powered highway vehicle which (at the time of such use) is registered, or required to be registered, for highway use under the laws of any State or foreign country (or, in the case of a diesel-powered highway vehicle owned by the United States, which is used on the highway), a tax of 1 cent a gallon shall be imposed under paragraph (2).*



(b) **SPECIAL MOTOR FUELS.**—There is hereby imposed a tax of [2] 3 cents a gallon upon benzol, benzene, naphtha, liquefied petroleum gas, or any other liquid (other than kerosene, gas oil, or fuel oil, or any product taxable under section 4081 or subsection (a) of this section)—

- (1) sold by any person to an owner, lessee, or other operator of a motor vehicle, motorboat, or airplane for use as a fuel for the propulsion of such motor vehicle, motorboat, or airplane; or
- (2) used by any person as a fuel for the propulsion of a motor vehicle, motorboat, or airplane unless there was a taxable sale of such liquid under paragraph (1).

*In the case of a liquid taxable under this subsection sold for use or used otherwise than as a fuel for the propulsion of a highway vehicle which (at the time of such sale or use) is registered, or required to be registered, for highway use under the laws of any State or foreign country (or, in the case of a highway vehicle owned by the United States, which is used on the highway), the tax imposed by paragraph (1) or by paragraph (2) shall be 2 cents a gallon in lieu of 3 cents a gallon. If a liquid on which tax was imposed by paragraph (1) at the rate of 2 cents a gallon by reason of the preceding sentence is used as a fuel for the propulsion of a highway vehicle which (at the time of such use) is registered, or required to be registered, for highway use under the laws of any State or foreign country (or, in the case of a highway vehicle owned by the United States, which is used on the highway), a tax of 1 cent a gallon shall be imposed under paragraph (2).*

**[(c) RATE REDUCTION.**—On and after April 1, 1957, the taxes imposed by this section shall be 1½ cents a gallon in lieu of 2 cents a gallon.]

(c) **RATE REDUCTION.**—On and after July 1, 1972—

- (1) the taxes imposed by this section shall be 1½ cents a gallon; and
- (2) the second and third sentences of subsections (a) and (b) shall not apply.

(d) **EXEMPTION FOR FARM USE.**—

(1) **EXEMPTION.**—Under regulations prescribed by the Secretary or his delegate—

(A) no tax shall be imposed under subsection (a) (1) or (b) (1) on the sale of any liquid sold for use on a farm for farming purposes, and

(B) no tax shall be imposed under subsection (a) (2) or (b) (2) on the use of any liquid used on a farm for farming purposes.

(2) **USE ON A FARM FOR FARMING PURPOSES.**—For purposes of paragraph (1) of this subsection, use on a farm for farming purposes shall be determined in accordance with paragraphs (1), (2), and (3) of section 6420 (c).

**SEC. 4042. CROSS REFERENCE.**

**For exemption from tax where special motor fuels are sold for use for certain vessels, see section 4222.**

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**CHAPTER 32—MANUFACTURERS EXCISE TAXES**

\* \* \* \* \*

**Subchapter A—Automotive and Related Items**

\* \* \* \* \*

**PART I—MOTOR VEHICLES**

\* \* \* \* \*

**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) Articles taxable at **[8]** 10 percent, except that on and after **[April 1, 1957]** *July 1, 1972*, the rate shall be 5 percent—
  - Automobile truck chassis.
  - Automobile truck bodies.
  - Automobile bus chassis.
  - Automobile bus bodies.
  - Truck and bus trailer and semitrailer chassis.
  - Truck and bus trailer and semitrailer bodies.
  - Tractors of the kind chiefly used for highway transportation in combination with a trailer or semitrailer.

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

\* \* \* \* \*

**PART II—TIRES AND TUBES**

- Sec. 4071. Imposition of tax.
- [Sec. 4072. Definition of rubber.]**
- Sec. 4072. Definitions.
- Sec. 4073. Exemptions.

**[SEC. 4071. IMPOSITION OF TAX.**

**[**There is hereby imposed upon the following articles sold by the manufacturer, producer, or importer a tax at the following rates.

- [**(1) Tires wholly or in part of rubber, 5 cents a pound on total weight (exclusive of metal rims or rim bases);
- [**(2) Inner tubes (for tires) wholly or in part of rubber, 9 cents a pound on total weight.

The total weight of the foregoing articles is to be determined under regulations prescribed by the Secretary or his delegate.]

**SEC. 4071. IMPOSITION OF TAX.**

(a) **IMPOSITION AND RATE OF TAX.**—There is hereby imposed upon the following articles, if wholly or in part of rubber, sold by the manufacturer, producer, or importer, a tax at the following rates:

- (1) Tires of the type used on highway vehicles, 8 cents a pound.
- (2) Other tires, 5 cents a pound.
- (3) Inner tubes for tires, 9 cents a pound.
- (4) Tread rubber, 3 cents a pound.

(b) **DETERMINATION OF WEIGHT.**—For purposes of this section, weight shall be based on total weight, except that in the case of tires such total weight shall be exclusive of metal rims or rim bases. Total weight of the articles shall be determined under regulations prescribed by the Secretary or his delegate.

(c) *RATE REDUCTION.—On and after July 1, 1972—*

(1) *the tax imposed by paragraph (1) of subsection (a) shall be 5 cents a pound; and*

(2) *paragraph (4) of subsection (a) shall not apply.*

**[SEC. 4072. DEFINITION OF RUBBER.]**

**[For the purposes of this chapter, the term "rubber" includes synthetic and substitute rubber.]**

**SEC. 4072. DEFINITIONS.**

(a) *RUBBER.—For purposes of this chapter, the term "rubber" includes synthetic and substitute rubber.*

(b) *TREAD RUBBER.—For purposes of this chapter, the term "tread rubber" means any material—*

(1) *which is commonly or commercially known as trend rubber or camelback; or*

(2) *which is a substitute for a material described in paragraph (1) and is of a type used in recapping or retreading tires.*

(c) *TIRES OF THE TYPE USED ON HIGHWAY VEHICLES.—For purposes of this part, the term, "tires of the type used on highway vehicles" means tires of the type used on—*

(1) *motor vehicles which are highway vehicles, or*

(2) *vehicles of the type used in connection with motor vehicles which are highway vehicles.*

**SEC. 4073. EXEMPTIONS.**

(a) *TIRES OF CERTAIN SIZES.—The tax imposed by section 4071 shall not apply to tires which are not more than 20 inches in diameter and not more than 1¼ inches in cross-section, if such tires are of all-rubber construction (whether hollow center or solid) without fabric or metal reinforcement.*

(b) *TIRES WITH INTERNAL WIRE FASTENING.—The tax imposed by section 4071 shall not apply to tires of extruded tiring with an internal wire fastening agent.*

(c) *EXEMPTION FROM TAX ON TREAD RUBBER IN CERTAIN CASES.—Under regulations prescribed by the Secretary or his delegate, the tax imposed by section 4071 (a) (4) shall not apply to tread rubber sold by the manufacturer, producer, or importer, to any person for use by such person otherwise than in the recapping or retreading of tires of the type used on highway vehicles.*

**PART III—PETROLEUM PRODUCTS**

\* \* \* \* \*

**Subpart A—Gasoline**

\* \* \* \* \*

**[SEC. 4081. IMPOSITION OF TAX.]**

**[There is hereby imposed on gasoline sold by the producer or importer thereof, or by any producer of gasoline, a tax of 2 cents a gallon. On and after April 1, 1957, the tax imposed by this section shall be 1½ cents a gallon in lieu of 2 cents a gallon.]**

**SEC. 4081. IMPOSITION OF TAX.**

(a) *IN GENERAL.—There is hereby imposed on gasoline sold by the producer or importer thereof, or by any producer of gasoline, a tax of 3 cents a gallon.*

(b) *RATE REDUCTION.*—On and after July 1, 1972, the tax imposed by this section shall be 1½ cents a gallon.

\* \* \* \* \*

**[SEC. 4084. RELIEF OF FARMERS FROM TAX IN CASE OF GASOLINE USED ON THE FARM**

**[For provisions to relieve farmers from excise tax in the case of gasoline used on the farm for farming purposes, see section 6240.]**

**SEC. 4084. CROSS REFERENCES.**

**(1) For provisions to relieve farmers from excise tax in the case of gasoline used on the farm for farming purposes, see section 6420.**

**(2) For provisions to relieve purchasers of gasoline from excise tax in the case of gasoline used for certain non-highway purposes, see section 6421.**

\* \* \* \* \*

**Subchapter F—Special Provisions Applicable to Manufacturers Tax**

Sec. 4216. Definition of price.

Sec. 4217. Lease considered sale.

Sec. 4218. Use by manufacturer or importer considered sale.

Sec. 4219. Application of tax in case of sales by other than manufacturer or importer.

Sec. 4220. Exemptions for sales or resales to manufacturers.

Sec. 4221. Exemption for articles taxable as jewelry.

Sec. 4222. Exemption from tax of certain supplies for vessels and airplanes.

Sec. 4223. Exemption of articles manufactured or produced by Indians.

Sec. 4224. State and local governmental exemption.

Sec. 4225. Exemption for export.

Sec. 4226. *Floor stocks taxes*

Sec. [4226.] 4227. Cross references!

\* \* \* \* \*

**SEC. 4226. FLOOR STOCKS TAXES.**

**(a) IN GENERAL.—**

**(1) 1956 TAX ON TRUCKS, TRUCK TRAILERS, BUSES, ETC.—**On any article subject to tax under section 4061 (a) (1) (relating to tax on trucks, truck trailers, buses, etc.) which, on July 1, 1956, is held by a dealer for sale, there is hereby imposed a floor stocks tax at the rate of 2 percent of the price for which the article was purchased by such dealer. If the price for which the article was sold by the manufacturer, producer, or importer is established to the satisfaction of the Secretary or his delegate, then in lieu of the amount specified in the preceding sentence, the tax imposed by this paragraph shall be at the rate of 2 percent of the price for which the article was sold by the manufacturer, producer, or importer.

**(2) 1956 TAX ON TIRES OF THE TYPE USED ON HIGHWAY VEHICLES.—**On tires subject to tax under section 4071 (a) (1) (as amended by the Highway Revenue Act of 1956) which, on July 1, 1956, are held—

**(A) by a dealer for sale,**

**(B) for sale on, or in connection with, other articles held by the manufacturer, producer, or importer of such other articles, or**

(C) for use in the manufacture or production of other articles, there is hereby imposed a floor stocks tax at the rate of 3 cents a pound. The tax imposed by this paragraph shall not apply to any tire which is held for sale by the manufacturer, producer, or importer of such tire or which will be subject under section 4218 (a) (2) or 4219 to the manufacturers' excise tax on tires.

(3) 1956 TAX ON TREAD RUBBER.—On tread rubber subject to tax under section 4071 (a) (4) (as amended by the Highway Revenue Act of 1956) which, on July 1, 1956, is held by a dealer, there is hereby imposed a floor stock tax at the rate of 3 cents a pound. The tax imposed by this paragraph shall not apply in the case of any person if such person establishes, to the satisfaction of the Secretary or his delegate, that all tread rubber held by him on July 1, 1956, will be used otherwise than in the recapping or retreading of tires of the type used on highway vehicles (as defined in section 4072 (c)).

(4) 1956 TAX ON GASOLINE.—On gasoline subject to tax under section 4081 which, on July 1, 1956, is held by a dealer for sale, there is hereby imposed a floor stocks tax at the rate of 1 cent a gallon. The tax imposed by this paragraph shall not apply to gasoline in retail stocks held at the place where intended to be sold at retail, nor to gasoline held for sale by a producer or importer of gasoline.

(b) OVERPAYMENT OF FLOOR STOCKS TAXES.—Section 6416 shall apply in respect of the floor stocks taxes imposed by this section, so as to entitle, subject to all provisions of section 6416, any person paying such floor stocks taxes to a credit or refund thereof for any of the reasons specified in section 6416.

(c) MEANING OF TERMS.—For purposes of subsection (a), the terms "dealer" and "held by a dealer" have the meaning assigned to them by section 6412 (a) (3).

(d) DUE DATE OF TAXES.—The taxes imposed by subsection (a) shall be paid at such time after September 30, 1956, as may be prescribed by the Secretary or his delegate.

#### SEC. [4226] 4227. CROSS REFERENCES.

(1) For exemption from tax in case of certain sales to the United States, see section 4293.

(2) For credit for taxes on tires and inner tubes, and automobile radio and television receiving sets, see section 6416 (c).

(3) For administrative provisions of general application to the taxes imposed under this chapter, see subtitle F.

### CHAPTER 36—CERTAIN OTHER EXCISE TAXES

SUBCHAPTER A. Playing cards.

SUBCHAPTER B. Occupational tax on coin-operated devices.

SUBCHAPTER C. Occupational tax on bowling alleys, billiard and pool tables.

SUBCHAPTER D. Tax on use of certain vehicles.

### Subchapter D - Tax on Use of Certain Vehicles

- Sec. 4481. Imposition of tax.  
 Sec. 4482. Definitions.  
 Sec. 4483. Exemptions.  
 Sec. 4484. Cross references.

#### SEC. 4481. IMPOSITION OF TAX.

(a) *IMPOSITION OF TAX.*—There is hereby imposed on the use of any highway motor vehicle a tax at the rate of \$2.50 a year for each 1,000 pounds of taxable gross weight or fraction thereof in excess of 26,000 pounds of taxable gross weight.

(b) *BY WHOM PAID.*—The tax imposed by this section shall be paid by the person in whose name the highway motor vehicle is, or is required to be, registered under the law of the State in which such vehicle is, or is required to be, registered, or, in the case the highway motor vehicle is owned by the United States, by the Department or agency of the United States operating such vehicle.

(c) *PRORATION OF TAX.*—If in any year the first use of the highway motor vehicle is after July 31, the tax shall be reckoned proportionately from the first day of the month in which such use occurs to and including the 30th day of June following.

(d) *ONE PAYMENT PER YEAR.*—If the tax imposed by this section is paid with respect to any highway motor vehicle for any year, no further tax shall be imposed by this section for such year with respect to such vehicle.

(e) *PERIOD TAX IN EFFECT.*—The tax imposed by this section shall apply only to use after June 30, 1956, and before July 1, 1972.

#### SEC. 4482. DEFINITIONS.

(a) *HIGHWAY MOTOR VEHICLE.*—For purposes of this subchapter, the term "highway motor vehicle" means any motor vehicle which is a highway vehicle.

(b) *TAXABLE GROSS WEIGHT.*—For purposes of this subchapter, the term "taxable gross weight", when used with respect to any highway motor vehicle, means the sum of—

(1) the actual unloaded weight of—

(A) such highway motor vehicle fully equipped for service, and

(B) the semitrailers and trailers (fully equipped for service) customarily used in connection with highway motor vehicles of the same type as such highway motor vehicle, and

(2) the weight of the maximum load customarily carried on highway motor vehicles of the same type as such highway motor vehicle and on the semitrailers and trailers referred to in paragraph (1) (B).

Taxable gross weight shall be determined under regulations prescribed by the Secretary or his delegate (which regulations may include formulas or other methods for determining the taxable gross weight of vehicles by classes, specifications, or otherwise).

(c) *OTHER DEFINITIONS.*—For purposes of this subchapter—

(1) *STATE.*—The term "State" means a State, a Territory of the United States, and the District of Columbia.

(2) *YEAR.*—The term "year" means the one-year period beginning on July 1.

(3) *USE.*—The term "use" means use in the United States on the public highways.

**SEC. 4483. EXEMPTIONS.**

(a) *STATE AND LOCAL GOVERNMENTAL EXEMPTION.*—Under regulations prescribed by the Secretary or his delegate, no tax shall be imposed by section 4481 on the use of any highway motor vehicle by any State or any political subdivision of a State.

(b) *EXEMPTION FOR UNITED STATES.*—The Secretary may authorize exemption from the tax imposed by section 4481 as to the use by the United States of any particular highway motor vehicle, or class of highway motor vehicles, if he determines that the imposition of such tax with respect to such use will cause substantial burden or expense which can be avoided by granting tax exemption and that full benefit of such exemption, if granted, will accrue to the United States.

**SEC. 4484. CROSS REFERENCE.**

*For penalties and administrative provisions applicable to this subchapter, see subtitle F.*

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**CHAPTER 64—COLLECTION**

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**Subchapter A—General Provisions**

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**SEC. 6032. MODE OR TIME OF COLLECTION.**

(a) *ESTABLISHMENT BY REGULATIONS.*—If the mode or time for collecting any tax is not provided for by this title, the Secretary or his delegate may establish the same by regulations.

(b) *DISCRETIONARY METHOD.*—Whether or not the method of collecting any tax imposed by chapters 21, 31, 32, 33, section 4481 of chapter 36, sections 4501 (a) or 4511 of chapter 37, or sections 4701 or 4721 of chapter 39 is specifically provided for by this title, any such tax may, under regulations prescribed by the Secretary or his delegate, be collected by means of returns, stamps, coupons, tickets, books, or such other reasonable devices or methods as may be necessary or helpful in securing a complete and proper collection of the tax.

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**CHAPTER 63—ASSESSMENT**

**SURCHAPTER A.** In general.

**SUBCHAPTER B.** Deficiency procedures in the case of income, estate, and gift taxes.

**Subchapter A—In General**

**Sec. 6201.** Assessment authority.

**Sec. 6202.** Establishment by regulations of mode or time of assessment.

**Sec. 6203.** Method of assessment.

**Sec. 6204.** Supplemental assessments.

**Sec. 6205.** Special rules applicable to certain employment taxes.

**Sec. 6206.** Special rules applicable to excessive claims under section 6420.

**Sec. 6207.** Cross references.

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**SEC. 6206. SPECIAL RULES APPLICABLE TO EXCESSIVE CLAIMS UNDER  
[SECTION 6420] SECTIONS 6420 AND 6421.**

Any portion of a payment made under section 6420 or 6421 which constitutes an excessive amount (as defined in section 6675 (b)), and any civil penalty provided by section 6675, may be assessed, and collected as if it were a tax imposed by section 4081 and as if the person who made the claim were liable for such tax. The period for assessing any such portion, and for assessing any such penalty, shall be 3 years from the last day prescribed for the filing of the claim under section 6420 or 6421, as the case may be.

**SEC. 6207. CROSS REFERENCES.**

(1) For prohibition of suits to restrain assessment of any tax, see section 7421.

(2) For prohibition of assessment of taxes against insolvent banks, see section 7507.

(3) For assessment where property subject to tax has been sold in a distraint proceeding without the tax having been assessed prior to such sale, see section 6342.

(4) For assessment in case of sale or removal of tobacco, snuff, cigars, and cigarettes without the use of proper stamps, see section 5703 (d).

(5) For assessment in case of distilled spirits removed from place where distilled and not deposited in bonded warehouse, see section 5006 (c).

(6) For assessment in case of certain spirits subject to excessive leakage, see section 5006 (b).

(7) For assessment of deficiencies in production of distilled spirits, see section 5007 (e) (1).

(8) For period of limitation upon assessment, see chapter 66.

(9) For assessment under the provisions of the Tariff Act of 1930 of the taxes imposed by section 4501 (b), and subchapters, A, B, C, D, and E of chapter 38, see sections 4504 and 4601, respectively.

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**CHAPTER 65—ABATEMENTS, CREDITS, AND REFUNDS**

\* \* \* \* \*

**Subchapter B—Rules of Special Application**

Sec. 6411. Tentative carryback adjustments.

Sec. 6412. Floor stocks refunds.

Sec. 6413. Special rules applicable to certain employment taxes.

Sec. 6414. Income tax withheld.

Sec. 6415. Credits or refunds to persons who collected certain taxes.

Sec. 6416. Certain taxes on sales and services.

Sec. 6417. Coconut and palm oil.

Sec. 6418. Sugar.

Sec. 6419. Excise tax on wagering.

Sec. 6420. Gasoline used on farms.

[Sec. 6421. Cross reference.]

Sec. 6421. Gasoline used for certain nonhighway purposes.

Sec. 6422. Cross references.



## CHAPTER 65—ABATEMENTS, CREDITS, AND REFUNDS

## Subchapter B—Rules of Special Application

## [SEC. 6412. FLOOR STOCKS REFUNDS.

## [(a) MOTOR VEHICLES.—

[(1) IN GENERAL.—Where before April 1, 1957, any article subject to the tax imposed by section 4061 (a) or (b) has been sold by the manufacturer, producer, or importer, and on such date is held by a dealer and has not been used and is intended for sale, there shall be credited or refunded (without interest) to the manufacturer, producer, or importer an amount equal to the difference between the tax paid by such manufacturer, producer, or importer on his sale of the article and the amount of tax made applicable to such article on and after April 1, 1957.

## [(2) DEFINITIONS.—For purposes of this subsection—

[(A) The term “dealer” includes a wholesaler, jobber, distributor, or retailer.

[(B) An article shall be considered as “held by a dealer” if title thereto has passed to such dealer (whether or not delivery to him has been made), and if for purposes of consumption title to such article or possession thereof has not at any time been transferred to any person other than a dealer.

[(3) REFUNDS TO DEALERS.—Under regulations prescribed by the Secretary or his delegate, the refund provided by this subsection may be made to the dealer instead of the manufacturer, producer, or importer, if the manufacturer, producer, or importer waives any claim for the amount so to be refunded.

[(4) REIMBURSEMENT OF DEALERS.—When the credit or refund provided for in this subsection has been allowed to the manufacturer, producer, or importer, he shall remit to the dealer to whom was sold the article in respect of which the credit or refund was allowed so much of that amount of the tax corresponding to the credit or refund as was included in or added to the price paid or agreed to be paid by the dealer.

[(5) LIMITATION ON ELIGIBILITY FOR CREDIT OR REFUND.—No person shall be entitled to credit or refund under this subsection unless (A) he has in his possession such evidence of the inventories with respect to which the credit or refund is claimed as may be required by regulations prescribed under this subsection, and (B) claim for such credit or refund is filed with the Secretary or his delegate before July 1, 1957.

## [(b) GASOLINE.—

[(1) IN GENERAL.—With respect to any gasoline taxable under section 4081, upon which tax (including floor stocks tax) at the applicable rate has been paid, and which, on April 1, 1957, is held and intended for sale by any person, there shall be credited or refunded (without interest) to the producer or importer who paid the tax, subject to such regulations as may be prescribed by the Secretary or his delegate, an amount equal to so much of the difference between the tax so paid and the amount of tax made

applicable to such gasoline on and after April 1, 1957, as has been paid by such producer or importer to such person as reimbursement for the tax reduction on such gasoline, if claim for such credit or refund is filed with the Secretary or his delegate prior to July 1, 1957. No credit or refund shall be allowable under this subsection with respect to gasoline in retail stocks held at the place where intended to be sold at retail, nor with respect to gasoline held for sale by a producer or importer of gasoline.

[(2) LIMITATION ON ELIGIBILITY FOR CREDIT OR REFUND.—No producer or importer shall be entitled to a credit or refund under paragraph (1) unless he has in his possession satisfactory evidence of the inventories with respect to which he has made the reimbursements described in such paragraph, and establishes to the satisfaction of the Secretary or his delegate with respect to the quantity of gasoline as to which credit or refund is claimed under such paragraph, that on or after April 1, 1957, such quantity of gasoline was sold to the ultimate consumer at a price which reflected the amount of the tax reduction.]

[(c) OTHER LAWS APPLICABLE TO CERTAIN FLOOR STOCKS REFUNDS.—All provisions of law, including penalties, applicable in respect of the taxes imposed under sections 4061 and 4081 shall, insofar as applicable and not inconsistent with subsections (a) and (b) of this section, be applicable in respect of the credits and refunds provided for in such subsections to the same extent as if such credits or refunds constituted overpayments of such taxes.]

**SEC. 6412. FLOOR STOCKS REFUNDS.**

(a) *IN GENERAL.*—

(1) *PASSENGER AUTOMOBILES, ETC.*—Where before April 1, 1957, any article subject to the tax imposed by section 4061 (a) (2) has been sold by the manufacturer, producer, or importer and on such date is held by a dealer and has not been used and is intended for sale, there shall be credited or refunded (without interest) to the manufacturer, producer, or importer an amount equal to the difference between the tax paid by such manufacturer, producer, or importer on his sale of the article and the amount of tax made applicable to such article on and after April 1, 1957, if claim for such credit or refund is filed with the Secretary or his delegate on or before August 10, 1957, based upon a request submitted to the manufacturer, producer, or importer before July 1, 1957, by the dealer who held the article in respect of which the credit or refund is claimed, and, on or before August 10, 1957, reimbursement has been made to such dealer by such manufacturer, producer, or importer for the tax reduction on such article or written consent has been obtained from such dealer to allowance of such credit or refund.

(2) *TRUCKS AND BUSES, TIRES, TREAD RUBBER, AND GASOLINE.*—Where before July 1, 1972, any article subject to the tax imposed by section 4061 (a) (1), 4071 (a) (1) or (4), or 4081 has been sold by the manufacturer, producer, or importer and on such date is held by a dealer and has not been used and is intended for sale (or, in the case of tread rubber, is intended for sale or is held for use), there shall be credited or refunded (without interest) to the manufacturer, producer, or importer an amount equal to the difference between the tax paid by such manufacturer, producer, or importer on his sale of the article and the amount of tax made applicable to

such article on and after July 1, 1972, if claim for such credit or refund is filed with the Secretary or his delegate on or before November 10, 1972, based upon a request submitted to the manufacturer, producer, or importer before October 1, 1972, by the dealer who held the article in respect of which the credit or refund is claimed, and, on or before November 10, 1972, reimbursement has been made to such dealer by such manufacturer, producer, or importer for the tax reduction on such article or written consent has been obtained from such dealer to allowance of such credit or refund. No credit or refund shall be allowable under this paragraph with respect to gasoline in retail stocks held at the place where intended to be sold at retail, nor with respect to gasoline held for sale by a producer or importer of gasoline.

(3) **DEFINITIONS.**—For purposes of this section—

(A) The term “dealer” includes a wholesaler, jobber, distributor, or retailer, or, in the case of tread rubber subject to tax under section 4071 (a) (4), includes any person (other than the manufacturer, producer, or importer thereof) who holds such tread rubber for sale or use.

(B) An article shall be considered as “held by a dealer” if title thereto has passed to such dealer (whether or not delivery to him has been made), and if for purposes of consumption title to such article or possession thereof has not at any time been transferred to any person other than a dealer.

(b) **LIMITATION ON ELIGIBILITY FOR CREDIT OR REFUND.**—No manufacturer, producer, or importer shall be entitled to credit or refund under subsection (a) unless he has in his possession such evidence of the inventories with respect to which the credit or refund is claimed as may be required by regulations prescribed under this section.

(c) **OTHER LAWS APPLICABLE.**—All provisions of law, including penalties, applicable in respect of the taxes imposed by sections 4061, 4071, and 4081 shall, insofar as applicable and not inconsistent with subsections (a) and (b) of this section, apply in respect of the credits and refunds provided for in subsection (a) to the same extent as if such credits or refunds constituted overpayments of such taxes.

(d) **SUGAR.**—With respect to any sugar or articles composed in chief value of sugar upon which tax imposed under section 4501 (b) has been paid and which, on June 30, 1957, are held by the importer and intended for sale or other disposition, there shall be refunded (without interest) to such importer, subject to such regulations as may be prescribed by the Secretary or his delegate, an amount equal to the tax paid with respect to such sugar or articles composed in chief value of sugar.

(e) **CROSS REFERENCE.**—

For floor stocks refunds in case of certain alcohol and tobacco taxes, see sections 5063 and 5707.

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**SEC. 6416. CERTAIN TAXES ON SALES AND SERVICES.**

(a) **CONDITION TO ALLOWANCE.**—\* \* \*

• \* \* \* \* \*

(b) **SPECIAL CASES IN WHICH TAX PAYMENTS CONSIDERED OVERPAYMENTS.**—Under regulations prescribed by the Secretary or his

delegate credit or refund, without interest, shall be made of the overpayments determined under the following paragraphs:

(1) **PRICE READJUSTMENTS.**—If the price of any article in respect of which a tax, based on such price, is imposed by chapter 31 or 32, is readjusted by reason of the return or repossession of the article or a covering or container, or by a bona fide discount, rebate, or allowance, the part of the tax proportionate to the part of the price repaid or credited to the purchaser shall be deemed to be an overpayment.

(2) **SPECIFIED USES AND REALES.**—The tax paid under subchapter E of chapter 31 or chapter 32 in respect of any article shall be deemed to be an overpayment if such article was, by any person—

(A) Resold for the exclusive use of any State, Territory of the United States, or any political subdivision of the foregoing, or the District of Columbia, or, in the case of musical instruments embraced in section 4151, resold for the use of any religious or nonprofit educational institution for exclusively religious or educational purposes;

(B) Used or resold for use for any of the purposes, but subject to the conditions, provided in section 4222;

(C) In the case of a liquid taxable under section 4041, sold for use as fuel in a diesel-powered highway vehicle or as fuel for the propulsion of a motor vehicle, motorboat, or airplane, if (i) the vendee used such liquid otherwise than as fuel in such a vehicle, motorboat, or airplane or resold such liquid, or (ii) such liquid was (within the meaning of paragraphs (1), (2), and (3) of section 6420 (c)) used on a farm for farming purposes;

(D) In the case of lubricating oils, used or resold for non-lubricating purposes;

(E) In the case of unexposed motion picture films, used or resold for use in the making of newsreel motion picture films;

(F) In the case of articles taxable under section 4061 (b) (other than spark plugs, storage batteries, leaf springs, coils, timers, and tire chains), used or resold for use as repair or replacement parts or accessories for farm equipment (other than equipment taxable under section 4061 (a));

(G) (Repealed by Public Law 367, 84th Cong.);

(H) In the case of gasoline, used in production of special motor fuels referred to in section 4041 (b);

(I) In the case of lubricating oils in respect of which tax was paid at the rate of .6 cents a gallon, used or resold for use on or after the effective date of this subparagraph as cutting oils (within the meaning of section 4092 (b)); except that the amount of such overpayment shall not exceed an amount computed at the rate of 3 cents a gallon [.] ;

(J) *In the case of a liquid in respect of which tax was paid under section 4041 (a) (1) at the rate of 3 cents a gallon, used or resold for use as fuel in a diesel-powered highway vehicle which (at the time of such use or resale) is not registered, and not required to be registered, for highway use under the laws of any State or foreign country (or, in the case of a diesel-powered*

highway vehicle owned by the United States, which is not used on the highway); and, in the case of a liquid in respect of which tax was paid under section 4041 (b) (1) at the rate of 3 cents a gallon, used or resold for use otherwise than as a fuel for the propulsion of a highway vehicle which (at the time of such use or resale) is registered, or required to be registered, for highway use under the laws of any State or foreign country (or, in the case of a highway vehicle owned by the United States, which is used on the highway); except that the amount of any overpayment by reason of this subparagraph shall not exceed an amount computed at the rate of 1 cent a gallon;

(K) In the case of tread rubber in respect of which tax was paid under section 4071 (a) (4), used or resold for use otherwise than in recapping or retreading of tires of the type used on highway vehicles (as defined in section 4072 (c)); unless credit or refund of such tax is allowable under subsection (b) (3).

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**SEC. 6421. GASOLINE USED FOR CERTAIN NONHIGHWAY PURPOSES.**

(a) **NONHIGHWAY USES.**—If gasoline is used otherwise than as a fuel in a highway vehicle which (at the time of such use) is registered, or required to be registered, for highway use under the laws of any State or foreign country (or, in the case of a highway vehicle owned by the United States, which is used on the highway), the Secretary or his delegate shall pay (without interest) to the ultimate purchaser of such gasoline an amount equal to 1 cent for each gallon of gasoline so used.

(b) **FILING OF CLAIMS.**—

(1) **PERIOD COVERED, GENERAL RULE.**—Except as provided in paragraph (2), not more than one claim may be filed under subsection (a) by any person with respect to gasoline used during the one-year period ending on June 30 of any year.

(2) **EXCEPTION.**—A claim may be filed under subsection (a) by any person with respect to the gasoline (for which he is entitled to payment under subsection (a)) used during the period ending with any calendar quarter, if the claim is filed with respect to the use of at least 100,000 gallons of gasoline. A claim may be filed under subsection (a) pursuant to this paragraph with respect to the use of less than 100,000 gallons of gasoline, if filed—

(A) for a period of less than one year,

(B) for a period ending on June 30 of any year, and

(C) by a person who has filed one or more claims under the first sentence of this paragraph with respect to gasoline used during the portion of such year preceding the period for which claim is filed under this sentence.

(3) **TIME FOR FILING.**—No claim shall be allowed under subsection (a) with respect to gasoline used during the one-year period ending on June 30 of any year, or during any period ending with any calendar quarter ending with or within such one-year period, unless filed on or before September 30 of the year in which such one-year period ends.

(c) **MEANING OF GASOLINE.**—For purposes of this section, the term "gasoline" has the meaning given to such term by section 4082 (b).

**(d) EXEMPT SALES; OTHER PAYMENTS OR REFUNDS AVAILABLE.—**

(1) **EXEMPT SALES.**—No amount shall be paid under this section with respect to any gasoline which the Secretary or his delegate determines was exempt from the tax imposed by section 4081. The amount which (but for this sentence) would be payable under this section with respect to any gasoline shall be reduced by any other amount which the Secretary or his delegate determines is payable under this section, or is refundable under any provisions of this title, to any person with respect to such gasoline.

(2) **GASOLINE USED ON FARMS.**—This section shall not apply in respect of gasoline which was (within the meaning of paragraphs (1), (2), and (3) of section 6420 (c)) used on a farm for farming purposes.

**(e) APPLICABLE LAWS.—**

(1) **IN GENERAL.**—All provisions of law, including penalties, applicable in respect of the tax imposed by section 4081 shall, insofar as applicable and not inconsistent with this section, apply in respect of the payments provided for in this section to the same extent as if such payments constituted refunds of overpayments of the tax so imposed.

(2) **EXAMINATION OF BOOKS AND WITNESSES.**—For the purpose of ascertaining the correctness of any claim made under this section, or the correctness of any payment made in respect of any such claim, the Secretary or his delegate shall have the authority granted by paragraphs (1), (2), and (3) of section 7602 (relating to examination of books and witnesses) as if the claimant were the person liable for tax.

(f) **REGULATIONS.**—The Secretary or his delegate may by regulations prescribe the conditions, not inconsistent with the provisions of this section, under which payments may be made under this section.

(g) **EFFECTIVE DATE.**—This section shall apply only with respect to gasoline purchased after June 30, 1956, and before July 1, 1972.

**(h) CROSS REFERENCES.—**

(1) For reduced rate of tax in case of diesel fuel and special motor fuels used for certain nonhighway purposes, see subsections (a) and (b) of section 4041.

(2) For civil penalty for excessive claims under this section, see section 6675.

(3) For fraud penalties, etc., see chapter 75 (section 7201 and following, relating to crimes, other offenses, and forfeitures).

**SEC. [6421] 6422. CROSS REFERENCE.**

(1) For limitations on credits and refunds, see subchapter B of chapter 66.

(2) For overpayment arising out of adjustments incident to involuntary liquidation of inventory, see section 1321.

(3) For overpayment in case of adjustments to accrued foreign taxes, see section 905 (c).

(4) For credit or refund in case of deficiency dividends paid by a personal holding company, see section 547.

(5) For refund, credit, or abatement of amounts disallowed by courts upon review of Tax Court decision, see section 7486.

(6) For abatement or refund of tax on transfers to avoid income tax, see section 1494 (b).

(7) For abatement or refund in case of tax on silver bullion, see section 4894.

(8) For overpayment in certain renegotiations of war contracts, see section 1481.

(9) For refund or redemption of stamps, see chapter 69.

(10) For abatement, credit, or refund in case of jeopardy assessments, see chapter 70.

(11) For treatment of certain overpayments as having been refunded, in connection with sale of surplus war-built vessels, see section 9 (b) (8) of the Merchant Ship Sales Act of 1946 (60 Stat. 48; 50 U. S. C. App. 1742).

(12) For restrictions on transfers and assignments of claims against the United States, see R. S. 3477 (31 U. S. C. 203).

(13) For set-off of claims against amounts due the United States, see the act of March 3, 1875, as amended by section 13 of the act of March 3, 1933 (47 Stat. 1516; 31 U. S. C. 227).

(14) For special provisions relating to alcohol and tobacco taxes, see sections 5011, 5044, 5057, 5063, 5705, and 5707.

## CHAPTER 66—LIMITATIONS

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### Subchapter A—Limitations on Assessment and Collection

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#### SEC. 6504. CROSS REFERENCES.

For limitation period in case of—

(1) Adjustments incident to involuntary liquidation of inventory, see section 1321.

(2) Adjustments to accrued foreign taxes, see section 905 (c).

(3) Change of election to take standard deduction where taxpayer and his spouse make separate returns, see section 144 (b).

(4) Involuntary conversion of property, see section 1033 (a) (3) (C) and (D).

(5) Gain upon sale or exchange of residence, see section 1034 (j).

(6) War loss recoveries where prior benefit rule is elected, see section 1335.

(7) Recovery of unconstitutional Federal taxes, see section 1346.

(8) Limitations on deductions allowable to individuals in certain cases, see section 270 (d).

(9) Application by executor for discharge from personal liability for estate tax, see section 2204.

(10) Insolvent banks and trust companies, see section 7507.

(11) Service in a combat zone, etc., see section 7508.

(12) Claims against transferees and fiduciaries, see chapter 71.

(13) Assessments to recover excessive amounts paid under section 6420 (relating to gasoline used on farms) and assessments of civil penalties under section 6675 for excessive claims under section 6420, see section 6206.

(14) *Assessments to recover excessive amounts paid under section 6421 (relating to gasoline used for certain nonhighway purposes) and assessments of civil penalties under section 6675 for excessive claims under section 6421, see section 6206.*

#### Subchapter B—Limitations on Credit or Refund

### SEC. 6511. LIMITATIONS ON CREDIT OR REFUND.

#### (f) CROSS REFERENCES.—

(1) For time return deemed filed and tax considered paid, see section 6513.

(2) For limitations with respect to certain credits against estate tax, see sections 2011 (c), 2014 (b), and 2015.

(3) For limitations in case of floor stocks refunds, see section 6412.

(4) For a period of limitations for credit or refund in the case of joint income returns after separate returns have been filed, see section 6013 (b) (3).

(5) For limitations in case of payments under section 6420 (relating to gasoline used on farms), see section 6420 (b).

(6) *For limitations in case of payments under section 6421 (relating to gasoline used for certain nonhighway purposes), see section 6421 (b).*

## CHAPTER 67—INTEREST

### Subchapter B—Interest on Overpayments

#### SEC. 6612. CROSS REFERENCES.

#### (c) OTHER RESTRICTIONS ON INTEREST.—

For other restrictions on interest, see section 2011 (c) (relating to refunds due to credit for State taxes), 2014 (e) (relating to refunds attributable to foreign tax credits), 6412 (relating to floor stock refunds), 6413 (d) (relating to taxes under the Federal Unemployment Tax Act), 6416 (relating to certain taxes on sales and services), 6419 (relating to the excise tax on wagering), [and] 6420 (relating to payments in the case of gasoline used on the farm for farming purposes), and 6421 (relating to payments in



*case of gasoline used for certain nonhighway purposes).*

CHAPTER 68—ADDITIONS TO THE TAX, ADDITIONAL AMOUNTS, AND ASSESSABLE PENALTIES

Subchapter B—Assessable Penalties

- Sec. 6671. Rules for application of assessable penalties.
- Sec. 6672. Failure to collect and pay over tax, or attempt to evade or defeat tax.
- Sec. 6673. Damages assessable for instituting proceedings before the Tax Court merely for delay.
- Sec. 6674. Fraudulent statement or failure to furnish statement to employee.
- [Sec. 6675. Excessive claims for gasoline used on farms.]
- Sec. 6675. Excessive claims with respect to use of certain gasoline.

**SEC. 6675. EXCESSIVE CLAIMS [FOR GASOLINE USED ON FARMS] WITH RESPECT TO USE OF CERTAIN GASOLINE.**

(a) CIVIL PENALTY.—In addition to any criminal penalty provided by law, if a claim is made under section 6420 (relating to gasoline used on farms) or 6421 (relating to gasoline used for certain nonhighway purposes) for an excessive amount, unless it is shown that the claim for such excessive amount is due to reasonable cause, the person making such claim shall be liable to a penalty in an amount equal to whichever of the following is the greater:

- (1) Two times the excessive amount; or
- (2) \$10.

(b) EXCESSIVE AMOUNT DEFINED.—For purposes of this section, the term “excessive amount” means in the case of any person the amount by which—

- (1) the amount claimed under section 6420 or 6421, as the case may be, for any period, exceeds
- (2) the amount allowable under such section for such period.

(c) ASSESSMENT AND COLLECTION OF PENALTY.—

For assessment and collection of penalty provided by subsection (a), see section 6206.

CHAPTER 75—CRIMES, OTHER OFFENSES, AND FORFEITURES

Subchapter A—Crimes

PART I—GENERAL PROVISIONS

**SEC. 7210. FAILURE TO OBEY SUMMONS.**

Any person who, being duly summoned to appear to testify, or to appear and produce books, accounts, records, memoranda, or other papers, as required under sections 6420 (e) (2), 6421 (e) (2), 7602, 7603, and 7604 (b), neglects to appear or to produce such books, accounts,

records, memoranda, or other papers, shall, upon conviction thereof, be fined not more than \$1,000, or imprisoned not more than 1 year or both, together with costs of prosecution.

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## CHAPTER 78.—DISCOVERY OF LIABILITY AND ENFORCEMENT OF TITLE

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### Subchapter A—Examination and Inspection

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#### SEC. 7603. SERVICE OF SUMMONS.

A summons issued under section 6420 (e) (2), 6421 (e) (2), or 7602 shall be served by the Secretary or his delegate, by an attested copy delivered in hand to the person to whom it is directed, or left at his last and usual place of abode; and the certificate of service signed by the person serving the summons shall be evidence of the facts it states on the hearing of an application for the enforcement of the summons. When the summons requires the production of books, papers, records, or other data, it shall be sufficient if such books, papers, records, or other data are described with reasonable certainty.

#### SEC. 7604. ENFORCEMENT OF SUMMONS.

(a) JURISDICTION OF DISTRICT COURT.—If any person is summoned under the internal revenue laws to appear, to testify, or to produce books, papers, records, or other data, the United States district court for the district in which such person resides or is found shall have jurisdiction by appropriate process to compel such attendance, testimony, or production of books, papers, records, or other data.

(b) ENFORCEMENT.—Whenever any person summoned under section 6420 (e) (2), 6421 (e) (2), or 7602 neglects or refuses to obey such summons, or to produce books, papers, records, or other data, or to give testimony, as required, the Secretary or his delegate may apply to the judge of the district court or to a United States commissioner for the district within which the person so summoned resides or is found for an attachment against him as for a contempt. It shall be the duty of the judge or commissioner to hear the application, and, if satisfactory proof is made, to issue an attachment, directed to some proper officer, for the arrest of such person, and upon his being brought before him to proceed to a hearing of the case; and upon such hearing the judge or the United States commissioner shall have power to make such order as he shall deem proper, not inconsistent with the law for the punishment of contempts, to enforce obedience to the requirements of the summons and to punish such person for his default or disobedience.

#### (c) CROSS REFERENCES.—

(1) AUTHORITY TO ISSUE ORDERS, PROCESSES, AND JUDGMENTS.—

For authority of district courts generally to enforce the provisions of this title, see section 7402.

(2) PENALTIES.—

For penalties applicable to violation of section 6420 (e) (2) 6421 (e) (2), or 7602, see section 7210.

**SEC. 7605. TIME AND PLACE OF EXAMINATION.**

(a) **TIME AND PLACE.**—The time and place of examination pursuant to the provisions of section 6420 (e) (2), ~~6421 (e) (2)~~, or 7602 shall be such time and place as may be fixed by the Secretary or his delegate and as are reasonable under the circumstances. In the case of a summons under authority of paragraph (2) of section 7602, or under the corresponding authority of section 6420 (e) (2), ~~or 6421 (e) (2)~~, the date fixed for appearance before the Secretary or his delegate shall not be less than 10 days from the date of the summons.

(b) **RESTRICTIONS ON EXAMINATION OF TAXPAYER.**—No taxpayer shall be subjected to unnecessary examination or investigations, and only one inspection of a taxpayer's books of account shall be made for each taxable year unless the taxpayer requests otherwise or unless the Secretary or his delegate, after investigation, notifies the taxpayer in writing that an additional inspection is necessary.

