

## EXEMPTION OF CERTAIN TRAVEL FROM TAX ON TRANSPORTATION OF PERSONS

JULY 17, 1956.—Ordered to be printed

Mr. COOPER, from the committee of conference,  
submitted the following

### CONFERENCE REPORT

[To accompany H. R. 5265]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 5265) to exempt certain additional foreign travel from the tax on the transportation of persons, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *That subsections (a) and (b) of section 4261 of the Internal Revenue Code of 1954 (relating to the tax on transportation of persons) are amended to read as follows:*

*“(a) AMOUNTS PAID WITHIN THE UNITED STATES.—There is hereby imposed upon the amount paid within the United States for taxable transportation (as defined in section 4262) of any person by rail, motor vehicle, water, or air a tax equal to 10 percent of the amount so paid.*

*“(b) AMOUNTS PAID OUTSIDE THE UNITED STATES.—There is hereby imposed upon the amount paid without the United States for taxable transportation (as defined in section 4262) of any person by rail, motor vehicle, water, or air, but only if such transportation begins and ends in the United States, a tax equal to 10 percent of the amount so paid.”*

*SEC. 2. Section 4262 of the Internal Revenue Code of 1954 (relating to exemptions from tax on transportation of persons) is amended by striking out subsection (a) and by redesignating subsections (b), (c), (d), (e), and (f) as subsections (a), (b), (c), (d), and (e), respectively. Such section, as so amended, is renumbered as section 4263. Section 6421 (d) (2) of such Code (relating to definition of “tax-exempt passenger fare revenue”) is amended by striking out “4262 (b)” and inserting in lieu thereof “4263 (a)”.*

*SEC. 3. Part I of subchapter C of chapter 33 of the Internal Revenue Code of 1954 is amended by inserting after section 4261 the following new section:*

**“SEC. 4262. DEFINITION OF TAXABLE TRANSPORTATION.**

“(a) *TAXABLE TRANSPORTATION; IN GENERAL.*—For purposes of this part, except as provided in subsection (b), the term ‘taxable transportation’ means—

“(1) transportation which begins in the United States or in the 225-mile zone and ends in the United States or in the 225-mile zone; and

“(2) in the case of transportation other than transportation described in paragraph (1), that portion of such transportation which is directly or indirectly from one port or station in the United States to another port or station in the United States.

“(b) *EXCLUSION OF CERTAIN TRAVEL.*—For purposes of this part, the term ‘taxable transportation’ does not include that portion of any transportation which meets all 4 of the following requirements:

“(1) such portion is outside the United States;

“(2) neither such portion nor any segment thereof is directly or indirectly—

“(A) between (i) a point where the route of the transportation leaves or enters the continental United States, or (ii) a port or station in the 225-mile zone, and

“(B) a port or station in the 225-mile zone;

“(3) such portion—

“(A) begins at either (i) the point where the route of the transportation leaves the United States, or (ii) a port or station in the 225-mile zone, and

“(B) ends at either (i) the point where the route of the transportation enters the United States, or (ii) a port or station in the 225-mile zone; and

“(4) a direct line from the point (or the port or station) specified in paragraph (3) (A), to the point (or the port or station) specified in paragraph (3) (B), passes through or over a point which is not within 225 miles of the United States.

“(c) *DEFINITIONS.*—For purposes of this section—

“(1) *CONTINENTAL UNITED STATES.*—The term ‘continental United States’ means the existing 48 States and the District of Columbia.

“(2) *225-MILE ZONE.*—The term ‘225-mile zone’ means that portion of Canada and Mexico which is not more than 225 miles from the nearest point in the continental United States.”

*SEC. 4. (a) Part I of subchapter C of chapter 33 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new section:*

**“SEC. 4264. SPECIAL RULES.**

“(a) *PAYMENTS MADE OUTSIDE THE UNITED STATES FOR PREPAID ORDERS.*—If the payment upon which tax is imposed by section 4261 is made outside the United States for a prepaid order, exchange order, or similar order, the person furnishing the initial transportation pursuant to such order shall collect the amount of the tax.

“(b) *TAX DEDUCTED UPON REFUNDS.*—Every person who refunds any amount with respect to a ticket or order which was purchased without

payment of the tax imposed by section 4261, shall deduct from the amount refundable, to the extent available, any tax due under such section as a result of the use of a portion of the transportation purchased in connection with such ticket or order, and shall report to the Secretary or his delegate the amount of any such tax remaining uncollected.

“(c) *PAYMENT OF TAX.*—Where any tax imposed by section 4261 is not paid at the time payment for transportation is made, then, under regulations prescribed by the Secretary or his delegate, to the extent that such tax is not collected under any other provision of this subchapter—

“(1) such tax shall be paid by the person paying for the transportation or by the person using the transportation;

“(2) such tax shall be paid within such time as the Secretary or his delegate shall prescribe by regulations after whichever of the following first occurs:

“(A) the rights to the transportation expire; or

“(B) the time when the transportation becomes subject to tax; and

“(3) payment of such tax shall be made to the person to whom the payment for transportation was made or to the Secretary or his delegate.

“(d) *APPLICATION OF TAX.*—The tax imposed by section 4261 shall apply to any amount paid within the United States for transportation of any person unless the taxpayer establishes, pursuant to regulations prescribed by the Secretary or his delegate, at the time of payment for the transportation, that the transportation is not transportation in respect of which tax is imposed by section 4261.

“(e) *ROUND TRIPS.*—In applying this part to a round trip, such round trip shall be considered to consist of transportation from the point of departure to the destination, and of separate transportation thereafter.

“(f) *TRANSPORTATION OUTSIDE THE NORTHERN PORTION OF THE WESTERN HEMISPHERE.*—In applying this part to transportation any part of which is outside the northern portion of the Western Hemisphere—

“(1) If the route of such transportation leaves and reenters the northern portion of the Western Hemisphere, such transportation shall be considered to consist of transportation to a point outside such northern portion, and of separate transportation thereafter.

“(2) If such transportation is transportation by water on a vessel which makes one or more intermediate stops at ports within the United States on a voyage which begins or ends in the United States and ends or begins outside the northern portion of the Western Hemisphere, a stop at an intermediate port within the United States at which such vessel is not authorized both to discharge and to take on passengers shall not be considered to be a stop at a port within the United States.

For purposes of this subsection, the term ‘northern portion of the Western Hemisphere’ means the area lying west of the 30th meridian west of Greenwich, east of the International Date Line, and north of the equator, but not including any country of South America.”

(b) Section 4261 (d) of the Internal Revenue Code of 1954 (relating to payment of tax imposed on transportation of persons) is amended by striking out “The” and inserting in lieu thereof “Except as provided in section 4264, the”.

(c) The first sentence of section 4291 of the Internal Revenue Code of 1954 (relating to cases where persons receiving payment must collect tax)

is amended to read as follows: "Except as provided in section 4264 (a), every person receiving any payment for facilities or services on which a tax is imposed upon the payor thereof under this chapter shall collect the amount of the tax from the person making such payment."

SEC. 5. The table of sections for part I of subchapter C of chapter 33 of the Internal Revenue Code of 1954 is amended by striking out

"Sec. 4262. Exemptions."

and inserting in lieu thereof

"Sec. 4262. Definition of taxable transportation.

"Sec. 4263. Exemptions.

"Sec. 4264. Special rules."

SEC. 6. The amendments made by this Act shall apply to amounts paid on or after the first day of the first month which begins more than sixty days after the date of the enactment of this Act for transportation commencing on or after such first day.

And the Senate agree to the same.

JERE COOPER,  
W. D. MILLS,  
NOBLE J. GREGORY,  
DANIEL A. REED,  
THOMAS A. JENKINS,

*Managers on the Part of the House.*

HARRY F. BYRD,  
ROBT. KERR,  
By HARRY F. BYRD,

GEORGE A. SMATHERS,  
E. D. MILLIKIN,  
RALPH E. FLANDERS,

*Managers on the Part of the Senate.*

## STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 5265) to exempt certain additional foreign travel from the tax on the transportation of persons, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

### EXISTING LAW

In general, existing law imposes a tax on amounts paid in the United States for the transportation of persons where the transportation begins and ends within the northern portion of the Western Hemisphere. With respect to transportation of persons any part of which is outside the northern portion of the Western Hemisphere, existing law provides that so much of the transportation as constitutes transportation between one port or station in the United States, Canada (except Newfoundland), or Mexico, and another port or station within such area, shall be taxable. However, in the case of transportation by water on a ship on a voyage which begins or ends in the United States and ends or begins outside the northern portion of the Western Hemisphere, if such ship makes one or more intermediate stops at ports within the United States, Canada, or Mexico, no part of the transportation is considered to be from one such port to another such port if the ship is not authorized both to discharge and to take on passengers at any such intermediate port.

In the case of amounts paid outside the United States for the transportation of persons, existing law provides that the tax will apply only in the case of transportation which begins and ends in the United States.

### THE HOUSE BILL

Under the House bill, in the case of payments made in the United States the tax on the transportation of persons would, in general, apply only to domestic transportation. The definition of "domestic transportation" in the House bill included all transportation which begins and ends in the United States, except—

(1) That portion of such transportation which is outside the United States in any case where the route of the transportation passes through or over a point at least 200 miles from the nearest boundary of the United States (determined as provided in the bill); and

(2) Round-trip transportation between a point within the United States and a point outside the United States (except as specified below).

The definition of "domestic transportation" also included transportation (payment for which is made within the United States) between any port or station within the United States and any other port

or station within the United States (excluding transportation described in paragraph (1) above), which is part of transportation to or from a point outside the United States.

The House bill provided an exemption from tax on transportation between United States ports where (1) the transportation is by ship on a voyage which begins or ends in the United States and ends or begins outside the United States, (2) such ship makes one or more intermediate stops in the United States, and (3) the ship, in stopping at such intermediate port, is not authorized both to discharge and to take on passengers.

In the case of payments made outside the United States, the amount would be taxable only if the transportation begins and ends in the United States and only to the extent the amount would be taxable if the payment had been made in the United States.

#### THE SENATE AMENDMENT

The Senate amendment struck out all after the enacting clause of the House bill and inserted new text. Under the Senate amendment the tax would be imposed on—

(1) The amount paid within the United States for "taxable transportation of persons."

(2) The amount paid without the United States for "taxable transportation of persons," but only if such transportation begins and ends in the United States.

Under the Senate amendment the term "taxable transportation of persons" was defined as transportation that begins in the United States or at any point in Canada or Mexico not more than 225 miles from the continental United States and ends in the United States or at any point in Canada or Mexico not more than 225 miles from the continental United States. Accordingly, no tax was imposed on any part of transportation which began or ended outside the United States and the 225-mile area.

The Senate amendment excluded from the term "taxable transportation of persons"—

(1) That portion of transportation to or from the Territory of Alaska or the Territory of Hawaii which—

(A) is outside the United States;

(B) is not transportation between ports or stations within the continental United States or that portion of Canada or Mexico within 225 miles of the continental United States; and

(C) is not transportation between ports or stations within the Territory of Alaska or the Territory of Hawaii.

(2) Transportation any part of which is outside the northern portion of the Western Hemisphere.

The Senate amendment also added 2 new sections to the code, 1 providing special rules relating to administrative matters, and 1 providing an assessable penalty for failure to pay the tax on transportation of persons within the time prescribed for such payment.

Both the House bill and the Senate amendment made necessary technical and clerical amendments to the code.

Neither the House bill nor the Senate amendment changed the rate of the tax on transportation of persons.

## THE CONFERENCE AGREEMENT

Under the conference agreement, the House recedes with an amendment the text of which is a substitute for both the House bill and the Senate amendment.

*Section 1:* The first section of the conference substitute amends subsections (a) and (b) of section 4261 of the Internal Revenue Code of 1954. Subsection (a) is amended to impose the tax upon the amount paid within the United States for taxable transportation (as defined in the new sec. 4262 of the code) of any person by rail, motor vehicle, water, or air. The rate of tax under existing law (10 percent) is not changed.

This section also makes conforming changes in section 4261 (b) of the 1954 code. As so changed, the tax will be imposed upon the amount paid outside the United States for taxable transportation of any person, but only if such transportation begins and ends in the United States.

*Section 2:* Section 2 of the conference substitute makes changes in section 4262 of the code (relating to exemptions from the tax on transportation of persons).

Subsection (a) of section 4262 (relating to transportation any part of which is outside of the northern portion of the Western Hemisphere) is deleted. The language of this subsection is rendered unnecessary by reason of other provisions contained in the conference substitute, including the new section 4264 (f) of the code added by section 4 (a) of the conference substitute.

Section 2 of the conference substitute also redesignates subsections (b), (c), (d), (e), and (f) of section 4262 as subsections (a), (b), (c), (d), and (e), respectively, and such section is renumbered as section "4263". No substantive changes are made in the provisions which remain in section 4263.

The last sentence of section 2 of the conference substitute makes a conforming change in a cross reference to the present section 4262 (b).

*Section 3:* Section 3 of the conference substitute adds a new section 4262 to the code defining "taxable transportation" for purposes of the tax on transportation of persons.

Section 4262 (a) defines taxable transportation to mean—

(1) transportation which begins in the United States, or in that portion of Canada or Mexico which is not more than 225 miles from the nearest point in the continental United States (defined in the conference substitute as the "225-mile zone"), and ends in the United States or in the 225-mile zone; and

(2) in the case of any other transportation, that portion of such transportation which is directly or indirectly from one port or station in the United States to another port or station in the United States.

Section 4262 (b) excludes from the definition of "taxable transportation" that portion of any transportation which meets all 4 of the following requirements:

(1) such portion is outside the United States;

(2) neither such portion nor any segment thereof is directly or indirectly—

(A) between (i) a point where the route of the transportation leaves or enters the continental United States, or  
(ii) a port or station in the 225-mile zone, and

- (B) a port or station in the 225-mile zone;
- (3) such portion—
- (A) begins at either (i) the point where the route of the transportation leaves the United States, or (ii) a port or station in the 225-mile zone, and
- (B) ends at either (i) the point where the route of the transportation enters the United States, or (ii) a port or station in the 225-mile zone; and
- (4) a direct line from the point (or the port or station) specified in paragraph (3) (A), to the point (or the port or station) specified in paragraph (3) (B), passes through or over a point which is not within 225 miles of the United States.

Section 4262 (c) (1) defines the term "continental United States," for purposes of section 4262, to mean the existing 48 States and the District of Columbia. Section 4262 (c) (2) defines the term "225-mile zone," for purposes of section 4262, to mean that portion of Canada and Mexico which is not more than 225 miles from the nearest point in the continental United States.

The term "United States" as used in the sections of the code amended or added by the conference substitute is defined by section 7701 (a) (9) of the code to mean the States, the Territories of Alaska and Hawaii, and the District of Columbia.

Under section 4262 (a) taxable transportation is defined as including the transportation that begins in the United States or the portion of Canada or Mexico within 225 miles of the continental United States (the 225-mile zone) and ends in the United States or in the 225-mile zone.

Transportation that begins in the United States or in the 225-mile zone and ends outside such area, transportation that begins outside the United States or the 225-mile zone and ends inside such area, and transportation that begins and ends outside the United States and the 225-mile zone are included within the term "taxable transportation" only to the extent that transportation is directly or indirectly from one port or station in the United States to another port or station in the United States. That is, transportation from London to New York, to Montreal, to Seattle, to Tokyo would be included within the definition of "taxable transportation" on the portion between New York and Seattle. If payment was made in the United States, the New York to Seattle portion would be taxable. However, if payment for such transportation was made outside the United States no part of it would be taxable since it is not transportation which begins and ends in the United States.

Under subsection (b) of section 4262 certain transportation is excluded from the term "taxable transportation" if all 4 tests set forth in that subsection are met.

Transportation from the continental United States to Alaska and Hawaii will be partially exempt from tax under this provision. For example, a nonstop trip from Seattle to Juneau would contain a portion that is outside the United States and that satisfies the requirements of section 4262 (b), since it is between the point where the route leaves the continental United States and where it enters Alaska, and a direct line from the point of leaving the United States to the point of entering the United States passes through a point which is not within 225 miles of the United States. In computing the amount paid for taxable transportation in such case the portion of the route which is



within the United States before the carrier leaves the United States (the portion in Washington) and the portion within the United States after the carrier enters the United States (the portion in Alaska) will be determined in the manner to be prescribed in regulations issued by the Secretary or his delegate.

In the case of transportation from, for example, New York to Edmonton, to Vancouver, to Hawaii, the entire portion from where the carrier leaves the United States en route to Edmonton to where it enters the United States in Hawaii would be outside the United States. However, the segment between the point where the route leaves the United States and Vancouver would be indirectly between a point where the route leaves the continental United States and a station within the 225-mile zone (Vancouver is inside the 225-mile zone). The portion between the point where the carrier leaves the United States to Edmonton cannot be considered as an exempt portion since such a portion must end at a point where the route enters the United States or a port or station within the 225-mile zone (Edmonton is outside the 225-mile zone). Therefore, the only part of the transportation which can satisfy paragraphs (1), (2), and (3) of section 4262 (b) is the portion between Vancouver and where the route enters the United States in Hawaii. Since a direct line from Vancouver and such point will pass through a point which is not within 225 miles of the United States, this portion of the transportation satisfies the requirements of paragraph (4) and is excluded from the definition of taxable transportation.

If 2 portions of any transportation are outside the United States but there is transportation inside the United States between such portions (whether or not the carrier stops in the United States), the 2 must be considered separately and 1 of the portions may be fully taxable although the other is wholly or partially exempt. For example, in the case of transportation from Windsor to Fairbanks with stops at Minneapolis and Calgary, the parts between Windsor and Minneapolis and between Minneapolis and Calgary would be fully taxed. However, the portion from Calgary (assuming Calgary is the last stop in the 225-mile zone) to the Alaskan boundary would be nontaxable. The segment between the boundary of the continental United States and Calgary cannot be excluded by reason of paragraph (2) of section 4262 (b).

Under subsection (c) of section 4262, whether any point in Canada or Mexico is not more than 225 miles from the continental United States is to be determined by measuring the distance from such point to the nearest point on the boundary of the continental United States.

In most cases it will be evident whether or not a destination is within or without 225 miles from the United States. In any instance in which it is not apparent whether a port or station is within or without 225 miles of the United States the exact distance may be computed mathematically by such methods as the Andoyer-Lambert formula. It is contemplated that the Secretary or his delegate will make this computation for major cities and will publish the determinations.

It is contemplated that the Secretary of the Treasury or his delegate will prescribe regulations for computing the amount subject to tax in cases where the amount paid for transportation includes both taxable and nontaxable portions. Such regulations may require computations to be made by reference to local fares.

*Section 4:* Section 4 of the conference substitute adds a new section 4264 to the code, providing special rules relating to the application and payment of the tax.

Section 4264 (a) continues without substantive change a provision now contained as a part of section 4291 of the code.

Section 4264 (b) provides a special rule for collection of the tax where an unused ticket or order (or portion thereof) purchased for nontaxable transportation is presented for refund and, as a result of the use of only a portion of the transportation purchased in connection with such ticket or order, liability for payment of the tax has been incurred. In such cases the person making the refund is required to deduct from the amount refundable, to the extent available, the amount of the tax due. If the refund due on the unused ticket or order (or portion thereof) is less than the amount of the tax due, the person redeeming such unused ticket or order (or portion thereof) is required to make a report to the Secretary or his delegate as to the remainder of the tax due.

Subsection (b) applies, for example, if a carrier receives for redemption a ticket purchased in the United States for transportation from Calgary to Edmonton which the purchaser bought for use in conjunction with a ticket for nonstop transportation from Seattle to Calgary, and the person applying for the refund does not show that the tax on the Seattle-Calgary ticket has been paid or that the Seattle-Calgary ticket has been redeemed. The carrier, before making the refund for the unused ticket, is required to deduct from the amount refundable the tax applicable to the amount paid by the purchaser for the taxable transportation from Seattle to Calgary and to report the tax so collected in the manner prescribed by regulations. In the event that the refund due on the Calgary to Edmonton ticket is less than the amount of the tax due on the amount paid for the transportation from Seattle to Calgary, the carrier should not make any refund to the purchaser but should apply against the outstanding tax the entire amount refundable and should notify the Secretary or his delegate of the passenger's name and address and the amount of tax remaining uncollected.

Section 4264 (c) provides special rules for payment of the tax where the payment for the transportation is (1) subject to tax at the time such payment is made but no tax is paid at that time, or (2) not subject to tax at the time such payment is made but because of some subsequent event becomes taxable. In such cases the person paying for, or the person using, the transportation must pay the tax to the person from whom the transportation was purchased, or to the Secretary or his delegate. Such payment must be made within the time prescribed by regulations after whichever of the following first occurs: (a) The rights to the transportation expire, or (b) the time when the transportation becomes taxable transportation.

This subsection is not intended in any way to relieve the person receiving a payment for taxable transportation of persons from his duty under section 4291 of collecting the tax at the time such payment is received by him.

The provisions of section 4264 (c) do not apply in any case where the tax is collected in the manner provided in subsection (a) or subsection (b) of section 4264 (or in other provisions of subchapter C of chapter 33).

The following examples illustrate the application of section 4264 (c):  
*Example 1.*—A purchases in Canada a ticket for his transportation

from Detroit to San Francisco, but fails to pay the applicable tax at the time he makes the payment for such ticket. Since under section 4261 (b) the transportation was taxable at the time purchased by A, he must, within the time specified by the regulations after the date of such purchase, pay the applicable tax to either the person from whom he purchased the ticket or to the Secretary or his delegate.

*Example 2.*—B purchases in New York a round-trip ticket for transportation between New York and London, with a stopover in Montreal. After arriving in Montreal B decides not to continue his trip to London but to return to New York. B is liable for the tax with respect to the amount paid for his transportation from New York to Montreal and return. B's transportation became taxable transportation at the time he began his return trip to New York and, within the time specified by the regulations after such event occurred, B must pay the applicable tax to either the person from whom he purchased the ticket or to the Secretary or his delegate, unless within such time he has applied for a refund on the unused portion of the transportation from which the tax should be deducted.

If in example 2, B had not returned to New York but had remained in Montreal, he would not be required to pay any tax until the time specified by the regulations after the date on which his right to use the remaining portion of the ticket expired.

Under section 4264 (d) any amount paid within the United States for transportation of any person is presumed to be fully taxable unless the taxpayer establishes at the time of payment for the transportation, pursuant to regulations prescribed by the Secretary or his delegate, that the transportation is wholly or partially not transportation subject to tax. This may be established, for instance, by the purchase of a ticket for transportation part or all of which is not "taxable transportation" or is transportation not subject to tax. It may also be established by furnishing the carrier or any agency receiving payment for transportation which, considered by itself, is taxable transportation, a ticket or order covering additional transportation which establishes that the transportation, or a part thereof, is not taxable transportation.

Section 4264 (e) provides in effect that a round trip consists of two separate trips, i. e., one trip from the point of departure to the destination and a second trip in returning from the destination. A round trip is intended to include certain journeys in which the same routing is not followed on the return trip from the specified destination to the original point of departure as was taken on the going trip (sometimes referred to as "circle trips"). In the case of a cruise (i. e., transportation to no set destination but with one or more intermediate stops en route), the point farthest from the point of departure will be regarded as the destination for purposes of applying the term "round trip." However, the rules of "open jaw" transportation, discussed below, apply if the cruise ends at a point other than the one at which it began.

"Open jaw" transportation (transportation from the point of departure to a specified destination and transportation from that point to a point other than the original point of departure) will be considered as transportation from the original point of departure to the specified destination and separate transportation from that point to the final destination if the distance between the points of the "open jaw" does not exceed the distance of the shorter segment traveled. For example,

a trip from New York to New Orleans via Panama would be considered as transportation from New York to Panama and separate transportation from Panama to New Orleans, so that both segments of the trip would be nontaxable. On the other hand, a trip from New York to Miami via Bermuda would be considered as transportation from New York to Miami and would be taxable.

Section 4264 (f) contains two special rules which apply to transportation if any part thereof is outside the northern portion of the Western Hemisphere. The northern portion of the Western Hemisphere is defined in this subsection (as in existing law) to mean the area lying west of the 30th meridian west of Greenwich, east of the international date line, and north of the Equator, but not including any country of South America.

The first special rule provides that if the route of such transportation leaves and reenters the northern portion of the Western Hemisphere, such transportation shall be considered to consist of transportation to a point outside such northern portion, and of separate transportation thereafter. Thus transportation from New York to Caracas, Venezuela, to San Francisco would be considered to consist of transportation from New York to Caracas and separate transportation from Caracas to San Francisco. In effect, such transportation will be considered to be two trips, and the taxability of any segment of such transportation will be tested accordingly.

The second special rule contained in section 4264 (f) for transportation any part of which is outside the northern portion of the Western Hemisphere provides that if such transportation is transportation by water on a vessel which makes one or more intermediate stops at ports within the United States on a voyage that begins or ends in the United States and ends or begins outside such northern portion, a stop at an intermediate port within the United States at which such vessel is not authorized both to discharge and to take on passengers shall not be considered to be a stop at a port within the United States. Thus, if a vessel's voyage is from New York to Boston to London, and at Boston the vessel is not authorized both to take on and to discharge passengers, the stop at Boston is not considered to be a stop for tax purposes and the segment of the transportation from New York to Boston en route to London is not taxable. This special rule continues the exemption presently contained in subsection (a) of section 4262 of the code (renumbered "4263" by the conference substitute), modified to conform to the new tax base provided by the conference substitute.

*Section 5:* Section 5 of the conference substitute makes conforming changes in a table of sections.

*Section 6:* Section 6 of the conference substitute provides that the amendments made by the bill shall apply to amounts paid on or after the first day of the first month which begins more than 60 days after the date of enactment of the bill for transportation commencing on or after such first day.

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