

AMENDING THE INTERNAL REVENUE CODE OF 1954 WITH REGARD TO THE TAX ON ADMISSIONS

JULY 25 (legislative day JULY 16) 1956.—Ordered to be printed

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

R E P O R T

[To accompany H. R. 9875]

The Committee on Finance to whom was referred the bill (H. R. 9875) to amend the Internal Revenue Code of 1954 to provide that the tax on admissions shall apply only if the amount paid for the admission exceeds \$1, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

On page 1, line 6, strike out "\$1" and insert in lieu thereof "90 cents".

Amend the title so as to read:

A bill to amend the Internal Revenue Code of 1954 to provide that the tax on admissions shall apply only if the amount paid for the admission exceeds 90 cents.

I. SUMMARY OF PROVISIONS OF BILL

The bill, H. R. 9875, as amended by your committee, changes section 4231 (1) of the 1954 Code to provide that no tax is to be imposed on a general admission for which the charge is 90 cents or less (or in the case of season or subscription tickets if the amount which would be charged for a single admission is 90 cents or less). The bill as passed by the House would have imposed no tax on a general admission for which the charge was \$1 or less (with similar treatment for season or subscription tickets).

Under present law general admissions are free of tax if the charge is 50 cents or less. As in the case of this present 50-cent exemption, the 90-cent exemption applies only to admissions up to the level of the exemption, and does not affect admissions for which the charge exceeds the level of the exemption. Thus, under the bill as amended by your committee, the tax on an admission price of \$1.50 (before

tax) would be 15 cents, that is, it would be based upon the entire \$1.50 and not merely the portion of the charge in excess of 90 cents.

Since the 90-cent exemption applies only to paragraph (1) of section 4231, this exemption will not be available in the case of admissions to horse or dog racing at a racetrack, to charges for the permanent use or lease of boxes or seats, to sales outside of the box office in excess of the established price, to sales by proprietors in excess of the regular price, or to amounts paid with respect to cabarets. The taxes imposed in these cases will remain the same as under existing law.

The 90-cent exemption is to apply to amounts paid beginning with the first month commencing more than 10 days after the enactment of this bill for admissions on or after that date.

It is estimated that the enactment of this bill, as amended by your committee, will result in a revenue loss of approximately \$60 million a year when fully effective. This is \$10 million less than under the bill as passed by the House.

II. REASONS FOR BILL

In 1953 the Finance Committee reported out and the House and Senate passed a bill (H. R. 157, 83d Cong., 1st sess.) which, although not becoming law, would have repealed the tax on admissions to motion pictures. In the report on that bill the Finance Committee stated that the bill was required by the serious economic condition confronting the motion-picture industry. It was pointed out that from the end of 1946 to 1953 more than 5,000 motion-picture theaters had closed their doors and that receipts from general admissions had declined steadily. The report indicated that the reason for this difficulty was the introduction of television and other competing activities.

Information made available this year indicates that motion-picture industry conditions are now worse than in 1953 when Congress took the action described above. It has been stated that more than half of all the theaters presently are faced with economic problems, since 5,500 are operating in the red while another 5,400 are operating at or near the break-even point.

As in 1953, television is believed to be the primary cause for the difficulty faced by the motion-picture and other similar industries. While the exemption of 90 cents or less for admissions to motion-picture theaters and other places of amusement will not remove the competitive problem presented by the advent of television, it is believed that it will better enable these industries to adjust their long-range plans to the new competitive situation.

The 50-cent exemption for general admissions now in present law was added by the Excise Tax Reduction Act of 1954. At that time it was stated that the admissions tax constituted a special hardship in the case of small theaters and others where the charge was relatively low. Because of rising costs many theaters in small towns, as well as neighborhood theaters in larger communities, have had to raise their prices above the 50-cent level and thus have been denied the benefits intended for them under the Excise Tax Reduction Act of 1954. Raising this exemption to admissions of 90 cents or less as provided by the bill as amended by your committee will accomplish the result sought in that act.

Your committee has substituted the 90-cent exemption for the \$1 exemption provided by the House bill because it believes that the \$1 exemption level is slightly higher than required in order to provide tax-free admissions for most small or community type theaters. Also, the lower exemption provided by your committee reduces the annual revenue loss by \$10 million.

III. CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets; new matter is printed in italics; existing law in which no change is proposed is shown in roman):

PARAGRAPH (1) OF SECTION 4231 OF THE INTERNAL REVENUE CODE OF 1954

SEC. 4231. IMPOSITION OF TAX.

There is hereby imposed:

(1) **GENERAL.**—A tax of 1 cent for each 10 cents or major fraction thereof of the amount paid for admission at any place, including admission by season ticket or subscription. No tax shall be imposed under this paragraph on the amount paid for admission—

(A) if the amount paid for admission is **[50 cents]** *90 cents* or less, or

(B) in the case of a season ticket or subscription, if the amount which would be charged to the holder or subscriber for a single admission is **[50 cents]** *90 cents* or less.

The tax imposed under this paragraph shall be paid by the person paying for such admission.

