

TAX RATE EXTENSION ACT OF 1957

MARCH 25, 1957.—Ordered to be printed

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

REPORT

[To accompany H. R. 4090]

The Committee on Finance, to whom was referred the bill (H. R. 4090) to provide a 1-year extension of the existing corporate normal-tax rate and of certain existing excise-tax rates, having considered the same, report favorably thereon with amendments and recommend that the bill do pass.

I. GENERAL STATEMENT

H. R. 4090, as reported by your committee, provides for an extension of the present corporate income tax rate and the existing rates of certain excises for 15 months, or until July 1, 1958. The rates of these taxes otherwise are scheduled for reduction on April 1, 1957.

The present 52 percent corporate income tax rate, without the extension provided in the bill, would revert to 47 percent as of the 1st of this April through a reduction in the normal tax rate from 30 percent to 25 percent. The excise tax rates, which without this bill also would be decreased this April, are those on alcoholic beverages, cigarettes, automobiles, and automobile parts and accessories. This bill does not affect excise tax rates which previously were scheduled for reduction this April, but as a result of the Highway Revenue Act of 1956 were extended (along with certain increases) until July 1, 1972. Tax rates previously in extension acts which were extended by the Highway Revenue Act of 1956 are those on gasoline, trucks and buses, and diesel and special motor fuels.

Your committee has agreed to the extension of the present corporate and excise tax rates because of their effect on the Federal budget in the fiscal year 1958. If these rates were not extended it is estimated that there would be a deficit in the fiscal year of about \$500 million.

The President in his budget message after indicating that tax rates are still too high and that we should look forward to further tax reductions as soon as a sound budget policy permits went on to state:

* * * However, the reduction of tax rates must give way under present circumstances to the cost of meeting our urgent national responsibilities.

For the present, therefore, I ask for continuation for another year of the existing excise tax rates on tobacco, liquor, and automobiles, which, under present law, would be reduced next April 1. I must also recommend that the present corporate tax rates be continued for another year. It would be neither fair nor appropriate to allow excise and corporate tax reductions to be made at a time when a general tax reduction cannot be undertaken.

Your committee has amended the bill by extending the present rates for 15 months rather than for 12 months as provided in the House bill. This was done so that the new termination date for these corporate and excise rates would coincide with the close of the Government's fiscal year, and thus would parallel the appropriation acts. The Congress will be in a better position to review these tax rates concurrently with the appropriation bills next year.

II. REVENUE EFFECT

The revenue effects of your committee's bill for the fiscal years 1957 and 1958 are shown in table 1. Only the extension of the excise taxes is expected to have any effect on budget receipts in the fiscal year 1957. Under existing law the excise tax reductions would be effective for April, May, and June in the fiscal year 1957, and the collections for the fiscal year 1957 would reflect most of the reductions for these months.

The reduction in corporate taxes under existing law would not be reflected in receipts in fiscal year 1957 because of the lag in corporate tax collections. About half of the revenue effect from extending the present corporate income tax beyond April 1, 1957, will be reflected in the fiscal year 1958, and the remaining effect will carry over into the fiscal year 1959.

If the various excise-tax rates provided for in this bill were not extended, refunds of approximately \$180 million would have to be paid to dealers with respect to their floor stocks, or inventories of taxed articles, on which the rates would be reduced. These refunds would have been paid in fiscal year 1958 if these excise tax rates were not extended; with the 15 months extension provided in this bill, expenditures for these floor-stock refunds will be postponed until the fiscal year 1959.

TABLE 1.—Estimated revenue gain from extension of existing corporate and excise tax rates

[Extension from Apr. 1, 1957, to July 1, 1958]

	Change in rate which would occur without bill	Estimated revenue gain (in millions of dollars)	
		Fiscal year 1957	Fiscal year 1958
Corporation income tax.....	52 to 47 percent normal tax (reduced from 30 to 25 percent).		1,440
Excises:			
Alcohol taxes:			
Distilled spirits.....	\$10.50 to \$9 per gallon.....	40	142
Beer.....	\$9 to \$8 per barrel.....	21	85
Wine.....	Various rates.....	3	10
Total, alcoholic beverages.....		64	237
Tobacco taxes: Cigarettes (small).....	\$4 to \$3.50 per 1,000.....	50	200
Manufacturers' excise taxes:			
Passenger cars.....	10 to 7 percent.....	51	405
Auto parts and accessories.....	8 to 5 percent.....	7	58
Total, manufacturers' excises.....		58	463
Total excises.....		172	900
Total, corporate income tax and excises.....		172	3,340

NOTE.—Floor-stock refunds of about \$180 million will be postponed from the fiscal year 1958 to the fiscal year 1959 by the extension of existing excise tax rates.

Source: Prepared by the staff of the Joint Committee on Internal Revenue Taxation.

The extension of the present corporate rate for the full 15 months will yield \$2.6 billion of additional revenue, and the extension of the excise tax rates for 15 months will yield \$1.1 billion, giving a total yield of \$3.7 billion. About two-thirds of this revenue gain will be reflected in the budget receipts of the fiscal year 1958, while some will carry over into fiscal 1959.

III. AMENDMENTS REJECTED BY THE COMMITTEE

Your committee is desirous of providing relief for small business but the amendments changing the corporate rates offered in the committee do not provide the desired result. Most small businesses are unincorporated, being partnerships or sole proprietorships. Only 10 to 15 percent of the total number of operating businesses are corporations. Your committee sees no justification for tax reduction which would benefit only this small corporate segment and thus discriminate against the many small business firms which are not incorporated. The committee has instructed its staff to repeat its suggestions for small business relief.

Our purpose here is to extend the corporate tax and the excise taxes, which expire on April 1, 1957, so as to prevent a deficit for the fiscal year 1958. If these taxes are not extended, there will be a deficit for the year 1958 in the amount of \$500 million on the basis of the present budget.

There were two amendments offered in the committee to change the rates of the corporate tax. One was offered by the Senator from Arkansas, Mr. Fulbright, and the other by the Senator from Alabama, Mr. Sparkman. Three full days of hearings were held to consider the amendments.

Senator Fulbright's amendment retains the present method of levying corporate normal and surtax but substitutes for the present 30 percent normal tax rate a normal rate of 22 percent and for the present surtax rate of 22 percent a surtax rate of 31 percent. The top normal and surtax rate under this amendment is thereby increased to 53 percent as compared to the 52 percent rate under existing law. This amendment, while reducing the tax on some corporations, will actually increase the tax on others.

Senator Sparkman's amendment provides a graduated tax rate on corporations ranging from 5 percent on taxable incomes not over \$5,000 to 55 percent on incomes above \$100,000. This amendment would undoubtedly cause many of the larger corporations to break up into small units in order to get the benefit of the lower bracket rates. If this were not done, an additional tax burden would be imposed on the small stockholders of large corporations. Aside from this fact, a graduated corporate tax will discourage the growth of small corporations. It will hurt many corporations desiring to expand and become larger.

The possible revenue effect of the proposed graduated rate amendment cannot be ignored. A revenue estimate was presented which seemed to indicate that the proposal would involve no loss in revenue to the Government. This estimate, however, was based on the assumption that there would be no change in the present corporate structure; that is, that there would be no change in the distribution of corporations by income classes. Your committee believes that this assumption is highly unrealistic. The proposed graduated corporate tax schedule, with an initial rate of 5 percent, would certainly offer an incentive for large corporations to split up and the result would be a serious loss in revenue.

It is argued that since there is a provision in the tax law which grants certain unincorporated enterprises the privilege of being taxed as corporations, any relief granted small corporations would also benefit unincorporated businesses as well. This provision was enacted in 1954 (sec. 1361 of the Internal Revenue Code of 1954) and the regulations on the section have not been issued. There are many problems involved, and corporate accounting may be required. If a partnership or sole proprietorship once elects to be taxed as a corporation, the election is irrevocable and the small firm would hesitate to make this irrevocable election, particularly when there is such uncertainty as to the provision. Your committee does not believe that section 1361 of the Internal Revenue Code, in its present form, offers any assurance that unincorporated businesses would gain the same benefits as corporations under the proposed changes in the corporate tax rates. It would seem unwise to force an unincorporated business to change its manner of doing business in an unincorporated form to gain the tax relief which these amendments would accord only to corporations.

Other amendments, in addition to the two relating to the corporate tax rates, were offered. Your committee feels that the additional amendments require further study. Immediate action on this bill is required since otherwise the excise tax rates involved would be reduced on April 1, 1957. The staff was instructed to give further study to these amendments and report to the Finance Committee.

IV. SUMMARY OF BILL

The first section of the bill indicates that this act is to be cited as the "Tax Rate Extension Act of 1957."

Section 2 of the bill extends for 15 months the present 52 percent corporate income tax rate which otherwise is due to revert to 47 percent as of April 1, 1957. The 5 percentage point reduction will occur in the 30 percent normal tax to which all corporate taxable income is subject. The 22 percent surtax, which applies only to income above \$25,000, remains unchanged.

The rate extension provided by section 2 in the case of the corporate income tax makes the 52 percent rate applicable to taxable years beginning before July 1, 1958, and a 47 percent rate applicable with respect to taxable years beginning on or after this date. A proration formula, already in section 21 of the Internal Revenue Code, provides for corporations whose taxable years overlap July 1, 1958.

Section 2 extends the present corporate income tax rate not only for ordinary corporations but also for mutual insurance companies and interinsurers.

Section 3 of the bill extends for 15 months the present excise tax rates due to be automatically reduced as of April 1, 1957. These include the excise taxes on distilled spirits, beer, wine, cigarettes, passenger automobiles, and automobile parts and accessories. These excises are described more fully in table 2 which shows the unit of tax and the rates before and after July 1, 1958, under this bill.

TABLE 2.—Excise tax rates extended until July 1, 1958¹

	Unit of tax	Rate extended for period from Apr. 1, 1957, to July 1, 1958	Rate to become effective July 1, 1958 ¹
Liquor taxes:			
Distilled spirits.....	Per proof gallon.....	\$10.50.....	\$9.
Beer.....	Per barrel.....	\$9.....	\$8.
Wine:			
Still wine:			
Containing less than 14 percent alcohol.....	Per wine gallon.....	17 cents.....	15 cents.
Containing 14 to 21 percent alcohol.....	Per wine gallon.....	67 cents.....	60 cents.
Containing 21 to 24 percent alcohol.....	Per wine gallon.....	\$2.25.....	\$2.
Containing more than 24 percent alcohol.....	Per wine gallon.....	\$10.50.....	\$9.
Sparkling wines, liqueurs, cordials, etc.:			
Champagne or sparkling wine.....	Per wine gallon.....	\$3.40.....	\$3.
Liqueurs, cordials, etc.....	Per wine gallon.....	\$1.92.....	\$1.60.
Artificially carbonated wines.....	Per wine gallon.....	\$2.40.....	\$2.
Tobacco taxes: Cigarettes.....	Per 1,000.....	\$4.....	\$3.50.
Manufacturer's excises:			
Passenger cars.....	Manufacturers' sale price.....	10 percent.....	7 percent.
Auto parts and accessories.....	Manufacturers' sale price.....	8 percent.....	5 percent.

¹ These rates were increased by the Revenue Act of 1951 and the increases were scheduled to terminate on Apr. 1, 1954. The Excise Tax Reduction Act of 1954 extended these rate increases to Apr. 1, 1955, the Tax Rate Extension Act of 1955 extended these rate increases to Apr. 1, 1956, and the Tax Rate Extension Act of 1956 extended these rate increases to Apr. 1, 1957. The Highway Revenue Act of 1956, in addition to making certain increases, extended the taxes on gasoline, trucks, buses, and truck trailers, and diesel and special motor fuel, which were in the prior extension acts, until July 1, 1972.

Source: Prepared by the staff of the Joint Committee on Internal Revenue Taxation.

In addition to extending the rates specified above, section 3 of the bill postpones for 1 more year the floor-stock refunds or credits presently effective with respect to stocks of various taxpaid products on hand on April 1, 1956. These floor-stock refunds are available in the case of distilled spirits, wines and beer, cigarettes and automobiles.

Section 3 also extends for 1 year the present drawback of \$9.50 per proof gallon for distilled spirits used in the manufacture of medicines, medicinal preparations, food products, flavors, or flavoring extracts, which are unfit for beverage purposes. In conformance with the change in the distilled spirits tax, as of July 1, 1958, this drawback under the bill decreases to \$8 per proof gallon in order to maintain a net tax of \$1 per proof gallon on distilled spirits used for these purposes.

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):

INTERNAL REVENUE CODE OF 1954

* * * * *

SEC. 11. TAX IMPOSED.

(a) **CORPORATIONS IN GENERAL.**—A tax is hereby imposed for each taxable year on the taxable income of every corporation. The tax shall consist of a normal tax computed under subsection (b) and a surtax computed under subsection (c).

(b) **NORMAL TAX.**—

(1) **TAXABLE YEARS BEGINNING BEFORE [APRIL 1, 1957] JULY 1, 1958.**—In the case of a taxable year beginning before [April 1, 1957] *July 1, 1958*, the normal tax is equal to 30 percent of the taxable income.

(2) **TAXABLE YEARS BEGINNING AFTER [MARCH 31, 1957] JUNE 30, 1958.**—In the case of a taxable year beginning after [March 31, 1957] *June 30, 1958*, the normal tax is equal to 25 percent of the taxable income.

* * * * *

SEC. 821. TAX ON MUTUAL INSURANCE COMPANIES (OTHER THAN LIFE OR MARINE OR FIRE INSURANCE COMPANIES ISSUING PERPETUAL POLICIES).

(a) **IMPOSITION OF TAX ON MUTUAL COMPANIES OTHER THAN INTERINSURERS.**—There shall be imposed for each taxable year on the income of every mutual insurance company (other than a life or a marine insurance company of a fire insurance company subject to the tax imposed by section 831 and other than an interinsurer or reciprocal underwriter) a tax computed under paragraph (1) or paragraph (2), whichever is the greater:

(1) If the mutual insurance company taxable income (computed without regard to the deduction provided in section 242 for partially tax-exempt interest) is over \$3,000, a tax computed as follows:

(A) **NORMAL TAX.**—

(i) **TAXABLE YEARS BEGINNING BEFORE [APRIL 1, 1957] JULY 1, 1958.**—In the case of taxable years beginning before [April 1, 1957] *July 1, 1958*, a normal tax of 30 percent of the mutual insurance company taxable income, or 60 percent of the amount by which such taxable income exceeds \$3,000, whichever is the lesser;

(ii) **TAXABLE YEARS BEGINNING AFTER [MARCH 31, 1957] JUNE 30, 1958.**—In the case of taxable years beginning after [March 31, 1957] *June 30, 1958*, a normal tax of 25 percent of the mutual insurance company taxable income, or 50 percent of the amount by which such taxable income exceeds \$3,000, whichever is the lesser; plus

(B) **SURTAX.**—A surtax of 22 percent of the mutual insurance company taxable income (computed without regard to the deduction provided in section 242 for partially tax-exempt interest) in excess of \$25,000.

(2) If for the taxable year the gross amount of income from the items described in section 822 (b) (other than paragraph (1) (D) thereof) and net premiums, minus dividends to policyholders, minus the interest which under section 103 is excluded from gross income, exceeds \$75,000, a tax equal to 1 percent of the amount so computed, or 2 percent of the excess of the amount so computed over \$75,000, whichever is the lesser.

(b) **IMPOSITION OF TAX ON INTERINSURERS.**—In the case of every mutual insurance company which is an interinsurer or reciprocal underwriter (other than a life or a marine insurance company or a fire insurance company subject to the tax imposed by section 831), if the mutual insurance company taxable income (computed as provided in subsection (a) (1)) is over \$50,000, there shall be imposed for each taxable year on the mutual insurance company taxable income a tax computed as follows:

(1) **NORMAL TAX.**—

(A) **TAXABLE YEARS BEGINNING BEFORE [APRIL 1, 1957] JULY 1, 1958.**—In the case of taxable years beginning before [April 1, 1957] *July 1, 1958*, a normal tax of 30 percent of the mutual insurance company taxable income, or 60 percent of the amount by which such taxable income exceeds \$50,000, whichever is the lesser;

(B) **TAXABLE YEARS BEGINNING AFTER [MARCH 31, 1957] JUNE 30, 1958.**—In the case of a taxable year beginning after [March 31, 1957] *June 30, 1958*, a normal tax of 25 percent of the mutual insurance company taxable income, or 50 percent of the amount by which such taxable income exceeds \$50,000, whichever is the lesser; plus

(2) **SURTAX.**—A surtax of 22 percent of the mutual insurance company taxable income (computed as provided in subsection (a) (1) in excess of \$25,000, or 33 percent of the amount by which such taxable income exceeds \$50,000, whichever is the lesser.

* * * * *

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 10 percent, except that on and after 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.

(2) Articles taxable at 10 percent except that on and after [April 1, 1957] *July 1, 1958*, the rate shall be 7 percent—

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

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

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

(b) PARTS AND ACCESSORIES.—There is hereby imposed upon parts or accessories (other than tires and inner tubes and other than automobile radio and television receiving sets) for any of the articles enumerated in subsection (a) sold by the manufacturer, producer, or importer a tax equivalent to 8 percent of the price for which so sold, except that on and after [April 1, 1957] *July 1, 1958*, the rate shall be 5 percent.

* * * * *

SEC. 5001. IMPOSITION, RATE AND ATTACHMENT OF TAX.

(a) RATE OF TAX—

(1) IN GENERAL.—There is hereby imposed on all distilled spirits in bond or produced in or imported into the United States an internal revenue tax at the rate of \$10.50 on each proof gallon or wine gallon when below proof and a proportionate tax at a like rate on all fractional parts of such proof or wine gallon. On or after [April 1, 1957] *July 1, 1958*, the rate of tax imposed by this paragraph shall be \$9 in lieu of \$10.50.

(2) PRODUCTS CONTAINING DISTILLED SPIRITS.—All products of distillation, by whatever name known, which contain distilled spirits or alcohol, on which the tax imposed by law has not been paid, shall be considered and taxed as distilled spirits.

(3) IMPORTED PERFUMES CONTAINING DISTILLED SPIRITS.—There is hereby imposed on all perfumes imported into the United States containing distilled spirits a tax of \$10.50 per wine gallon, and a proportionate tax at a like rate on all fractional parts of such wine gallon. On and after [April 1, 1957] *July 1, 1958*, the rate of tax imposed by this paragraph shall be \$9 in lieu of \$10.50.

* * * * *

SEC. 5022. TAX ON CORDIALS AND LIQUEURS CONTAINING WINE.

On all liqueurs, cordials, or similar compounds produced in the United States and not sold as wine, which contain more than 2½ percent by volume of wine of an alcoholic content in excess of 14 percent by volume (other than bottled cocktails), there shall be paid, in lieu of the tax imposed by section 5021, a tax at the rate of \$1.92 per wine gallon and a proportionate tax at a like rate on all fractional parts of such wine gallon until [April 1, 1957] *July 1, 1958*, and on or after [April 1, 1957] *July 1, 1958*, at the rate of \$1.60 per wine gallon and a proportionate tax at a like rate on all fractional parts of such wine gallon. All other provisions of law applicable to rectification apply to the products subject to tax under this section.

* * * * *

SEC. 5041. IMPOSITION AND RATE OF TAX.

(a) **IMPOSITION.**—There is hereby imposed on all wines, including imitations, substandard or artificial wine, and compounds sold as wine, having not in excess of 24 percent of alcohol by volume, in bond in, produced in, or imported into, the United States, taxes at the rates shown in subsection (b), such taxes to be determined as of the time of removal for consumption or sale. All wines containing more than 24 percent of alcohol by volume shall be classed as distilled spirits and taxed accordingly.

(b) RATES OF TAX.—

(1) On still wines containing not more than 14 percent of alcohol by volume, 17 cents per wine gallon, except that on and after [April 1, 1957] *July 1, 1958*, the rate shall be 15 cents per wine gallon;

(2) On still wines containing more than 14 percent and not exceeding 21 percent of alcohol by volume, 67 cents per wine gallon, except that on and after [April 1, 1957] *July 1, 1958*, the rate shall be 60 cents a wine gallon;

(3) On still wines containing more than 21 percent and not exceeding 24 percent of alcohol by volume, \$2.25 per wine gallon, except that on and after [April 1, 1957] *July 1, 1958*, the rate shall be \$2.00 per wine gallon;

(4) On champagne and other sparkling wines, \$3.40 per wine gallon, except that on and after [April 1, 1957] *July 1, 1958*, the rate shall be \$3.00 per wine gallon; and

(5) On artificially carbonated wines, \$2.40 per wine gallon, except that on and after [April 1, 1957] *July 1, 1958*, the rate shall be \$2.00 per wine gallon.

* * * * *

SEC. 5051. IMPOSITION AND RATE OF TAX.

(a) **RATE OF TAX.**—There is hereby imposed on all beer, brewed or produced and sold, or removed for consumption or sale, within the United States, or imported into the United States, a tax of \$9 for every barrel containing not more than 31 gallons, and at a like rate for any other quantity or for the fractional parts of a barrel authorized and defined by law. On and after [April 1, 1957] *July 1, 1958*, the tax imposed by the preceding sentence shall be at the rate of \$8 in lieu of \$9. In estimating and computing such tax, the fractional

parts of a barrel shall be halves, thirds, quarters, sixths, and eighths; and any fractional part of a barrel, containing less than one-eighth, shall be accounted one-eighth; more than one-eighth, and not more than one-sixth, shall be accounted one-sixth; more than one-sixth, and not more than one-fourth, shall be accounted one-fourth; more than one-fourth, and not more than one-third, shall be accounted one-third; more than one-third and not more than one-half, shall be accounted one-half; more than one-half and not more than one barrel, shall be accounted one barrel; and more than one barrel, and not more than 63 gallons, shall be accounted two barrels, or a hogshead. The provisions of this section requiring the accounting of hogsheads, barrels, and fractional parts of barrels at the next higher quantity shall not apply where the contents of such hogsheads, barrels, or fractional parts of barrels are within the limits of tolerance established by the Secretary or his delegate by regulations which he is hereby authorized to prescribe; and no assessment shall be made and no tax shall be collected for any excess in any case where the contents of the hogsheads, barrels, or fractional parts of barrels heretofore or hereafter used are within the limits of the tolerance so prescribed.

* * * * *

SEC. 5063. FLOOR STOCKS TAX REFUNDS ON DISTILLED SPIRITS, WINES, CORDIALS AND BEER

(a) **GENERAL.**—With respect to any article upon which tax is imposed under this part, upon which internal revenue tax (including floor stocks tax) at the applicable rate prescribed has been paid, and which, on **[April 1, 1957] July 1, 1958**, is held by any person and intended for sale or for use in the manufacture or production of any article intended for sale, there shall be credited or refunded to such person (without interest) subject to such regulations as may be prescribed by the Secretary or his delegate an amount equal to the difference between the tax so paid and the rate made applicable to such articles on and after **[April 1, 1957] July 1, 1958**, if claim for such credit or refund is filed with the Secretary or his delegate prior to **[May 1, 1957] August 1, 1958**, or within 30 days from the promulgation of such regulations.

(b) **LIMITATIONS ON ELIGIBILITY FOR CREDIT OR REFUND.**—No person shall be entitled to credit or refund under subsection (a), unless such person, for such period or periods both before and after **[April 1, 1957] July 1, 1958** (but not extending beyond 1 year thereafter), as the Secretary or his delegate shall by regulations prescribe, makes and keeps, and files with the Secretary or his delegate, such records of inventories, sales, and purchases as may be prescribed in such regulations.

(c) **OTHER LAWS APPLICABLE.**—All provisions of law, including penalties, applicable in respect of internal revenue taxes on distilled spirits, wines, liqueurs and cordials, imported perfumes containing distilled spirits, and beer shall, insofar as applicable and not inconsistent with this section, be applicable in respect of the credits and refunds provided for in this section to the same extent as if such credits or refunds constituted credits or refunds of such taxes.

* * * * *

SEC. 5134. DRAWBACK.

(a) In the case of distilled spirits on which the tax has been determined and used as provided in this subpart, a drawback shall be allowed—

(1) At the rate of \$6 on each proof gallon upon which tax is paid at a rate of \$9 per proof gallon prior to November 1, 1951;

(2) at the rate of \$9.50 on each proof gallon upon which tax is determined at the rate of \$10.50 per proof gallon on and after November 1, 1951;

(3) at the rate of \$8 on each proof gallon upon which tax is determined at a rate of \$9 per proof gallon after [March 31, 1957] *June 30, 1958.*

* * * * *

SEC. 5701. RATE OF TAX.

* * * * *

(c) **CIGARETTES.**—On cigarettes, manufactured in or imported into the United States, there shall be imposed the following taxes:

(1) **SMALL CIGARETTES.**—On cigarettes, weighing not more than 3 pounds per thousand, \$4 per thousand until [April 1, 1957] *July 1, 1958*, and \$3.50 per thousand on and after [April 1, 1957] *July 1, 1958*;

(2) **LARGE CIGARETTES.**—On cigarettes, weighing more than 3 pounds per thousand, \$8.40 per thousand; except that, if more than 6½ inches in length, they shall be taxable at the rate prescribed for cigarettes weighing not more than 3 pounds per thousand, counting each 2¾ inches, or fraction thereof, of the length of each as one cigarette.

* * * * *

SEC. 5707. FLOOR STOCKS REFUND ON CIGARETTES.

(a) **IN GENERAL.**—With respect to cigarettes, weighing not more than 3 pounds per thousand, upon which the tax imposed by subsection (c) (1) of section 5701 has been paid, and which, on [April 1, 1957] *July 1, 1958*, are held by any person and intended for sale, or are in transit from foreign countries or insular possessions of the United States to any person in the United States for sale, there shall be credited or refunded to such person (without interest), subject to such regulations as shall be prescribed by the Secretary or his delegate, an amount equal to the difference between the tax paid on such cigarettes and the tax made applicable to such articles on [April 1, 1957] *July 1, 1958*, if claim for such credit or refund is filed with the Secretary or his delegate before [July 1, 1957] *October 1, 1958*.

(b) **LIMITATIONS ON ELIGIBILITY FOR CREDIT OR REFUND.**—No person shall be entitled to credit or refund under subsection (a) of this section unless such person, for such period or periods both before and after [April 1, 1957] *July 1, 1958* (but not extending beyond 1 year thereafter), as the Secretary or his delegate shall, by regulation, prescribe, makes and keeps, and files with the Secretary or his delegate such records of inventories, sales, and purchases as shall be prescribed in such regulations.

* * * * *

SEC. 6412. FLOOR STOCKS REFUNDS.**(a) IN GENERAL.—**

(1) **PASSENGER AUTOMOBILES, ETC.**—Where before [April 1, 1957] *July 1, 1958*, 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] *July 1, 1958*, if claim for such credit or refund is filed with the Secretary or his delegate on or before [August 10, 1957] *November 10, 1958*, based upon a request submitted to the manufacturer, producer, or importer before [July 1, 1957] *October 1, 1958*, by the dealer who held the article in respect of which the credit or refund is claimed, and, on or before [August 10, 1957] *November 10, 1958*, 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.

SECTION 497 OF THE REVENUE ACT OF 1951**SEC. 497. REFUNDS ON ARTICLES FROM FOREIGN TRADE ZONES.**

(a) **IMPORTED ARTICLES.**—With respect to any article specified in section 2000 (c) (2), 2800 (a), 3030 (a), or 3150 (a) of the Internal Revenue Code of 1939 (or section 5701 (c), 5001 (a), 5022, 5041 (b), or 5051 (a) of the Internal Revenue Code of 1954) on which internal revenue tax at the applicable rate prescribed in such section has been determined pursuant to section 3 of the Act of June 18, 1934, as amended (U. S. C., title 19, sec. 81c), prior to [April 1, 1957] *July 1, 1958*, and which on or after such date is brought from a foreign trade zone into customs territory of the United States and the tax so determined thereon paid, there shall be credited or refunded (without interest) to the taxpayer, subject to such regulations as may be prescribed by the Secretary, an amount equal to the difference between the tax so paid and the amount of tax made applicable to such articles on and after [April 1, 1957] *July 1, 1958*, if claim for such credit or refund is filed with the Secretary within thirty days after payment of the tax.

(b) **PREVIOUSLY TAXPAID ARTICLES.**—With respect to any article specified in section 2000 (c) (2), 2800 (a), 3030 (a), or 3150 (a) of the Internal Revenue Code of 1939 (or section 5701 (c), 5001 (a), 5022, 5041 (b), or 5051 (a) of the Internal Revenue Code of 1954), upon which internal revenue tax (including floor stocks tax) at the applicable rate prescribed in such section has been paid, and which was taken into a foreign trade zone from the customs territory of the United States and placed under the supervision of the collector of customs, pursuant to the second proviso of section 3 of the Act of June 18, 1934, as amended (U. S. C., title 19, sec. 81c), prior to [April 1, 1957] *July 1, 1958*, and which on or after such date is (without loss

of identity) returned from a foreign trade zone to customs territory of the United States, there shall be credited or refunded (without interest) to the person so returning such article, subject to such regulations as may be prescribed by the Secretary, an amount equal to the difference between the tax so paid and the amount of tax made applicable to such articles on and after [April 1, 1957] *July 1, 1958*, if claim for such credit or refund is filed with the Secretary within thirty days after the return of the article to customs territory.

