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REPORT
No. 1033

REPEAL OF EXCISE TAX ON AROMATIC CACHOUS

JANUARY 21, 1960.—Ordered to be printed

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

R E P O R T

[To accompany H.R. 4586]

The Committee on Finance, to whom was referred the bill (H.R. 4586) to amend section 4021 of the Internal Revenue Code of 1954, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

I. PURPOSE OF THE BILL

This bill amends section 4021 of the Internal Revenue Code of 1954, which provides a 10-percent excise tax on certain toilet preparations, by striking out the words "aromatic cachous." The bill as reported by your committee provides that this change is to be effective as of the 1st of the month beginning more than 10 days after the date of enactment of this bill. The bill, which the Treasury Department indicated that it favors, has been reported unanimously by your committee.

II. REASONS FOR BILL

Aromatic cachous are aromatic pellets, such as Sen Sen, made of licorice, cashew nuts, gum, etc., which are chewed for the purpose of sweetening the breath.

Your committee believes that aromatic cachous should not be taxed as toilet preparations since they are more nearly like mouth-washes and candied mints than like the externally applied toilet preparations which comprise the rest of the articles subject to the toilet preparations tax. Moreover, the tax on aromatic cachous places them at a competitive disadvantage with nontaxed articles purchased for similar use. Still another reason for not subjecting aromatic cachous to tax is the fact that they are usually sold in candy stores, confectioneries, and other shops which do not handle other articles subject to the toilet preparations tax. As a result the

proprietors of these stores are burdened with the requirement of collecting and remitting negligible amounts of tax. This fact has in many cases discouraged proprietors from handling aromatic cachous.

It is estimated that the revenue effect of this change in the base of the tax on toilet preparations will be negligible.

The following excerpt expresses the views of the Treasury Department on this measure:

So far as is known, the product sold under the trade name of Sen Sen is the only aromatic cachou on the market today. Other products which are used for similar purposes, such as mouthwashes, mints, chewing gum, etc., are not taxed because they do not fall within the categories of taxable products listed in the law.

If the tax situation of aromatic cachous could be considered in isolation, the Treasury Department believes that it would be reasonable to consider their exemption from the retail excise tax. However, the tax on aromatic cachous is only one of many for which reduction or repeal have been requested. Often these requests are supported by appealing arguments. But the aggregate of these requests would result in a revenue loss of considerable magnitude.

CHANGES IN EXISTING LAW

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

SECTION 4021 OF THE INTERNAL REVENUE CODE OF 1954

SEC. 4021. IMPOSITION OF TAX.

There is hereby imposed upon the following articles sold at retail a tax equivalent to 10 percent of the price for which so sold—

Perfume.	Pomades.
Essences.	Hair dressings.
Extracts.	Hair restoratives.
Toilet waters:	Hair dyes.
Cosmetics.	【Aromatic cachous.】
Petroleum jellies.	Toilet powders.
Hair oils.	

Any other similar substance, article, or preparation, by whatsoever name known or distinguished; any of the above which are used or applied or intended to be used or applied for toilet purposes.

