

TAX ON CERTAIN LAMINATED TIRES

FEBRUARY 4, 1960.—Ordered to be printed

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

REPORT

[To accompany H.R. 6785]

The Committee on Finance, to whom was referred the bill (H.R. 6785) to amend section 4071 of the Internal Revenue Code of 1954 so as to fix a tax of 1 cent per pound on certain laminated tires produced from used tires, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

I. SUMMARY OF BILL

This bill provides a tax of 1 cent a pound in the case of the sale of "laminated" tires not of the type used on highway vehicles, if the tires consist wholly of scrap rubber from used tire casings and have an internal metal fastening agent. This is in lieu of the 5-cents-a-pound tax which otherwise would apply.

A "laminated" tire consists of a series of rubber pads (cut from scrap rubber tires) held together by a metal band on which the pads are threaded in a manner to form a complete circle. These tires are used for off-highway purposes where the terrain is rough or where there is the hazard of puncture in the case of pneumatic tires. They are used primarily on lifts, cranes, payloaders, weed cutters, and similar types of industrial and farm equipment.

II. COMMITTEE AMENDMENT

The amendment adopted by the Committee on Finance merely corrects a typographical error in the referred print of the bill.

III. GENERAL STATEMENT

Present law provides a tax of 8 cents a pound in the case of tires of the type used on highway vehicles and a tax of 5 cents a pound in the case of other tires. The Internal Revenue Service has ruled that

included in this category of "other tires" is a type of tire known as a laminated tire. The rulings issued to date have been private rulings, although your committee has been informed that the Service is now studying the possibility of a published ruling taking the same position.

A laminated tire consists of a series of rubber pads held together by a metal band on which the pads are threaded in such a manner as to form a circle. In manufacturing laminated tires, scrap tires are split so that the two sidewalls of each tire produce two round half tires. Wedgeshaped segments are then punched from these half tires and the segments are nailed together in units of two. The units are then threaded on a metal band to form a circle, and this, after having been tightened by bolting or welding, forms a laminated tire which is placed on a regular pneumatic tire rim.

It is understood that the primary market for laminated tires is for use on lifts, cranes, payloaders, weed cutters, and similar types of industrial and farm equipment. Because of the rigidity of these tires they cannot be pressed over a flange and, therefore, cannot be substituted for solid rubber tires. Their use, therefore, is as a replacement tire on a vehicle originally equipped with pneumatic tires. However, because of their rigidity they are not a satisfactory substitute for highway use. Their use in the main part, therefore, is limited to rough terrain or to nonhighway use where there is the hazard of puncture in the case of pneumatic tires.

Under present law the laminated tire is subject to the tax of 5 cents a pound. Because of the very heavy weight of the laminated tires, this represents a burdensome tax, in some cases representing a burden equal to nearly 20 percent of the retail price of the tire. On the other hand, the pneumatic tires, which to some degree can serve the same purposes, because of their substantially lighter weight, pay a much smaller tax per tire. As a result, the laminated tire industry, which is both a new and a small industry, has found it difficult to develop with the present relatively heavy tax burden and competitive disadvantage.

In view of these considerations, your committee has concluded that it is appropriate to provide a lower rate of tax applicable to laminated tires. Therefore, this bill amends present law (sec. 4071(a)) by adding a new paragraph providing a tax of 1 cent a pound in the case of laminated tires of the type not used on highway vehicles, where these tires consist wholly of scrap rubber made from used tire casings and where there is an internal metal fastening agent. This is in lieu of the tax of 5 cents a pound to which these tires would otherwise be subject.

This amendment is to apply to laminated tires sold on or after the first day of the first month beginning more than 10 days after the date of enactment of this bill.

There are relatively few known manufacturers of laminated tires and it is believed that the revenue loss from the adoption of this provision will be approximately \$60,000.

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 italic; existing law in which no change is proposed is shown in roman):

SECTION 4071 OF THE INTERNAL REVENUE CODE OF 1954

PART II—TIRES AND TUBES

Sec. 4071. Imposition of tax.

Sec. 4072. Definitions.

Sec. 4073. Exemptions.

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 (*other than laminated tires to which paragraph (5) applies*), 5 cents a pound.
- (3) Inner tubes for tires, 9 cents a pound.
- (4) Tread rubber, 3 cents a pound.
- (5) *Laminated tires (not of the type used on highway vehicles) which consist wholly of scrap rubber from used tire casings with an internal mental fastening agent, 1 cent 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.

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SEC. 209. HIGHWAY TRUST FUND.

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(c) TRANSFER TO TRUST FUND OF AMOUNTS EQUIVALENT TO CERTAIN TAXES.—

(1) IN GENERAL.—There is hereby appropriated to the trust fund, out of any money in the Treasury not otherwise appropriated, amounts equivalent to the following percentages of the taxes received in the Treasury before July 1, 1972, under the following provisions of the Internal Revenue Code of 1954 (or under the corresponding provisions of prior revenue laws)—

- (A) 100 percent of the taxes received after June 30, 1956, under sections 4041 (taxes on diesel fuel and special motor

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fuels), 4071(a)(4) (tax on tread rubber), and 4081 (tax on gasoline);

(B) 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.);

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

(D) 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);

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

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