

## FEDERAL-AID HIGHWAY ACT OF 1961

### TITLE II--INTERNAL REVENUE CODE AND HIGHWAY TRUST FUND AMENDMENTS

JUNE 12, 1961.—Ordered to be printed

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

### R E P O R T

together with

### INDIVIDUAL VIEWS

[To accompany title II of H.R. 6713]

The Committee on Finance, to whom was referred the bill (H.R. 6713) to amend certain laws relating to Federal-aid highways, to make certain adjustments in the Federal-aid highway program, and for other purposes, for consideration of title II thereof, having considered the same, report favorably thereon with amendments and recommend that the bill, as amended, do pass.

### I. SUMMARY

Title II contains the financing provisions for the Federal-aid highway program.

A cost study presented to Congress by the Bureau of Public Roads, Department of Commerce, January 12, 1961, indicated that a total of \$37 billion is required to finance to completion the Federal share of the National System of Interstate and Defense Highways now provided by law to complete construction in 1972. Present law, after making provision for the A-B-C (primary, secondary, and urban) road program at an annual level of \$925 million, provides \$27,758 million toward this objective. The additional revenues provided by title II of the bill as amended by your committee make possible substantially all of the financing of the \$37 billion Federal share of the Interstate System as well as permitting a gradual increase in

the apportionments for the A-B-C program to a level of \$1 billion a year. This is accomplished by bringing into the trust fund \$9,367 million in revenues in addition to transferring back to the general fund \$2,492 million in revenues attributable to passenger car and auto part taxes.

The changes from present law in revenue sources provided by title II are as follows:

(1) The gasoline, special motor fuels, and diesel fuel taxes under both the House and your committee's versions of the bill are continued at the present rate of 4 cents a gallon. These, under present law, are scheduled to revert to 3 cents a gallon as of July 1, 1961.

(2) The taxes on tires for highway-type vehicles and inner tubes under both versions of the bill are increased to 10 cents a pound. The tax on tread rubber is increased to 5 cents a pound under the House bill and to 4 cents a pound under your committee's amendments. Presently, the rates of these taxes are 8 cents, 9 cents, and 3 cents, respectively.

(3) The tax on highway vehicles weighing over 26,000 pounds in both versions is increased from \$1.50 to \$3 per 1,000 pounds.

(4) Five additional percentage points of the manufacturers' tax on trucks, buses, and trailers under both versions are dedicated to the highway trust fund. However, under the House bill this dedication begins on July 1, 1961, and under your committee's amendments on July 1, 1962. This presently is a general fund revenue. The first 5 percentage points of this tax already are a highway trust fund revenue source.

(5) The highway trust fund in both versions is continued for an additional 3 months beyond June 30, 1972, and all taxes now dedicated to the fund are continued as highway trust fund revenues at the proposed tax rate levels for the additional 3 months.

(6) The provisions of present law, which would for the 3 fiscal years 1962, 1963, and 1964 divert 5 percentage points of the manufacturers' taxes on passenger cars, etc., and on automobile parts and accessories to the highway trust fund, under both bills are repealed. Thus, these taxes in their entirety will remain general fund revenues.

(7) Provision is made in the bill for paying the use tax on highway motor vehicles weighing over 26,000 pounds on a quarterly basis and for the exemption of gasoline from tax where it is sold for nonfuel purposes in the manufacture of another article.

(8) Your committee has also added an amendment granting to retail dealers of gasoline an allowance equal to 1 percent of the tax paid on gasoline as an allowance for shrinkage or evaporation of the gasoline in their hands.

## II. REASONS FOR THE HIGHWAY FINANCING PROVIDED BY THE BILL

### 1. Background of problem

In 1956 Congress enacted a greatly expanded program of Federal aid for interstate highways. At that time Congress decided that this Interstate System, as well as the other Federal-aid highway programs

(the so-called A-B-C program), should be separately financed through a special highway trust fund in order to maintain these programs on an independent basis. Such a highway trust fund was established for the 16-year period from June 30, 1956, to July 1, 1972. Into this trust fund were deposited certain highway user excise taxes; namely, all of the taxes on gasoline, diesel fuel, special motor fuel, tread rubber, tires, and inner tubes, and the use tax on highway vehicles. In addition, half of the 10-percent manufacturers' tax on trucks, buses, and trailers was placed in the fund.

A special provision in the Highway Revenue Act of 1956, the so-called Byrd amendment, was designed to give assurance on a year-by-year basis that no deficit would develop in the highway trust fund. This provision requires that before apportionments of Federal-aid highway funds can be made to the States for the Interstate System, estimates must be made of the revenues expected to be in the fund at the time the expenditures arising from the apportionments can be expected to occur. To the extent that these estimates show that there will be any deficiency in the fund, the Secretary of Commerce is required to reduce the apportionments to the States.

By 1959 it had become apparent that the revenues devoted to the trust fund were insufficient to finance the Interstate System in addition to the regular A-B-C program. The original 1955 estimate of the cost of the Federal share of the Interstate System was \$25 billion. This by 1959 had been increased to an estimate of \$36 billion. For the most part this increase in cost was due to the fact that the 1955 estimate, because of the hurried manner in which it had to be made, was of necessity a preliminary estimate based upon an incomplete analysis of the cost of the Interstate System. In 1959 Congress was also faced with an immediate deficit in the trust fund for the fiscal year 1960 of \$490 million which would have grown to \$1,305 million by the end of the fiscal year 1961 if the apportionments already made or planned for those years were to be carried out.

In view of the pressing nature of the immediate financing problems, Congress in 1959 attempted only a temporary solution to the highway financing problems. At that time it provided a 1-cent increase in the gasoline, special motor fuel, and diesel fuel taxes for the period from September 1, 1959, to June 30, 1961. This was expected to provide an increase in trust fund revenues of \$1,035 million for this 22-month period. For the fiscal years 1962 through 1964 the bill provided that 5 percentage points of the manufacturers' taxes on passenger cars and automobile parts and accessories were to be dedicated to the trust fund. These funds, which presently are general fund revenues, would have increased highway trust fund revenues by about \$2.5 billion and decreased general fund revenues by the same amount.

In addition to the above reasons for concentrating its major effort in 1959 on the short-run financial problem, Congress also was faced with differing points of view as to the proper distribution of the cost of the highway program among various beneficiaries of the program both among various classes of highway users and between highway and nonhighway users. Moreover, at that time relatively little statistical information was available to aid Congress in evaluating the conflicting claims of relative benefit. Congress previously had requested the Bureau of Public Roads to submit to it a study on highway cost alloca-

tions, but this study was not then completed. The purpose of this study was to determine what taxes should properly be imposed, and in what amounts, in order to assure, insofar as practicable, an equitable distribution of the tax burden among the various classes of persons using the Federal-aid highways or otherwise deriving benefits from these highways.

The study on highway cost allocations required by section 210 of the Highway Revenue Act of 1956 and also a report on revised costs of completing the highway program now are available. In addition, the President has recommended a new plan for revising the financing of the highway program. In this he has stressed his desire that the passenger car and auto parts and accessories taxes not be diverted from the general fund as is provided by present law for the fiscal years 1962, 1963, and 1964. Instead, he has proposed the continuation to 1972 of the 4-cent tax on gasoline and the increasing of a series of taxes which would be borne primarily by the trucking industry for the period up to June 30, 1972.

## *2. Committee amendments*

The bill as amended by your committee for the most part is the same as the House-passed bill. However, it does depart from this bill in three respects. First, it defers for 1 year the transfer of half of the 10-percentage-point tax on the manufacturers' sale price of trucks, buses and trailers. Five percentage points of this tax already represents a highway revenue source and the House-passed bill would have transferred the remaining 5 percentage points of this tax to the highway trust fund for the period from July 1, 1961, through September 30, 1972. Your committee's bill provides such a transfer for the period beginning July 1, 1962, and ending on the same date as the House bill. This 1-year delay in the transfer of this tax revenue to the highway trust fund will preserve \$143 million of revenues for the general fund for the fiscal year 1962. Thus, for the current budget this will mean that revenues in this respect will be maintained for the general fund at the level planned by the President in his budget message to Congress.

The transfer for subsequent years of the remaining half of this manufacturers' tax on trucks, etc., to the trust fund can be taken into account in plans for the various budgets as they are prepared in the future. Your committee has been assured that this will not affect apportionments before the fiscal year 1964 and then, of course, only to a minor extent.

The second change made by your committee in the House bill is concerned with the tax on tread rubber. As previously indicated, the House bill would increase this tax from 3 cents a pound to 5 cents a pound. Your committee's amendments provide for a tax of 4 cents a pound. Your committee modified the House bill in this respect because it believed an increase of 33 $\frac{1}{3}$  percent was as large an increase as should be provided in a tax of this type where most of the producers involved are small businesses. It is estimated that this change will decrease the revenues which otherwise would have been provided under the House bill by \$4 to \$8 million a year.

The third change made by your committee provides that a retail dealer in gasoline is to be compensated for the tax paid on gasoline which is lost by shrinkage or evaporation and other causes to the

extent of 1 percent of the tax paid on the gasoline he sells. Since the gasoline tax usually is based on the volume of gasoline the retail dealer purchases, he not only pays tax on the volume of gasoline he resells but also on the gasoline he loses through shrinkage, evaporation, etc. This is a discrimination which many States have recognized and removed by granting retail dealers special shrinkage and evaporation allowances. The allowances provided by various States are shown in table 1. Your committee's bill corrects the present discrimination in the Federal tax base in a similar manner. It is estimated that this will result in a revenue loss of \$18 million a year.

TABLE 1.—States which have adopted refund laws for retailers of gasoline

	Percent		Percent
Georgia.....	2.0	North Dakota.....	1.0
Florida.....	2.0	Utah.....	1.0
Minnesota.....	1.0	Wisconsin.....	.5
Michigan.....	1.0	Tennessee.....	.5
New Hampshire.....	1.0	Colorado.....	1.0
Idaho.....	1.0	Texas.....	.5
Ohio.....	1.0		

### 3. Comparison with President's proposals

Title II of this bill, as amended by your committee, like the House bill, accepts much of the President's plan for financing the highway program. It stops the transfer of the passenger car and auto parts taxes from the general fund. It continues to 1972 the 4-cent tax on gasoline, special motor fuel, and diesel fuel. It increases the taxes on tires of the type used on highway vehicles and inner tubes to 10 cents a pound. It increases the tax on tread rubber to 4 cents a pound (the House bill would have increased this to 5 cents) and the use tax on trucks weighing over 26,000 pounds to \$3 per 1,000 pounds. All of these increases either are the same as recommended by the President or are steps in the direction of his recommendations. A more detailed comparison of the bill as amended by your committee with the President's recommendations and the changes which would be made by the House bill is shown in the next section of this report.

The major difference between both the House and your committee's bills on one hand and the President's recommendations on the other hand is that although the bills increase substantially taxes on truckers, it was not considered appropriate to make the full increase recommended by the administration. In part this conclusion was reached because it believed it would be unfortunate to make so substantial an increase in the costs of the truckers. As is shown in table 2, even with the modest increase made in costs by your committee's bill, the total of existing and proposed road-user taxes will be around 5 percent of total operating costs and may well in many cases exceed the profit margins. In addition, the truckers are faced with substantial State roaduser taxes which, as indicated by table 2, are approximately  $1\frac{1}{3}$  times the proposed Federal taxload. In addition, restricting the increases in truck taxes is also justified upon analyzing the various means of allocating costs among various classes of highway users. A subsequent section of this report compares the allocation of highway costs provided by this bill with the two principal methods for allocating highway costs among the various classes of highway users; namely, the "incremental" and the "differential benefit" methods.

TABLE 2.—Estimated operating costs and taxes of selected motor vehicles under committee bill.

[Cents per mile]

Vehicle type	Operating costs excluding road-user taxes	State road-user taxes	Federal motor vehicle taxes <sup>1</sup>		
			Present law	Increase made by committee bill	Combined effect of present law and committee bill
Automobile.....	8.59	0.62	0.55	0.01	0.56
Single-unit trucks:					
2-axle, 4-tire.....	22.05	.71	.52	.01	.53
2-axle, 6-tire.....	24.83	1.24	.89	.02	.91
Combinations with semitrailers:					
3-axle (40,000 pounds gross vehicle weight):					
Gasoline-powered.....	33.60	2.10	1.37	.17	1.54
Diesel-powered.....	32.45	1.87	1.21	.17	1.38
4-axle (55,000 pounds gross vehicle weight):					
Gasoline-powered.....	35.80	2.40	1.63	.18	1.81
Diesel-powered.....	34.65	2.03	1.37	.18	1.55
5-axle (72,000 pounds gross vehicle weight):					
Gasoline-powered.....	42.27	3.24	2.11	.24	2.35
Diesel-powered.....	41.82	2.72	1.72	.24	1.96

<sup>1</sup> Includes all Federal excise taxes on motor fuel, motor vehicles, tires, parts, and accessories, and other taxes closely associated with motor vehicles or their use, whether or not they are dedicated to the highway trust fund.

<sup>2</sup> Present law as in effect for Oct. 1, 1959-June 30, 1961.

Source: U.S. Department of Commerce, Bureau of Public Roads.

The nonhighway user benefits which will be derived from the highway program also are impressive. It is believed that these costs justify the dedication of a limited amount of general fund revenues for use of the highway trust fund. The revenues dedicated in this manner by title II of the bill are those derived from the manufacturers' tax on trucks, buses, and trailers, which, of course, is itself a highway user tax. Presently, one-half of this tax already is assigned to the highway trust fund. The bill dedicates the other half to the trust fund as well, although as noted above, this dedication under your committee's amendments is deferred for 1 year.

The highway user cost study suggests that approximately 8 percent of the highway costs are properly attributable to nonhighway users. This represents the portion of the nonhighway use readily subject to measurement. As is indicated in the study, other types of nonhighway benefits are obtained from the highway system which are not capable of measurement.

It is sometimes suggested that this 8-percent charge against nonhighway users already has been recognized by the fact that a substantial amount of revenues were taken from the general fund when the highway trust fund was established. These revenues, shown in table 3 for the period of 1957 to 1961, have amounted to about \$6.4 billion. However, the cost of the A-B-C program previously was a charge upon the general fund, and if these revenues are to be considered a "diversion" from the general fund the A-B-C expenditures should likewise be considered a "diversion" from the general fund. Table 2 shows that these A-B-C expenditures from the trust fund

since its inception have amounted to nearly \$4.8 billion. Thus, the revenues dedicated to the trust fund exceed this figure only by \$1.6 billion. Moreover, the general fund revenues which have been dedicated to the highway trust fund are almost entirely taxes imposed with respect to the highway use and on that basis it can be claimed that they properly are allocable to any road program carried on by the Federal Government. In this connection it should be noted that three highway-user taxes will remain among the general fund revenues. The principal taxes of this type are the 10-percent passenger-car tax and the tax on auto parts and accessories. Also, there is the tax on lubricating oil, perhaps half of which is attributable to oils used by motor vehicles.

TABLE 3.—Comparison of revenues which would have been available to general fund<sup>1</sup> if the interstate program had not been established with expenditures for primary, secondary, and urban (A-B-O) highways, July 1, 1956, to June 30, 1961

(Millions of dollars)

Fiscal year	Estimated revenue	A-B-O expenditures	Fiscal year	Estimated revenue	A-B-O expenditures
1957.....	\$878	\$758	1961.....	\$1,448	\$967
1958.....	1,300	836	Total.....	6,371	4,752
1959.....	1,330	1,112			
1960.....	1,415	1,079			

<sup>1</sup> Based on the following excise tax rates in effect prior to 1956 act:

Gasoline and special motor fuels: 2 cents per gallon, transferred to highway trust fund beginning July 1, 1956.

Trucks, buses, and trailers: 10 percent, of which 2 percentage points was transferred to highway trust fund for the fiscal year 1957 and 3 additional percentage points for subsequent years.

Tires: 5 cents per pound, transferred to highway trust fund beginning July 1, 1957.

Tubes: 9 cents per pound, transferred to highway trust fund beginning July 1, 1957.

<sup>2</sup> Estimated.

Your committee agrees with the House that the factors outlined above justify a modest diversion from the general fund of an amount equal to the remaining half of the truck tax.

A third significant area in which both the House and your committee's bills differ from the President's proposal is in the case of the diesel fuel tax. Both versions of the bill continue this tax at 4 cents a gallon whereas the President's proposal would raise this tax to 7 cents a gallon. Your committee considered this differential rate for diesel fuel, but concluded that such a change would not be desirable in view of the effect it would have in changing the relative competitive position of diesel- and gasoline-powered trucks.

### III. GENERAL EXPLANATION OF THE HIGHWAY FINANCING PROVIDED BY THE BILL

Table 4 shows the estimated revenues to the highway trust fund from the House bill and the modifications which your committee's amendments make in these new revenue sources. Table 5 shows the estimated revenues to the highway trust fund under existing legislation and the additional revenues provided by your committee's bill. Table 6 shows the revenue under your committee's bill in greater detail.

TABLE 4.—Comparison of estimated highway revenues under H.R. 6713 and H.R. 6713, as amended by your committee

[In millions of dollars]

Fiscal year	Gasoline and other motor fuels, 4 cents per gallon			Manufacturers' taxes on—								Truck use tax on vehicles over 26,000 pounds, \$3 per 1,000 pounds (both bill)	Interest	Totals		
	House bill	Your committee's bill <sup>1</sup>	Difference	Trucks, buses, and trailers			Tread rubber			Tires, 10 cents per pound (both bills)	Inner-tubes, 10 cents per pound (both bills)			House bill	Your committee's bill	Difference
				House bill, 10 percent of manufacturers' price	Your committee's bill <sup>2</sup>	Difference	House bill, 5 cents per pound	Your committee's bill, 4 cents per pound	Difference							
1962.....	2,418	2,418	-----	286	143	-143	24	20	-4	350	18	129	2	3,227	3,080	-147
1963.....	2,484	2,465	-19	292	292	-----	27	21	-6	358	18	137	3	3,319	3,294	-25
1964.....	2,552	2,533	-19	298	298	-----	29	23	-6	364	18	144	4	3,409	3,384	-25
1965.....	2,614	2,594	-20	306	306	-----	32	25	-7	370	18	151	4	3,495	3,468	-27
1966.....	2,675	2,655	-20	312	312	-----	33	26	-7	378	18	156	4	3,576	3,549	-27
1967.....	2,733	2,713	-20	318	318	-----	34	27	-7	385	18	162	4	3,654	3,627	-27
1968.....	2,792	2,771	-21	324	324	-----	35	28	-7	391	18	167	4	3,731	3,703	-28
1969.....	2,852	2,831	-21	328	328	-----	36	29	-7	400	18	169	4	3,807	3,779	-28
1970.....	2,913	2,896	-22	332	332	-----	37	30	-7	407	18	171	4	3,887	3,858	-29
1971.....	2,986	2,964	-22	338	338	-----	38	30	-8	417	18	175	4	3,976	3,946	-30
1972.....	3,060	3,037	-23	344	344	-----	40	32	-8	427	18	177	4	4,070	4,039	-31
1973 <sup>3</sup> .....	1,250	1,221	-29	64	64	-----	11	6	-5	112	4	30	4	1,475	1,441	-34
Total....	31,334	31,098	-236	3,542	3,399	-143	376	297	-79	4,359	202	1,768	45	41,625	41,168	-458

<sup>1</sup> Tax receipts less refunds. H.R. 6713 does not provide for a loss allowance, but H.R. 6713 as amended provides for a "1-percent loss allowance refund."

<sup>2</sup> Half of 10 percent goes to trust fund in fiscal year 1962, all thereafter.

<sup>3</sup> July through September.

Source: U.S. Department of Commerce, Bureau of Public Roads.



TABLE 5.—Estimated highway trust fund revenues under present law and revenues added by H.R. 6713 as amended by your committee

[In millions of dollars]

Fiscal year	Gasoline and other motor fuels, 3 cents per gallon	Revenues under present law							Revenues added by H.R. 6713 as amended by your committee							Total present and new revenues available under bill						
		Manufacturer's taxes on—						Truck use tax on vehicles over 26,000 pounds, \$1.50 per 1,000 pounds	Interest	Total revenues available under present law	Manufacturer's taxes on—						Truck use tax on vehicles over 26,000 pounds, \$1.50 per 1,000 pounds	Net total revenues added by bill				
		Trucks, buses, and trailers, 5 percent	Tread rubber, 3 cents per pound	Tires, 8 cents or 5 cents per pound	Inner-tubes, 9 cents per pound	Automobiles, 5 percent	Parts and accessories, 5 percent				Gasoline and other motor fuels, 1 cent per gallon <sup>2</sup>	Trucks, buses, and trailers, 5 percent	Tread rubber, 1 cent per pound	Tires, 2 cents per pound	Inner-tubes, 1 cent per pound				Automobiles, less percent	Parts and accessories, less percent		
1957	1,326	34	11	82				26	3	1,482												
1958	1,608	111	13	244				33	18	2,044												
1959	1,657	107	14	247				34	13	2,087												
1960	2,044	142	15	281				38	—3	2,536												
1961	2,362	142	15	279				45	—2	2,857												
1962	1,894	143	15	286				50	2	3,216	524											
1963	1,869	146	16	291		679	131	53	3	3,223	596	146	5	64	2	—679	—131	79	—136			3,090
1964	1,917	149	17	296		592	137	59	4	3,308	616	149	5	67	2	—692	—137	84	71			3,294
1965	1,965	153	19	301		709	144	56	4	2,517	629	153	6	68	2	—709	—144	88	76			3,384
1966	2,010	156	19	307				61	4	2,573	645	156	7	69	2			92	951			3,468
1967	2,054	159	20	313				63	4	2,629	659	159	7	71	2			95	976			3,549
1968	2,097	162	21	318				65	4	2,683	674	162	7	72	2			99	998			3,627
1969	2,142	164	22	325				66	4	2,739	689	164	7	73	2			102	1,020			3,703
1970	2,191	166	22	331				67	4	2,797	705	166	8	75	2			103	1,040			3,779
1971	2,242	169	23	339				68	4	2,861	722	169	8	76	2			104	1,061			3,858
1972	2,298	172	24	347				69	4	2,930	739	172	8	78	2			107	1,085			3,946
1973 <sup>1</sup>	319			2					4	321	902	64	6	80	2			108	1,109			4,039
Total	31,995	2,275	286	4,589	243	2,080	412	853	70	42,803	8,100	1,660	79	903	26	—2,080	—412	1,091	9,367			52,170

<sup>1</sup> Gasoline tax receipts less refunds. Temporary 4-cent rate, Oct. 1, 1959, through June 30, 1961.

<sup>2</sup> Gasoline tax receipts less refunds.

<sup>3</sup> From liabilities accrued prior to July 1, 1972, less floor stock refunds where applicable under present law; from collections and liabilities accrued prior to Oct. 1, 1972, less floor stock refunds where applicable, under bill.

Source: U.S. Department of Commerce, Bureau of Public Roads.

TABLE 6.—*Estimated revenues to the highway trust fund under H. R. 6713 as amended by your committee, July 1, 1962, through Sept. 30, 1972*

[In millions of dollars]

Fiscal year	Motor fuel			Trucks and buses, 10 percent manufacturer's price <sup>2</sup>	Tires, 10 cents per pound	Inner-tubes, 10 cents per pound	Tread rubber, 4 cents per pound	Vehicle use, \$3 per 1,000 pounds gross vehicle weight	Total
	Gasoline, 4 cents per gallon <sup>1</sup>	Diesel, 4 cents per gallon	Total						
1962.....	2,325	93	2,418	143	350	18	20	120	3,078
1963.....	2,362	103	2,465	292	358	18	21	137	3,291
1964.....	2,418	115	2,533	298	364	18	23	144	3,380
1965.....	2,470	124	2,594	300	370	18	25	151	3,461
1966.....	2,523	132	2,655	312	378	18	26	156	3,545
1967.....	2,574	139	2,713	318	385	18	27	162	3,623
1968.....	2,626	145	2,771	324	391	18	28	167	3,699
1969.....	2,679	152	2,831	328	400	18	29	169	3,776
1970.....	2,738	158	2,896	332	407	18	30	171	3,854
1971.....	2,800	164	2,964	338	417	18	30	175	3,942
1972.....	2,865	172	3,037	344	427	18	32	177	4,035
1973 <sup>3</sup> .....	1,148	73	1,221	64	112	4	6	30	1,437

<sup>1</sup> Includes aviation gasoline; but all refunds, including 1 percent loss allowance refund, have been deducted.

<sup>2</sup> Half to trust fund, half to general fund in fiscal year 1962; all to trust fund thereafter.

<sup>3</sup> July through September.

Source: U.S. Department of Commerce, Bureau of Public Roads.

### 1. Motor fuel taxes

As indicated in these tables, the taxes on gasoline, special motor fuel and diesel fuel in the case of highway use at present are imposed at a rate of 4 cents a gallon. Without this action these taxes would revert to 3 cents a gallon as of July 1, 1961. Under the House and your committee's action the 4-cent rate will continue to apply until October 1, 1972. The President proposed the same rate of tax as that provided in the bill with respect to gasoline and special motor fuels. In the case of diesel fuels, however, he recommended an increase of the tax rate to 7 cents a gallon. The bill as amended by your committee also provides a special shrinkage or evaporation allowance for gasoline sold by retail dealers. This is discussed in greater detail in section VII below.

The revenue collections from these motor fuel taxes under existing legislation over the period from 1957 to 1972 will amount to almost \$32 billion. The new motor fuel taxes added by both the House and your committee's bill are expected to raise revenues of the fund by \$8.3 billion, over the period up to 1972. This represents an annual increase of between \$600 and \$700 million. This will raise aggregate collections from the fuel taxes over the period 1957 to 1972 to \$40.3 billion.

### 2. Taxes on tires, inner tubes and tread rubber

The bill also provides an increase in the taxes on tires, tubes, and tread rubber. The present tax on tires of the type used on the highway vehicles is 8 cents a pound. Both versions of the bill raise this rate to 10 cents a pound. The tax on inner tubes for tires now is 9 cents a pound and this also is raised by the House and your committee's bill to 10 cents a pound. The President in his message proposed increasing the tax on tires and tubes to the same levels.

The present tax on tread rubber is 3 cents a pound. Your committee's bill raises this rate to 4 cents a pound. All of these increases are made effective for the period from July 1, 1961, to October 1, 1972. The President would have raised the tax on tread rubber to 10 cents a pound.

The increases in the taxes on tires, tubes and tread rubber are expected to increase revenues for the highway trust fund for the period up to 1972 by \$1 billion under your committee's bill. Present law revenues from these taxes for the period 1957 to 1972 will amount to \$5.1 billion. Thus, aggregate revenues from these taxes can be expected to amount to about \$6.1 billion over the entire period of the trust fund. The additional annual revenues provided by these taxes can be expected to range from \$71 to \$90 million. Your committee's action with respect to these taxes raises from \$4 to \$8 million a year less than the House bill because of the lower tread-rubber tax. Over the period up to 1972 this is expected to amount to \$79 million in aggregate.

### *3. Use tax on trucks*

The third source of new revenue provided by the bill is the increase made in the tax on the use of motor vehicles weighing more than 26,000 pounds. Both versions of the bill raise this to \$3 a year effective for the fiscal year beginning July 1, 1961, and continues it at this level until October 1, 1972. The President has proposed an increase in this tax to the rate of \$5 per 1,000 pounds. The bill also provides for the payment of this use tax in quarterly installments. This installment procedure is described in greater detail in section V below.

For the period from 1957 to 1972 the changes made in the motor vehicle use tax will increase revenues by \$1,091 million. The tax of \$1.50 provided by present law over the period from 1957 to 1972 is shown as resulting in revenue for the fund of \$853 million. Although the tax provided by the bill is a 100-percent increase in the rate, it will be noted that the revenue increase of \$1,091 is considerably above a 100-percent increase. This is due to the fact that under present law a substantial portion of tax due in this case apparently is not now being collected. The House Committee on Ways and Means has requested the Treasury Department to report back to it by the end of this year on practical means of better enforcement for this tax, as well as asking it to consider various other possible modifications in the regulations governing the liability of taxpayers for this tax. It is believed that it will be possible in the future to obtain substantially greater compliance with this tax and as a result in your committee's estimates it is assuming the tax is collected in full. Also, the weight classifications for trucks now provided in the regulations are to be reviewed by the House Committee on Ways and Means and this also may result in changes in the classification which will raise the revenue collected from this tax.

### *4. Three months' extension of trust fund*

The fourth source of revenue provided by both versions of the bill is a 3-month extension of the life of the highway trust fund beyond June 30, 1972. Thus, the revenues provided by present law, as well

as the new revenues provided under the bill, will continue to be devoted to the highway trust fund until October 1, 1972. This also means that those taxes which otherwise were scheduled to revert to a lower rate or to expire as of June 30, 1972, under the bill will continue at present or proposed rates until October 1, 1972. Thus, the 4-cent tax on gasoline, special motor fuels, and diesel fuel will revert to 1½ cents as of this date. Also, the 10-cent tax on tires of the type used on highway vehicles and on inner tubes will revert to 5 and 9 cents a pound, respectively, as of that date. In addition, as of that date the 5-cent tax on tread rubber will expire as also will the use tax on highway vehicles weighing over 26,000 pounds.

The effect of continuing the highway trust fund for these additional 3 months will be to increase revenues of the highway trust fund by \$1,150 million. Thus, as is shown on table 5, all of the \$1,471 million expected to be collected in the fiscal year 1973, except the \$321 million (shown as revenues under present law) attributable to liability incurred before June 30, 1973, represents new highway trust fund revenue resulting from this extension.

*5. Dedication of manufacturers' tax on trucks, etc., to fund*

The fifth source of revenue provided by the bill is the dedication of the remaining 5 percentage points of the manufacturers' tax on trucks, buses, and trailers to the highway trust fund. Five percentage points of this tax has been dedicated to this fund since 1956. The House bill dedicates the remaining 5 percentage points to the highway trust fund beginning July 1, 1961, and your committee's bill, beginning July 1, 1962. The highway trust fund is expected to derive \$1.660 billion in additional revenue as a result of this additional tax under your committee's bill (\$143 million less than under the House bill). This, together with the \$2.3 billion derived from this source under existing law, means that the highway trust fund will derive approximately \$3.9 billion from this revenue source over the life of the highway trust fund.

*6. Repeal of provision dedicating auto and parts taxes to fund*

Both versions of the bill prevent the transfer from the general fund to the highway trust fund of 5 percentage points of the taxes on passenger cars, etc., and on auto parts and accessories. Under present law, as a result of the action taken by Congress in 1959, these taxes (to the extent indicated) would have been dedicated to the highway trust fund for the period beginning July 1, 1961, and ending June 30, 1964. Under the bill these revenues will remain in the general fund. This is in conformity with the recommendation of the President. The manufacturers' tax on automobiles would have raised highway trust fund revenues by between \$679 and \$709 million in each of the 3 years involved. Similarly, the revenue from the manufacturers' tax on auto parts and accessories would have increased revenues in each of these 3 years in an amount varying from \$131 to \$144 million. For the 3-year period these taxes would have increased highway trust fund revenues by about \$2.5 billion. This loss of revenue to the highway trust fund is more than compensated for by continuing the tax on gasoline at 4 cents and by the other revenue increases referred to above.

### *7. Further recommendations of the President*

The President in his message on the highway program also requested two further actions affecting the financing of the highway trust fund. He recommended that Congress transfer the financing of the forest and public land highways to the highway trust fund and also that Congress transfer aviation fuel tax receipts to the general fund instead of retaining them in the highway trust fund as is presently done. This action is not taken in either version of this bill. In the case of the forest and public land highways the question arises as to whether these are more properly a charge on the general fund. Leaving these expenditure programs in the general fund has the effect of reducing expenditures which otherwise would have to be made from the highway trust fund by an estimated \$397 million over the period until 1972, an annual effect of \$36 or \$37 million.

The President in his recent tax message recommended the imposition of a tax on aviation fuel other than gasoline; namely, jet fuel. He would initially impose this jet fuel tax at the rate of 2 cents a gallon. However, he would then provide annual increments in this rate, and also in the rate of the tax on gasoline used by airplanes, of one-half cent a year until "the portion of the cost of the airways properly allocable to civil aviation is substantially recovered by the tax." The House Committee on Ways and Means decided in the case of the aviation fuel presently dedicated to the highway trust fund that it would be desirable to postpone any action on the President's recommendation with respect to removing this from the trust fund until it could consider this larger problem raised by the President with respect to aviation fuel. Removing the aviation fuel from the highway trust fund would have resulted in a decrease in highway trust fund revenues of \$164 million, or an annual revenue loss of from \$13 to \$23 million.

### *8. Effect of changes on apportionments and expenditures*

Tables 7, 8, and 9 show the apportionments and expenditures which can be made with the existing, the House, and your committee's provision for financing the highway trust fund. The aggregate revenues available for the trust fund under existing legislation for the entire period it is in existence, as shown on table 7, is expected to be \$42.8 billion. The estimated total revenue over the life of the highway trust fund after the changes made by the House bill is \$52.6 billion and after changes made by your committee is \$52.17 billion. This indicates that your committee's bill will increase the revenues of the highway trust fund by \$9.37 billion over the period from July 1, 1961, to September 30, 1972, or, on the average, by approximately \$845 million in each of these 11¼ years.

TABLE 7.—Estimated status of highway trust fund under existing legislation  
 (In millions of dollars)

Fiscal year	Apportionments		Expenditures		Revenues	Balance in the fund on June 30
	Interstate	Primary, secondary, and urban <sup>1</sup>	Interstate	Primary, secondary, and urban <sup>1</sup>		
From before 1957.....	140	965				
1957.....	1,176	820	208	758	1,482	51
1958.....	1,700	859	676	836	2,044	1,04
1959.....	2,200	1,381	1,501	1,112	2,088	52
1960.....	2,600	906	1,861	1,079	2,535	11
1961.....	1,800	883	1,901	967	2,857	10
1962.....	2,200	884	2,078	913	3,216	33
1963.....	2,000	935	2,278	912	3,223	36
1964.....	1,500	935	2,141	928	3,308	60
1965.....	1,500	935	1,838	940	2,517	34
1966.....	1,600	935	1,670	941	2,573	30
1967.....	1,700	935	1,073	944	2,629	31
1968.....	1,900	935	1,705	943	2,683	35
1969.....	1,900	935	1,795	943	2,730	35
1970.....	1,625	935	1,746	943	2,797	46
1971.....		935	1,746	943	2,861	63
1972.....		935	624	943	2,930	1,09
After 1972.....					<sup>2</sup> 321	2,318
Total.....	26,440	16,067	25,440	15,045	42,803	

<sup>1</sup> Includes emergency relief as well as special funds totaling \$502,000,000 apportioned for 1959.

<sup>2</sup> Receipts on tax liabilities accrued prior to July 1, 1972.

TABLE 8.—Estimated status of highway trust fund under House bill

(In millions of dollars)

Fiscal year	Apportionments		Expenditures		Revenues			Balance in the fund on June 30
	Interstate	Primary, secondary, and urban <sup>1</sup>	Interstate	Primary, secondary, and urban <sup>1</sup>	Present sources	Additional	Total	
From before—								
1957.....	140	965						
1957.....	1,176	829	208	758	1,482		1,482	51
1958.....	1,700	859	676	836	2,044		2,044	1,04
1959.....	2,200	1,381	1,501	1,112	2,087		2,087	52
1960.....	2,600	906	1,861	1,079	2,536		2,536	11
1961.....	1,800	883	1,901	967	2,857		2,857	10
1962.....	2,200	884	2,139	913	3,216	11	3,227	33
1963.....	2,400	930	2,326	898	3,223	96	3,319	37
1964.....	2,600	955	2,451	927	3,308	101	3,409	40
1965.....	2,700	955	2,552	923	2,517	978	3,495	42
1966.....	2,800	980	2,645	932	2,573	1,003	3,576	42
1967.....	2,900	980	2,739	949	2,629	1,025	3,654	34
1968.....	3,000	1,005	2,838	968	2,683	1,048	3,731	32
1969.....	3,000	1,005	2,886	972	2,739	1,068	3,807	28
1970.....	3,000	1,005	2,901	977	2,797	1,090	3,887	30
1971.....	2,885	1,005	2,982	979	2,861	1,115	3,976	31
1972.....		1,005	3,104	966	2,930	1,140	4,070	31
Through Sept. 30, 1972.....			1,301	317	321	<sup>2</sup> 1,150	1,471	16
Total.....	37,000	10,532	37,000	15,463	42,803	9,825	52,628	

<sup>1</sup> Includes emergency relief program, as well as special funds totaling \$502,000,000 apportioned for 1959.

<sup>2</sup> Receipts on tax liabilities accrued prior to Sept. 30, 1972.

TABLE 9.—Estimated status of highway trust fund under your committee's bill

(In millions of dollars)

Fiscal year	Apportionments		Expenditures		Revenues			Balance in the fund on June 30
	Interstate	Primary, secondary, and urban <sup>1</sup>	Interstate	Primary, secondary, and urban <sup>1</sup>	Present sources	Additional	Total	
From before 1957.....	140	965						
1957.....	1,175	829	208	768	1,482		1,482	516
1958.....	1,700	859	675	836	2,044		2,044	1,049
1959.....	2,200	1,381	1,501	1,112	2,087		2,087	523
1960.....	2,500	906	1,881	1,079	2,530		2,536	119
1961.....	1,800	883	1,901	967	2,857		2,857	108
1962.....	2,200	884	2,139	913	3,216	-136	3,080	136
1963.....	2,400	930	2,316	898	3,223	71	3,294	217
1964.....	2,500	955	2,408	927	3,308	76	3,384	266
1965.....	2,600	955	2,515	923	2,517	951	3,468	206
1966.....	2,700	980	2,579	932	2,573	976	3,549	334
1967.....	2,800	980	2,654	949	2,629	998	3,627	358
1968.....	3,000	1,005	2,764	958	2,683	1,020	3,703	349
1969.....	3,100	1,005	2,834	972	2,739	1,040	3,779	322
1970.....	3,100	1,005	2,935	977	2,797	1,061	3,858	268
1971.....	3,085	1,005	3,075	979	2,861	1,085	3,946	160
1972.....		1,005	3,233	966	2,930	1,109	4,039	
1973.....			1,413	317	321	1,116	1,437	4-293
Total.....	37,000	16,632	37,000	15,463	42,803	9,367	52,170	

<sup>1</sup> Includes emergency relief program, as well as special funds totaling \$502,000,000 apportioned for 1959.<sup>2</sup> Apportionment of \$100,000,000 of fiscal year authorization deferred pursuant to sec. 209(g) of 1956 act.<sup>3</sup> Includes apportionment of amounts deferred from prior years.<sup>4</sup> Amount not available in highway trust fund from revenues provided by Senate Finance Committee bill, assumed to be provided from other sources.

Cost estimates submitted to Congress this last January pursuant to provisions of section 104(b)(5) of title 23, United States Code (H. Doc. 49, 87th Cong., 1st sess.), indicate that additional interstate authorizations totaling \$11.56 billion are needed for completion of the \$37 billion interstate highway program. The President in his message on the highway program also requested that the apportionment for the regular A-B-C systems of primary, secondary, and urban roads now fixed at an annual level of \$925 million be increased by \$25 million a year every 2 years beginning in 1964 until the \$1 billion level is reached and then that these apportionments be maintained at that level. The additional funds required in future years for the step-up in A-B-C expenditures and for emergency relief and special funds are \$418 million (the difference between the A-B-C expenditures shown on table 7 and those shown on table 8). This \$418 million, plus the \$11,560 million of additional funds required by the Interstate System indicates a need for \$11,978 million in additional expenditures. The amount provided under your committee bill is the total of the trust fund balance (see table 7) of \$2,318 million plus the new revenues of \$9,367 million (see table 9), which is within \$293 million of the amount required.

#### IV. THE COST ALLOCATION STUDY

The development of title II of the bill in part was based on an analysis of the proper ways of allocating the cost of highways among various classes of beneficiaries. The highway cost allocation study was developed by the Bureau of Public Roads pursuant to the provisions of section 210 of the Highway Revenue Act of 1956, as amended

by section 2 of the act approved August 28, 1958. This study was ordered—

to make available to the Congress information on the basis of which it may determine what taxes should be imposed \* \* \* to assure insofar as practicable an equitable distribution of the tax burden among the various classes of persons using the Federal-aid highways or otherwise deriving benefits from such highways.

This report was submitted to the Congress January 16, 1961, and printed as House Documents 54 and 72, 87th Congress, 1st session.

### 1. Highway revenues and the general fund

The highway cost allocation study first analyzed in detail the question of how much of the Federal cost of highways should be borne by taxes on the general public and how much should be borne by taxes specifically on highway users. The conclusions reached in the cost allocation study can be summarized as follows:

Revenue requirements of calendar year 1964 <sup>1</sup> -----	\$3, 548, 500
Net allocation to motor-vehicle user taxes-----	\$3, 274, 798
Percentage distribution to users-----	92. 29

Allocation to other revenue sources:

(1) Direct cost items not chargeable to motor vehicle users:	
Funds apportioned to Puerto Rico-----	\$6, 663
Military loading (bridges)-----	1, 182
Military vertical clearance-----	5, 086
Navigational clearance-----	11, 179
Public utility relocations-----	50, 728
Total-----	74, 838
(2) General allocation-----	198, 864
(3) Total allocation to other revenue sources-----	273, 702
Percentage distribution to non-users-----	7. 71

<sup>1</sup>Assuming completion of the Interstate System by July 1, 1972.

Source: Highway Cost Allocation Study, p. 145.

This tabulation is the source of the widely quoted figure that 8 percent of the cost of the highway system should be borne by the general public rather than paid for through user taxes. It will be noted that nearly three-quarters of the nonhighway user allocation is attributable to an item shown in the tabulation as "general allocation." This is the result achieved through combining several methods of estimating the benefits to local property owners of a highway system. There is also included in the 8 percent several other direct costs not incurred for the benefit of the driving public. These are costs of public utility relocations, costs incurred to meet military and navigational requirements, and certain funds apportioned to Puerto Rico.

This tabulation of the highway cost does not include any allocation to the general fund on the grounds that the Interstate System is of great potential value in a possible future war.

The forecasted level of Federal-aid highway expenditures for the 1962 year is in the neighborhood of \$3.1 billion, 8 percent of which is approximately \$250 million.

### 2. Allocation between classes of users

The other principal problem dealt with by the highway cost allocation study was the question of the relative tax burdens which



should be imposed upon different classes of users, namely, passenger automobiles, buses, and trucks of various sizes.

The highway cost allocation study developed allocations under several different methods of spreading costs between various classes of users but attention was concentrated on the results developed under two of these methods, namely, the incremental method and the differential benefit method.

The incremental method was applied on the basis of a detailed analysis of the results of a 4-year study, on a specially designed test road, conducted under the auspices of the American Association of State Highway Officials. In principle, the incremental cost method attempts to classify the various highway costs and to associate each of these classes with the particular class of user for whose benefit they were incurred. The incremental method allocates general costs on a mileage basis but allocates additional increments of costs to the special types of road users which make the incurring of these costs necessary.

In the differential benefit study, an estimate was made of the relative advantages derived from the Federal-aid highways by various classes of users. These relative advantages, or differential benefits, were then used as a basis for allocating the annual cost to the various classes of users.

The differential benefit analysis involved first identifying the types of benefit from highway improvement capable of measurement. The benefits taken into account were reduction in vehicle operating cost, reduction in cost of accidents, reduction in traveltime, and reduction in driver strain and discomfort.

The effect of highway improvements on reduced accident costs, reduced cost of vehicle maintenance, etc., was determined from a number of special studies.

The various features of highway improvement which gave rise to one or more of the types of benefits listed above were the following:

- Reduction in surface roughness.
- Increase in lane width.
- Increase in number of lanes.
- Reduction in travel distance.
- Reduction in rise and fall.
- Elimination of grade level intersections.
- Elimination of access points.
- Elimination of sharp curves.

Table 10 indicates for various types of vehicles the estimated annual tax responsibility developed under the differential benefit method and incremental method. It also shows the burden of highway trust fund taxes on each of these vehicles on the basis of the law in effect during the fiscal year 1961, on the basis of the law as provided by the House bill, on the basis of that provided by your committee's bill and on the basis of the President's proposal. The estimated tax responsibility shown under the two allocation methods on this table are developed by assigning to the highway users only 92 percent of the costs of the highway program, since the study assumed that the remaining 8 percent should be borne by nonhighway users.

A comparison of the payments required under the bill with the two methods for allocating costs shown in table 10 indicates that in the case

TABLE 10.—Federal excise payments per mile to the highway trust fund under present law, the President's proposal, House bill, and your committee's bill, compared to cost responsibility indicated by the incremental and differential benefit cost studies

Vehicle type	Cents per mile						Ratio to automobile tax responsibility indicated by incremental cost study					Ratio to automobile tax responsibility indicated by differential benefit study				
	Incremental cost	Differential benefit	Present law <sup>1</sup>	President's proposal <sup>2</sup>	House bill	Your committee's bill	Incremental cost	Present law <sup>1</sup>	President's proposal <sup>2</sup>	House bill	Your committee's bill	Differential benefit	Present law <sup>1</sup>	President's proposal <sup>2</sup>	House bill	Your committee's bill
Automobile.....	0.313	0.323	0.307	0.320	0.31	0.313	1.00	0.98	1.02	1.01	1.00	1.00	0.95	0.99	0.98	0.97
Single unit trucks:																
2-axle, 4-tire.....	.267	.356	.437	.451	.517	.516	.85	1.40	1.44	1.65	1.65	1.10	1.35	1.40	1.60	1.60
2-axle, 6-tire.....	.458	.458	.664	.702	.802	.799	1.46	2.12	2.24	2.56	2.55	1.42	2.06	2.17	2.48	2.47
Combinations with semitrailers:																
3-axle, 40,000 pounds gross vehicle weight:																
Gasoline powered.....	1.428	1.263	1.191	1.592	1.518	1.513	4.56	3.81	5.09	4.85	4.83	3.91	3.69	4.93	4.70	4.68
Diesel powered.....	1.428	1.263	1.023	1.882	1.371	1.367	4.56	3.27	6.01	4.38	4.37	3.91	3.17	5.83	4.24	4.23
4-axle, 55,000 pounds gross vehicle weight:																
Gasoline powered.....	1.808	1.452	1.428	1.833	1.781	1.774	5.78	4.56	5.86	5.69	5.67	4.50	4.42	5.67	5.51	5.49
Diesel powered.....	1.808	1.452	1.167	2.117	1.541	1.534	5.78	3.73	6.76	4.92	4.90	4.50	3.61	6.55	4.77	4.75
5-axle, 72,000 pounds gross vehicle weight:																
Gasoline powered.....	2.527	1.779	1.880	2.387	2.309	2.298	8.07	6.01	7.63	7.38	7.34	5.51	5.82	7.39	7.15	7.11
Diesel powered.....	2.527	1.779	1.486	2.691	1.938	1.927	8.07	4.75	8.60	6.19	6.16	5.51	4.60	8.33	6.00	5.97

<sup>1</sup> Tax ratio in effect Jan. 1, 1961.

<sup>2</sup> Included in the President's message of Feb. 28, 1961.

Source: U.S. Department of Commerce, Bureau of Public Roads.

of automobiles the payment provided under your committee's bill lies between the differential benefit method and the incremental method. Here the differential benefit allocation method is slightly higher than either the payment under the committee bill or the incremental method. In the case of pickup trucks and stake trucks (the 2-axle 4-tire and 2-axle 6-tire trucks), the cost under the committee bill is higher than under either of the cost allocation methods. It is difficult not to assign too large a share of the tax to these classes of trucks because of their relatively low mileage. Also, in this case the manufacturers' tax on trucks is an important item and is the reason why the cost under the committee bill in these cases exceeds the cost under the President's proposal. (Under his proposal this same cost exists for the vehicle owner but is charged to the general fund.)

For vehicle combinations such as truck, tractors, and trailers, the payments under the bill, with one exception, fall between the charges which would be made under the differential benefit and incremental methods. The exception is in the 3-axle gasoline-powered vehicle.

Your committee believes that it is proper for the burden under the bill to fall between the charges provided by the two methods insofar as possible. It takes this view because in part it appears desirable that the cost be spread on the basis of benefits in the various classes of users and in part that it be spread on the basis of the additional costs incurred because of each of the various classes of users. It will be noted that the President's proposal much more closely follows the incremental method, ignoring almost entirely the differential benefit method.

Table 11 shows, by individual taxes, how the cost per selected vehicle is derived and this is compared with the payments required under the incremental method and differential benefit method.

TABLE 11.—Estimates of annual trust fund revenues from selected vehicles, under existing legislation, and your committee's bill, compared to estimated tax responsibility

	Gasoline	Diesel	Vehicle excise	Tires	Innertubes	Tread rubber	Parts and accessories	Vehicle use	Total
<b>Automobile:</b>									
Trust fund revenue from—									
Existing law for—									
Fiscal year 1961.....	\$26.84			\$2.15	\$0.12	\$0.32			\$29.43
Fiscal year 1964.....	20.13		\$11.10	2.15	.12	.32	\$0.60		34.42
H.R. 6713 amended by your committee, 1964.....	26.84			2.69	.13	.43			30.09
Required payment under—									
Incremental method.....									30.00
Differential benefit method.....									31.00
<b>2-axle, 4-tire truck:</b>									
Trust fund revenue from—									
Existing law for—									
Fiscal year 1961.....	30.00		6.39	2.39	.25	.27			39.30
Fiscal year 1964.....	22.50		6.39	2.39	.25	.27	.61		32.31
H.R. 6713 amended by your committee, 1964.....	30.00		12.78	2.99	.28	.36			46.41
Required payment under—									
Incremental method.....									24.00
Differential benefit method.....									32.00
<b>2-axle, 6-tire truck:</b>									
Trust fund revenue from—									
Existing law for—									
Fiscal year 1961.....	56.48		13.80	7.13	1.20	1.13			79.74
Fiscal year 1964.....	42.36		13.80	7.13	1.20	1.13	1.16		66.78
H.R. 6713 amended by your committee, 1964.....	56.48		27.00	8.91	1.33	1.50			95.82

TABLE 11.—Estimates of annual trust fund revenues from selected vehicles, under existing legislation, and your committee's bill, compared to estimated tax responsibility—Continued

	Gasoline	Diesel	Vehicle excise	Tires	Inner-tubes	Tread rubber	Parts and accessories	Vehicle use	Total
<b>2-axle, 6-tire truck—Cont.</b>									
Required payment under—									
Incremental method.....									\$55.00
Differential benefit method.....									55.00
<b>3-axle gasoline tractor semitrailer combination:</b>									
Trust fund revenue from—									
Existing law for—									
Fiscal year 1961.....	\$320.00		\$59.75	\$27.87	\$3.15	\$5.01		\$60	476.33
Fiscal year 1964.....	240.00		59.75	27.87	3.15	5.61	6.85	60	403.23
H.R. 6713 amended by your committee, 1964.....	320.00		119.50	34.84	3.50	7.48		120	605.32
Required payment under—									
Incremental method.....									571.00
Differential benefit method.....									505.00
<b>3-axle diesel tractor semitrailer combination:</b>									
Trust fund revenue from—									
Existing law for—									
Fiscal year 1961.....		\$244.28	68.25	27.87	3.15	5.61		60	409.16
Fiscal year 1964.....		183.21	68.25	27.87	3.15	5.61	4.39	60	352.48
H.R. 6713 amended by your committee, 1964.....		244.28	136.50	34.84	3.50	7.48		120	546.60
Required payment under—									
Incremental method.....									571.00
Differential benefit method.....									505.00
<b>4-axle gasoline tractor semitrailer combination:</b>									
Trust fund revenue from—									
Existing law for—									
Fiscal year 1961.....	606.08		98.14	58.53	7.35	11.79		75.00	856.89
Fiscal year 1964.....	454.56		98.14	58.53	7.35	11.79	12.83	75.00	718.20
H.R. 6713 amended by your committee, 1964.....	606.08		196.28	73.16	8.17	15.72		165.00	1,064.41
Required payment under—									
Incremental method.....									1,055.00
Differential benefit method.....									871.00
<b>4-axle diesel tractor semitrailer combination:</b>									
Trust fund revenue from—									
Existing law for—									
Fiscal year 1961.....	436.36		110.99	58.53	7.35	11.79		75.00	700.02
Fiscal year 1964.....	327.27		110.99	58.53	7.35	11.79	8.56	75.00	599.49
H.R. 6713 amended by your committee, 1964.....	436.36		221.98	73.16	8.17	15.72		165.00	920.39
Required payment under—									
Incremental method.....									1,055.00
Differential benefit method.....									871.00
<b>5-axle gasoline tractor semitrailer combination:</b>									
Trust fund revenue from—									
Existing law for—									
Fiscal year 1961.....	942.76		127.25	121.24	12.14	22.73		90.00	1,316.12
Fiscal year 1964.....	707.07		127.25	121.24	12.14	22.73	23.96	90.00	1,104.39
H.R. 6713 amended by your committee, 1964.....	942.76		254.50	151.55	13.49	30.30		216.00	1,603.60
Required payment under—									
Incremental method.....									1,769.00
Differential benefit method.....									1,245.00
<b>5-axle diesel tractor semitrailer combination:</b>									
Trust fund revenue from—									
Existing law for—									
Fiscal year 1961.....		651.16	143.18	121.24	12.14	22.73		90.00	1,040.43
Fiscal year 1964.....		488.37	143.18	121.24	12.14	22.73	12.78	90.00	890.44
H.R. 6713 amended by your committee, 1964.....		651.16	286.36	151.55	13.49	30.30		216.00	1,348.86
Required payment under—									
Incremental method.....									1,769.00
Differential benefit method.....									1,245.00

Source: U.S. Department of Commerce, Bureau of Public Roads.

**V. INSTALLMENT PAYMENTS OF TAX ON THE USE OF HIGHWAY VEHICLES**

Both versions of the bill add a new provision to the Internal Revenue Code (sec. 6156) providing that those subject to the tax on the use of highway motor vehicles weighing over 26,000 pounds may elect to pay this tax in installments. This provision has been added to title II of the bill because it was recognized that, in the case of truckers operating on quite limited funds, the requirement that this entire tax be paid in one payment works a real financial hardship.

Under existing regulations, any person incurring liability for this use tax is required to file a return on or before the last day of the next month after that in which the first use of any motor vehicle occurs. (Under this, of course, a taxpayer may be required to file more than one return during the year and under the new provision a separate election to pay an installment may be made with each such return unless the return is filed in the last 3 months of the fiscal year.) Under the bill the first installment of tax is due at the same time the return must be filed. The second installment is due on or before the last day of the third month following the calendar quarter in which liability was incurred. The third installment, if any is due, must be paid on or before the last day of the sixth month following the calendar quarter in which liability was incurred, and the fourth installment, if any is due, must be paid on or before the last day of the ninth month following the calendar quarter in which liability was incurred. The tabulation presented below has been worked out to show the installment due dates described by the bill based on the presently prescribed date for filing the return. This table of payments, it will be noted, presents a plan for regularizing all payments after the initial payment which, of course, is determined by the month in which liability is first incurred.

If the liability was incurred in—	1st installment is due on or before the last day of—	2d installment is due on or before the last day of—	3d installment is due on or before the last day of—	4th installment is due on or before the last day of—
July.....	August.....	December.....	March.....	June.....
August.....	September.....	December.....	March.....	June.....
September.....	October.....	December.....	March.....	June.....
October.....	November.....	March.....	June.....	
November.....	December.....	March.....	June.....	
December.....	January.....	March.....	June.....	
January.....	February.....	June.....		
February.....	March.....	June.....		
March.....	April.....	June.....		

Where a vehicle subject to this tax is sold during the year, it is possible for two persons to become liable for this tax. However, provision is made to prevent doubling up of tax payments in such cases. The person in whose name the vehicle is registered at the time of the first taxable use incurs liability for the total tax at the time of such first use of the vehicle. This liability is for the total tax even though he elects to pay the tax in installments, and sells the vehicle to another person before the end of the taxable year. Although the first owner of the vehicle is liable for the full payment of the tax (even for installments due after selling the vehicle), if he fails to pay

either the total tax or any installment when due, the second owner may be required to pay any tax remaining due. His liability begins in the month in which he is notified of it by the District Director of Internal Revenue. He may then pay the tax in installments if more than 3 months remain in the fiscal year.

Technical provisions added in connection with this installment privilege are similar to those applicable in other cases where taxes are paid in installments. Thus, where any part of a tax is omitted from a return filed by a taxpayer who has elected the installment privilege, this additional tax is prorated equally to all installments, whether paid or unpaid, for which the election has been made. The additional tax prorated to the installments already due must be paid upon notice and demand from the Secretary of the Treasury or his delegate. Also, where a taxpayer fails to pay an installment on or before the date prescribed for payment, the bill provides that the entire unpaid tax must be paid upon notice and demand from the Secretary of the Treasury or his delegate.

Interest on underpayments of installments runs from the due date for the installment. However, where the installment privilege has been terminated, and the time for payment of remaining installments accelerated by the issuance of a notice and demand, interest on these installments runs from the date of the notice and demand. Interest on additional tax prorated as described above is to run from the date prescribed for the payment of the first installment.

## **VI. GASOLINE SOLD FOR USE FOR NONFUEL PURPOSES AS MATERIAL IN MANUFACTURE OF ANOTHER ARTICLE**

At the present time petroleum products, other than gasoline, such as methane, pentane, and propane are widely used as raw feed stock by chemical companies in the manufacture of plastics and petrochemicals. Under present law these products when sold for use or used by any person for the propulsion of a motor vehicle, motorboat or airplane are subject to the same 4-cent tax as gasoline. However, when these products are sold to chemical companies for uses such as those referred to above, no tax is applicable. Gasoline, on the other hand, under present law is subject to a 4-cent tax, except that where it is used for nonhighway purposes a 2-cent refund may be claimed.

The chemical companies have found that natural gasoline also is capable of being used in the manufacture of plastics and other petrochemicals. It has been reported that it is an excellent charging stock for petrochemical manufacturing, being suitable to supplement existing chemical raw feed stocks. Pilot plant experiments in the use of casinghead and natural gasoline in the manufacture of plastics and other petrochemicals also have proved successful. However, gasoline has not been used in the manner commercially primarily because of the net 2-cent-a-gallon tax which must be paid.

Your committee believes that it is unfortunate to in effect prevent the use of gasoline in the manufacture of other nonfuel articles. This is contrary to the policy the Congress has followed in generally not taxing articles which are used in the manufacture of other articles.

As a result of these considerations, title II of both versions of the bill provides an exemption from the gasoline tax in the case of gasoline sold for use by the purchaser (or his purchaser) for nonfuel purposes as a material in the manufacture of another article to be produced by the purchaser (or second purchaser):

For the exemption to apply, the gasoline must be sold for use as an ingredient of the article being manufactured or produced, as would be the case where it is used as an ingredient in plastics or petrochemicals. The exemption does not apply if the gasoline is consumed in the manufacturing process rather than being an ingredient in the finished product. Thus, for example, gasoline used to power machinery at a plant would not be considered as used as a material in the manufacture or production of an article being manufactured or produced at such a plant.

The phrase "for nonfuel purposes" is intended to make it clear that this exemption does not apply even though the gasoline becomes a component part, or is used as a material in, another article if the gasoline serves as a fuel either by itself, or as a fuel additive to another product. No change in present law is intended in this respect.

The bill also amends the code (sec. 4218) to permit a similar exemption from tax where the producer or importer of the gasoline himself makes a nonfuel use of the gasoline as a material in the manufacture or production of another article. In addition, the bill amends the code (sec. 6416(b)(3)) to permit a credit or refund of the tax paid on gasoline where the purchaser uses it for nonfuel purposes as a material in the manufacture or production of another article.

Since gasoline presently is not being used for the purposes described above, and since it appears unlikely that it will be so used so long as the present tax applies, it is believed that this exemption will not result in any loss of revenue. This exemption, or credit, or refund, in the case of gasoline used by a person other than the producer or importer is to apply with respect to gasoline sold on or after October 1, 1961, and in the case of gasoline used by the producer or importer himself is to apply to gasoline used on or after that date.

## **VII. PAYMENTS TO RETAILERS FOR GASOLINE TO COMPENSATE FOR TAX LOST BY SHRINKAGE, EVAPORATION, ETC.**

Your committee has added an amendment to the bill providing that retail dealers of gasoline are to be compensated for the tax paid on gasoline which is lost by shrinkage, evaporation, or other causes. The payment is to be 1 percent of the gasoline tax on the gasoline sold by the dealer.

Under present law the Federal tax on gasoline is imposed on the producer, importer or wholesale distributor of the gasoline and is payable shortly after he makes his sale. Thus, for the producer, importer, or wholesale distributor losses through shrinkage or evaporation, etc., while the gasoline is in his possession do not result in the payment of tax on a larger amount than that sold. In the case of a retail dealer, however, since the tax is usually imposed on the person from whom he makes the purchase, any amount of gasoline he loses is tax-paid gasoline. In the past, when the tax was imposed only on

the producer or importer, Congress recognized that this type of treatment discriminated against wholesale distributors and as a result in 1959 permitted these distributors to buy gasoline on a tax-free basis and pay the tax at the time they made their sale. It is not practical, however, to collect the gasoline tax from each of the many retail gasoline dealers, however, at the time they make their sales. As a result, in order to remove this discrimination in the case of retail dealers, your committee's amendment, in lieu of imposing a tax at the retail level, grants the 1 percent shrinkage allowance to the dealers.

Claims for payment of this allowance are to be filed on an annual basis for the year ending June 30. The claims must be filed within 3 months of the end of such a year.

No allowance is to be paid to any retail dealer for gasoline sold by him if the Treasury Department determines the gasoline was exempt from the gasoline tax, the tax is refundable to any one, or with respect to gasoline used on farms or gasoline used for certain nonhighway purposes of by local transit systems (under sec. 6421). Also, no allowance is to be paid to a retail dealer for gasoline sold by him to another dealer including a wholesale dealer or distributor of gasoline.

This allowance with respect to shrinkage, evaporation, etc., is to be available only with respect to gasoline sold by retail dealers after June 30, 1961.

Since all of the receipts from the gasoline tax are appropriated to the highway trust fund, provision is made for reimbursement of the general fund of the Treasury by the highway trust fund for these allowances paid to retail dealers.

### VIII. 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 title II of the bill, as reported, 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):

#### HIGHWAY REVENUE ACT OF 1956

\* \* \* \* \*

##### SEC. 209. HIGHWAY TRUST FUND.

(a) CREATION OF TRUST FUND.—There is hereby established in the Treasury of the United States a trust fund to be known as the "Highway Trust Fund" (hereinafter in this section called the "Trust Fund"). The Trust Fund shall consist of such amounts as may be appropriated or credited to the Trust Fund as provided in this section.

(b) DECLARATION OF POLICY.—It is hereby declared to be the policy of the Congress that if it hereafter appears—

(1) that the total receipts of the Trust Fund (exclusive of advances under subsection (d)) will be less than the total expenditures from such Fund (exclusive of repayments of such advances); or

(2) that the distribution of the tax burden among the various classes of persons using the Federal-aid highways, or otherwise deriving benefits from such highways, is not equitable,



the Congress shall enact legislation in order to bring about a balance of total receipts and total expenditures, or such equitable distribution, as the case may be.

(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]** *October 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 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, and before July 1, 1961, under section 4061(a)(1) (tax on trucks, buses, etc.), and 100 percent of the tax received after June 30, 1962, under section 4061(a)(1);

(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), (3), and (5) (taxes on tires of the type used on highway vehicles, other tires, and inner tubes);

(F) 100 percent of the tax received under section 4481 (tax on use of certain vehicles); and

(G) 100 percent of the floor stocks taxes imposed by section 4226(a).

In the case of any tax described in subparagraph (A), (B), or (D), amounts received during the fiscal year ending June 30, 1957, shall be taken into account only to the extent attributable to liability for tax incurred after June 30, 1956.

**[(2) EXCISE TAX ON AUTOMOBILES, PARTS AND ACCESSORIES, ETC.]**—There is hereby appropriated to the Trust Fund, out of money in the Treasury not otherwise appropriated, amounts equivalent to that portion of the taxes received in the Treasury after June 30, 1961, and before July 1, 1964, under subsection (a)(2) (tax on passenger automobiles, etc.) and (b) (tax on parts and accessories) of section 4061 of the Internal Revenue Code of 1954 which is equal to the amount which would have been so received if the tax rate under each such subsection had been 5 percent in lieu of the applicable rate.]

(3) **LIABILITIES INCURRED BEFORE [JULY 1,] OCTOBER 1, 1972, FOR NEW OR INCREASED TAXES.**—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 which are received in the Treasury **[after June 30,**

1972, and before July 1, 1973, and which are attributable to liability for tax incurred before July 1, 1972,] after September 30, 1972, and before July 1, 1973, and which are attributable to liability for tax incurred before October 1, 1972, under the following provisions of the Internal Revenue Code of 1954—

(A) 100 percent of the taxes under sections 4041 (taxes on diesel fuel and special motor fuels), 4071(a)(4) (tax on tread rubber), and 4081 (tax on gasoline);

(B) 20 percent of the tax under section 4061(a)(1) (tax on trucks, buses, etc.);

[(C) 37½ percent of the tax under section 4071(a)(1) (tax on tires of the type used on highway vehicles); and]

(C) 50 percent of the tax under section 4071(a)(1) (tax on tires of the type used on highway vehicles) and 10 percent of the tax under section 4071(a)(3) (tax on inner tubes for tires); and

(D) 100 percent of the tax under section 4481 (tax on use of certain vehicles).

(4) METHOD OF TRANSFER.—The amounts appropriated by paragraphs (1), (2), and (3) shall be transferred at least monthly from the general fund of the Treasury to the Trust Fund on the basis of estimates by the Secretary of the Treasury of the amounts, referred to in paragraphs (1), (2), and (3) received in the Treasury. Proper adjustments shall be made in the amounts subsequently transferred to the extent prior estimates were in excess of or less than the amounts required to be transferred.

\* \* \* \* \*

(f) EXPENDITURES FROM TRUST FUND.—

(1) FEDERAL-AID HIGHWAY PROGRAM.—Amounts in the Trust Fund shall be available, as provided by appropriation Acts, for making expenditures after June 30, 1956, and before [July 1,] October 1, 1972, to meet those obligations of the United States heretofore or hereafter incurred under the Federal-Aid Road Act approved July 11, 1916, as amended and supplemented, which are attributable to Federal-aid highways (including those portions of general administrative expenses of the Bureau of Public Roads payable from such appropriations).

(2) REPAYMENT OF ADVANCES FROM GENERAL FUND.—Advances made pursuant to subsection (d) shall be repaid, and interest on such advances shall be paid, to the general fund of the Treasury when the Secretary of the Treasury determines that moneys are available in the Trust Fund for such purposes. Such interest shall be at rates computed in the same manner as provided in subsection (e)(2) for special obligations and shall be compounded annually.

(3) TRANSFERS FROM TRUST FUND FOR [GASOLINE USED ON FARMS AND FOR CERTAIN OTHER PURPOSES] FOR PAYMENTS MADE WITH RESPECT TO GASOLINE.—The Secretary of the Treasury shall pay from time to time from the Trust Fund into the general fund of the Treasury amounts equivalent to the amounts paid before July 1, 1973, under sections 6420 (relating to amounts paid in respect of gasoline used on farms) [and 6421], 6421 (relating to amounts paid in respect of gasoline used for certain nonhighway purposes or by local transit systems), and 6424 (relating to

amounts paid in respect of gasoline lost by shrinkage, evaporation, etc.) of the Internal Revenue Code of 1954 on the basis of claims filed for periods beginning after June 30, 1956, and ending before [July 1,] October 1, 1972.

(4) 1972 FLOOR STOCKS REFUNDS.—The Secretary of the Treasury shall pay from time to time from the Trust Fund into the general fund of the Treasury amounts equivalent to the following percentages of the floor stocks refunds made before July 1, 1973, under section 6412(a)(2) of the Internal Revenue Code of 1954—

(A) 40 percent of the refunds in respect of articles subject to the tax imposed by section 4061(a)(1) of such Code (trucks, buses, etc.);

(B) 100 percent of the refunds in respect of articles subject to tax under [section 4071(a) (1) or (4) of such Code (tires of the type used on highway vehicles and tread rubber)] section 4071(a) (1), (3), or (4) of such Code (certain tires, tubes, and tread rubber); and

(C) [66%] 80 percent of the refunds in respect of gasoline subject to tax under section 4081 of such Code.

[5] 1961 FLOOR STOCKS REFUNDS ON GASOLINE.—The Secretary of the Treasury shall pay from time to time from the Trust Fund into the general fund of the Treasury amounts equivalent to the floor stocks refunds made before July 1, 1962, under section 6412(a)(3).]

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INTERNAL REVENUE CODE OF 1954

CHAPTER 31—RETAILERS EXCISE TAXES

\* \* \* \* \*

Subchapter E—Special Fuels

Sec. 4041. Imposition of tax.  
Sec. 4042. Cross reference.

SEC. 4041. IMPOSITION OF TAX.

(a) DIESEL FUEL.—There is hereby imposed a tax of [3 cents] 4 cents a gallon upon any liquid (other than any product taxable under section 4081)—

(1) sold by any person to an owner, lessee, or other operator of a diesel-powered highway vehicle, for use as a fuel in such vehicle; or

(2) used by any person as a fuel in a diesel-powered highway vehicle unless there was a taxable sale of such liquid under paragraph (1).

In the case of a liquid taxable under this subsection sold for use or used as a fuel in a diesel-powered highway vehicle (A) which (at the time of such sale or use) is not registered, and is not required to be registered, for highway use under the laws of any State or foreign country, or (B) which, in the case of a diesel-powered highway vehicle owned by the United States, is not used on the highway, the tax imposed by paragraph (1) or by paragraph (2) shall be 2 cents a gallon. If a liquid on which tax was imposed by paragraph (1) at the rate of 2 cents a gallon by reason of the preceding sentence is used as a fuel in

a diesel-powered highway vehicle (A) which (at the time of such use) is registered, or is required to be registered, for highway use under the laws of any State or foreign country, or (B) which, in the case of a diesel-powered highway vehicle owned by the United States, is used on the highway, a tax of **[1 cent]** 2 cents a gallon shall be imposed under paragraph (2).

(b) **SPECIAL MOTOR FUELS.**—There is hereby imposed a tax of **[3 cents]** 4 cents a gallon upon benzol, benzene, naphtha, liquefied petroleum gas, or any other liquid (other than kerosene, gas oil, or fuel oil, or any product taxable under section 4081 or subsection (a) of this section)—

(1) sold by any person to an owner, lessee, or other operator of a motor vehicle, motorboat, or airplane for use as a fuel for the propulsion of such motor vehicle, motorboat, or airplane; or

(2) used by any person as a fuel for the propulsion of a motor vehicle, motorboat, or airplane unless there was a taxable sale of such liquid under paragraph (1).

In the case of a liquid taxable under this subsection sold for use or used otherwise than as a fuel for the propulsion of a highway vehicle (A) which (at the time of such sale or use) is registered, or is required to be registered, for highway use under the laws of any State or foreign country, or (B) which, in the case of a highway vehicle owned by the United States, is used on the highway, the tax imposed by paragraph (1) or by paragraph (2) shall be 2 cents a gallon. If a liquid on which tax was imposed by paragraph (1) at the rate of 2 cents a gallon by reason of the preceding sentence is used as a fuel for the propulsion of a highway vehicle (A) which (at the time of such use) is registered, or is required to be registered, for highway use under the laws of any State or foreign country, or (B) which, in the case of a highway vehicle owned by the United States, is used on the highway, a tax of **[1 cent]** 2 cents a gallon shall be imposed under paragraph (2).

(c) **RATE REDUCTION.**—On and after **[July 1,]** October 1, 1972—

(1) the taxes imposed by this section shall be 1½ cents a gallon; and

(2) the second and third sentences of subsections (a) and (b) shall not apply.

(d) **EXEMPTION FOR FARM USE.**—

(1) **EXEMPTION.**—Under regulations prescribed by the Secretary or his delegate—

(A) no tax shall be imposed under subsection (a)(1) or (b)(1) on the sale of any liquid sold for use on a farm for farming purposes, and

(B) no tax shall be imposed under subsection (a)(2) or (b)(2) on the use of any liquid used on a farm for farming purposes.

(2) **USE ON A FARM FOR FARMING PURPOSES.**—For purposes of paragraph (1) of this subsection, use on a farm for farming purposes shall be determined in accordance with paragraphs (1), (2), and (3) of section 6420(c).

(e) **EXEMPTION FOR USE AS SUPPLIES FOR VESSELS.**—Under regulations prescribed by the Secretary or his delegate, no tax shall be imposed under subsection (b) in the case of any fuel sold for use or used as supplies for vessels or aircraft (within the meaning of section 4221 (d)(3)).

[(f) TEMPORARY INCREASES IN TAX.—On and after October 1, 1959, and before July 1, 1961—

[(1) if (without regard to this subsection) the tax imposed by subsection (a) or (b) is 3 cents a gallon, the tax imposed by such subsection shall be 4 cents a gallon, and

[(2) if (without regard to this subsection) the tax imposed under paragraph (2) of subsection (a) or (b) is 1 cent a gallon, the tax imposed under such paragraph shall be 2 cents a gallon.]

\* \* \* \* \*

## CHAPTER 32—MANUFACTURERS EXCISE TAXES

- SUBCHAPTER A. Automotive and related items.
- SUBCHAPTER B. Household type equipment, etc.
- SUBCHAPTER C. Entertainment equipment.
- SUBCHAPTER D. Recreational equipment.
- SUBCHAPTER E. Other items.
- SUBCHAPTER F. Special provisions applicable to manufacturers tax.
- SUBCHAPTER G. Exemptions, registration, etc.

### Subchapter A—Automotive and Related Items

- Part I. Motor vehicles.
- Part II. Tires and tubes.
- Part III. Petroleum products.

#### PART I—MOTOR VEHICLES

- Sec. 4061. Imposition of tax.
- Sec. 4062. Definitions.
- Sec. 4063. Exemptions.

#### 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,] *October 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 July 1, 1961, 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.

\* \* \* \* \*

### 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]** 10 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]** 10 cents a pound.

(4) Tread rubber, **[3 cents]** 4 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 metal 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,]** *October 1, 1972*—

(1) the tax imposed by paragraph (1) of subsection (a) shall be 5 cents a pound; **[and]**

(2) the tax imposed by paragraph (3) of subsection (a) shall be 9 cents a pound; and

**[(2)]** (3) paragraph (4) of subsection (a) shall not apply.

\* \* \* \* \*

### PART III—PETROLEUM PRODUCTS

Subpart A. Gasoline.  
 Subpart B. Lubricating oil.  
 Subpart C. Special provisions applicable to petroleum products.

#### Subpart A—Gasoline

Sec. 4081. Imposition of tax.  
 Sec. 4082. Definitions.  
 Sec. 4083. Exemption of sales to producer.  
 Sec. 4084. Cross references.

#### SEC. 4081. IMPOSITION OF TAX.

(a) **IN GENERAL.**—There is hereby imposed on gasoline sold by the producer or importer thereof, or by any producer of gasoline, a tax of **[3 cents]** 4 cents a gallon.

(b) **RATE REDUCTION.**—On and after **[July 1,]** *October 1, 1972*, the tax imposed by this section shall be 1½ cents a gallon.

**[(c)]** **TEMPORARY INCREASE IN TAX.**—On and after October 1, 1959, and before July 1, 1961, the tax imposed by this section shall be 4 cents a gallon.

\* \* \* \* \*

**SEC. 4084. CROSS REFERENCES.**

\* \* \* \* \*

(3) *For provisions to compensate retail dealers for the tax paid on gasoline which is lost by shrinkage, evaporation, and other causes, see section 6424.*

\* \* \* \* \*

**Subchapter F—Special Provisions Applicable to Manufacturers Tax**

\* \* \* \* \*

**SEC. 4218. USE BY MANUFACTURER OR IMPORTER CONSIDERED SALE.**

(a) **GENERAL RULE.**—If any person manufactures, produces, or imports an article (other than an article specified in subsection (b), (c), or (d)) and uses it (otherwise than as material in the manufacture or production of, or as a component part of, another article taxable under this chapter to be manufactured or produced by him), then he shall be liable for tax under this chapter in the same manner as if such article were sold by him. *This subsection shall not apply in the case of gasoline used by any person, for nonfuel purposes, as a material in the manufacture or production of another article to be manufactured or produced by him.*

(b) **TIRES, TUBES, AND AUTOMOBILE RECEIVING SETS.**—Except as provided in subsection (d), if any person manufactures, produces, or imports a tire or inner tube taxable under section 4071, or an automobile radio or television receiving set taxable under section 4141, and sells it on or in connection with the sale of any article, or uses it, then he shall be liable for tax under this chapter in the same manner as if such article were sold by him.

(c) **AUTOMOBILE PARTS, RADIO COMPONENTS, CAMERA LENSES, ETC.**—If any person manufactures, produces, or imports a part or accessory taxable under section 4061(b), a radio or television component taxable under section 4141, or a camera lens taxable under section 4171, and uses it (otherwise than as material in the manufacture or production of, or as a component part of, any other article to be manufactured or produced by him), then he shall be liable for tax under this chapter in the same manner as if such article were sold by him.

(d) **BICYCLE TIRES AND TUBES.**—If any person manufactures, produces, or imports a bicycle tire (as defined in section 4221(e)(4)(B)) or an inner tube for such a tire, and uses it (otherwise than as material in the manufacture or production of, or as a component part of, a bicycle, other than a rebuilt or reconditioned bicycle, to be manufactured or produced by him), then he shall be liable for tax under this chapter in the same manner as if such article were sold by him.

(e) **COMPUTATION OF TAX.**—Except as provided in section 4223(b), in any case in which a person is made liable for tax by the preceding provisions of this section, the tax (if based on the price for which the article is sold) shall be computed on the price at which such or similar articles are sold, in the ordinary course of trade, by manufacturers, producers, or importers, thereof, as determined by the Secretary or his delegate.

**SEC. 4219. APPLICATION OF TAX IN CASE OF SALES BY OTHER THAN MANUFACTURER OR IMPORTER.**

In case any person acquires from the manufacturer, producer, or importer of an article, by operation of law or as a result of any transaction not taxable under this chapter, the right to sell such article, the sale of such article by such person shall be taxable under this chapter as if made by the manufacturer, producer, or importer, and such person shall be liable for the tax.

**Subchapter G—Exemptions, Registration, Etc.**

Sec. 4221. Certain tax-free sales.

Sec. 4222. Registration.

Sec. 4223. Special rules relating to further manufacture.

Sec. 4224. Exemption for articles taxable as jewelry.

Sec. 4225. Exemption of articles manufactured or produced by Indians.

Sec. 4226. Floor stocks taxes.

Sec. 4227. Cross references.

**SEC. 4221. CERTAIN TAX-FREE SALES.**

(a) **GENERAL RULE.**—Under regulations prescribed by the Secretary or his delegate, no tax shall be imposed under this chapter on the sale by the manufacturer of an article—

(1) for use by the purchaser for further manufacture, or for resale by the purchaser to a second purchaser for use by such second purchaser in further manufacture,

(2) for export, or for resale by the purchaser to a second purchaser for export,

(3) for use by the purchaser as supplies for vessels or aircraft,

(4) to a State or local government for the exclusive use of a State or local government, or

(5) to a nonprofit educational organization for its exclusive use,

but only if such exportation or use is to occur before any other use.

(b) **PROOF OF RESALE FOR FURTHER MANUFACTURE; PROOF OF EXPORT.**—Where an article has been sold free of tax under subsection (a)—

(1) for resale by the purchaser to a second purchaser for use by such second purchaser in further manufacture, or

(2) for export, or for resale by the purchaser to a second purchaser for export,

subsection (a) shall cease to apply in respect of such sale of such article unless, within the 6-month period which begins on the date of the sale by the manufacturer (or, if earlier, on the date of shipment by the manufacturer), the manufacturer receives proof that the article has been exported or resold for use in further manufacture.

(c) **MANUFACTURER RELIEVED FROM LIABILITY IN CERTAIN CASES.**—In the case of any article sold free of tax under this section (other than a sale to which subsection (b) applies), and in the case of any article sold free of tax under section 4063(b), 4083, or 4093, if the manufacturer in good faith accepts a certification by the purchaser that the article will be used in accordance with the applicable provisions of law, no tax shall thereafter be imposed under this chapter in respect of such sale by such manufacturer.



## (d) DEFINITIONS.—For purposes of this section—

(1) MANUFACTURER.—The term “manufacturer” includes a producer or importer of an article.

(2) EXPORT.—The term “export” includes shipment to a possession of the United States; and the term “exported” includes shipped to a possession of the United States.

(3) SUPPLIES FOR VESSELS OR AIRCRAFT.—The term “supplies for vessels or aircraft” means fuel supplies, ships’ stores, sea stores, or legitimate equipment on vessels of war of the United States or of any foreign nation, vessels employed in the fisheries or in the whaling business, or vessels actually engaged in foreign trade or trade between the Atlantic and Pacific ports of the United States or between the United States and any of its possessions. For purposes of the preceding sentence, the term “vessels” includes civil aircraft employed in foreign trade or trade between the United States and any of its possessions, and the term “vessels of war of the United States or of any foreign nation” includes aircraft owned by the United States or by any foreign nation and constituting a part of the armed forces thereof.

(4) STATE OR LOCAL GOVERNMENT.—The term “State or local government” means any State, any political subdivision thereof, or the District of Columbia.

(5) NONPROFIT EDUCATIONAL ORGANIZATION.—The term “non-profit educational organization” means an educational organization described in section 503(b)(2) which is exempt from income tax under section 501(a). The term also includes a school operated as an activity of an organization described in section 501(c)(3) which is exempt from income tax under section 501(a); if such school normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on.

(6) USE IN FURTHER MANUFACTURE.—An article shall be treated as sold for use in further manufacture if—

(A) such article (other than an article referred to in subparagraph (B)) is sold for use by the purchaser as material in the manufacture or production of, or as a component part of, another article taxable under this chapter to be manufactured or produced by him; [or]

(B) in the case of a part or accessory taxable under section 4061(b), a radio or television component taxable under section 4141, or a camera lens taxable under section 4171, such article is sold for use by the purchaser as material in the manufacture or production of, or as a component part of, another article to be manufactured or produced by him [.] ; or

(C) in the case of gasoline taxable under section 4081, such gasoline is sold for use by the purchaser, for nonfuel purposes, as a material in the manufacture or production of another article to be manufactured or produced by him.

**SEC. 4226. FLOOR STOCKS TAXES.****(a) IN GENERAL.—**

(1) **1956 TAX ON TRUCKS, TRUCK TRAILERS, BUSES, ETC.—**On any article subject to tax under section 4061(a)(1) (relating to tax on trucks, truck trailers, buses, etc.) which, on July 1, 1956, is held by a dealer for sale, there is hereby imposed a floor stocks tax at the rate of 2 percent of the price for which the article was purchased by such dealer. If the price for which the article was sold by the manufacturer, producer, or importer is established to the satisfaction of the Secretary or his delegate, then in lieu of the amount specified in the preceding sentence, the tax imposed by this paragraph shall be at the rate of 2 percent of the price for which the article was sold by the manufacturer, producer, or importer.

(2) **1956 TAX ON TIRES OF THE TYPE USED ON HIGHWAY VEHICLES.—**On tires subject to tax under section 4071(a)(1) (as amended by the Highway Revenue Act of 1956) which, on July 1, 1956, are held—

(A) by a dealer for sale,

(B) for sale on, or in connection with, other articles held by the manufacturer, producer, or importer of such other articles, or

(C) for use in the manufacture or production of other articles,

there is hereby imposed a floor stocks tax at the rate of 3 cents a pound. The tax imposed by this paragraph shall not apply to any tire which is held for sale by the manufacturer, producer, or importer of such tire or which will be subject under section 4218(a)(2) or 4219 to the manufacturers excise tax on tires.

(3) **1956 TAX ON TREAD RUBBER.—**On tread rubber subject to tax under section 4071(a)(4) (as amended by the Highway Revenue Act of 1956) which, on July 1, 1956, is held by a dealer, there is hereby imposed a floor stocks tax at the rate of 3 cents a pound. The tax imposed by this paragraph shall not apply in the case of any person if such person establishes, to the satisfaction of the Secretary or his delegate, that all tread rubber held by him on July 1, 1956, will be used otherwise than in the recapping or retreading of tires of the type used on highway vehicles (as defined in section 4072(c)).

(4) **1956 TAX ON GASOLINE.—**On gasoline subject to tax under section 4081 which, on July 1, 1956, is held by a dealer for sale, there is hereby imposed a floor stocks tax at the rate of 1 cent a gallon. The tax imposed by this paragraph shall not apply to gasoline in retail stocks held at the place where intended to be sold at retail, nor to gasoline held for sale by a producer or importer of gasoline.

(5) **1959 TAX ON GASOLINE.—**On gasoline subject to tax under section 4081 which, on October 1, 1959, is held by a dealer for sale, there is hereby imposed a floor stocks tax at the rate of 1 cent a gallon. The tax imposed by this paragraph shall not apply to gasoline in retail stocks held at the place where intended to be sold at retail, nor to gasoline held for sale by a producer or importer of gasoline.

(6) 1961 TAXES ON CERTAIN TIRES AND INNER TUBES.—On tires subject to tax under section 4071(a)(1), and on inner tubes subject to tax under section 4071(a)(3), which, on July 1, 1961, are held—

(A) by a dealer for sale,

(B) for sale on, or in connection with, other articles held by the manufacturer, producer, or importer of such other articles, or

(C) for use in the manufacture or production of other articles, there is hereby imposed a floor stocks tax at the rate of 2 cents a pound in the case of such tires, and a floor stocks tax at the rate of 1 cent a pound in the case of such inner tubes. The taxes imposed by this paragraph shall not apply to any tire or inner tube which is held for sale by the manufacturer, producer, or importer of such tire or tube, or which will be subject under section 4218(b) or 4219 to the manufacturers excise tax on tires or inner tubes.

(7) 1961 TAX ON TREAD RUBBER.—On tread rubber subject to tax under section 4071(a)(4) which, on July 1, 1961, is held by a dealer, there is hereby imposed a floor stocks tax at the rate of 2 cents a pound. The tax imposed by this paragraph shall not apply in the case of any person if such person establishes, to the satisfaction of the Secretary or his delegate, that all tread rubber held by him on July 1, 1961, will be used otherwise than in the recapping or retreading of tires of the type used on highway vehicles (as defined in section 4072(c)).

(b) OVERPAYMENT OF FLOOR STOCKS TAXES.—Section 6416 shall apply in respect of the floor stocks taxes imposed by this section, so as to entitle, subject to all provisions of section 6416, any person paying such floor stocks taxes to a credit or refund thereof for any of the reasons specified in section 6416.

(c) MEANING OF TERMS.—For purposes of subsection (a), the terms “dealer” and “held by a dealer” have the meaning assigned to them by section 6412(a)(4).

(d) DUE DATE OF TAXES.—The taxes imposed by subsection (a) shall be paid at such time after September 30, 1956, as may be prescribed by the Secretary or his delegate; except that the tax imposed by paragraph (5) shall be paid at such time after December 31, 1959, as may be prescribed by the Secretary or his [delegate.] delegate, and except that the taxes imposed by paragraphs (6) and (7) shall be paid at such time after September 30, 1961, as may be prescribed by the Secretary or his delegate.

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## CHAPTER 36—CERTAIN OTHER EXCISE TAXES

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### Subchapter D—Tax on Use of Certain Vehicles

- Sec. 4481. Imposition of tax.
- Sec. 4482. Definitions.
- Sec. 4483. Exemptions.
- Sec. 4484. Cross reference.

#### SEC. 4481. IMPOSITION OF TAX.

(a) IMPOSITION OF TAX.—A tax is hereby imposed on the use of any highway motor vehicle which (together with the semitrailers and

trailers customarily used in connection with highway motor vehicles of the same type as such highway motor vehicle) has a taxable gross weight of more than 26,000 pounds, at the rate of **[\$1.50] \$3.00** a year for each 1,000 pounds of taxable gross weight or fraction thereof. *In the case of the taxable period beginning on July 1, 1972, and ending on September 30, 1972, the tax shall be at the rate of 75 cents for such period for each 1,000 pounds of taxable gross weight or fraction thereof.*

(b) **BY WHOM PAID.**—The tax imposed by this section shall be paid by the person in whose name the highway motor vehicle is, or is required to be, registered under the law of the State in which such vehicle is, or is required to be, registered, or, in case the highway motor vehicle is owned by the United States, by the agency or instrumentality of the United States operating such vehicle.

[(c) **PRORATION OF TAX.**—If in any year the first use of the highway motor vehicle is after July 31, the tax shall be reckoned proportionately from the first day of the month in which such use occurs to and including the 30th day of June following.

[(d) **ONE PAYMENT PER YEAR.**—If the tax imposed by this section is paid with respect to any highway motor vehicle for any year, no further tax shall be imposed by this section for such year with respect to such vehicle.]

(c) *PRORATION OF TAX.*—*If in any taxable period the first use of the highway motor vehicle is after the first month in such period, the tax shall be reckoned proportionately from the first day of the month in which such use occurs to and including the last day in such taxable period.*

(d) **ONE TAX LIABILITY PER PERIOD.**—

(1) *IN GENERAL.*—*To the extent that the tax imposed by this section is paid with respect to any highway motor vehicle for any taxable period, no further tax shall be imposed by this section for such taxable period with respect to such vehicle.*

(2) **CROSS REFERENCE.**—

*For privilege of paying tax imposed by this section in installments, see section 6156.*

(e) **PERIOD TAX IN EFFECT.**—The tax imposed by this section shall apply only to use [after June 30, 1956, and before July 1, 1972] before October 1, 1972.

#### **SEC. 4482. DEFINITIONS.**

(a) **HIGHWAY MOTOR VEHICLE.**—For purposes of this subchapter, the term “highway motor vehicle” means any motor vehicle which is a highway vehicle.

(b) **TAXABLE GROSS WEIGHT.**—For purposes of this subchapter, the term “taxable gross weight”, when used with respect to any highway motor vehicle, means the sum of—

(1) the actual unloaded weight of—

(A) such highway motor vehicle fully equipped for service, and

(B) the semitrailers and trailers (fully equipped for service) customarily used in connection with highway motor vehicles of the same type as such highway motor vehicle, and

(2) the weight of the maximum load customarily carried on highway motor vehicles of the same type as such highway motor vehicle and on the semitrailers and trailers referred to in paragraph (1)(B).

Taxable gross weight shall be determined under regulations prescribed by the Secretary or his delegate (which regulations may include formulas or other methods for determining the taxable gross weight of vehicles by classes, specifications, or otherwise).

(c) OTHER DEFINITIONS.—For purposes of this subchapter—

(1) STATE.—The term “State” means a State, a Territory of the United States, and the District of Columbia.

(2) YEAR.—The term “year” means the one-year period beginning on July 1.

(3) USE.—The term “use” means use in the United States on the public highways.

(4) TAXABLE PERIOD.—The term “taxable period” means any year beginning before July 1, 1972, and the period which begins on July 1, 1972, and ends at the close of September 30, 1972.

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## CHAPTER 62—TIME AND PLACE FOR PAYING TAX

SUBCHAPTER A. Place and due date for payment of tax.

SUBCHAPTER B. Extensions of time for payment.

### Subchapter A—Place and Due Date for Payment of Tax

Sec. 6151. Time and place for paying tax shown on returns.

Sec. 6152. Installment payments.

Sec. 6153. Installment payments of estimated income tax by individuals.

Sec. 6154. Installment payments of estimated income tax by corporations.

Sec. 6155. Payment on notice and demand.

Sec. 6156. Installment payments of tax on use of highway motor vehicles.

Sec. [6156] 6157. Payment of taxes under provisions of the Tariff Act.

### SEC. 6151. TIME AND PLACE FOR PAYING TAX SHOWN ON RETURNS.

(a) GENERAL RULE.—Except as otherwise provided in this section, when a return of tax is required under this title or regulations, the person required to make such return shall, without assessment or notice and demand from the Secretary or his delegate, pay such tax to the principal internal revenue officer for the internal revenue district in which the return is required to be filed, and shall pay such tax at the time and place fixed for filing the return (determined without regard to any extension of time for filing the return).

(b) EXCEPTIONS.—

(1) INCOME TAX NOT COMPUTED BY TAXPAYER.—If the taxpayer elects under section 6014 not to show the tax on the return, the amount determined by the Secretary or his delegate as payable shall be paid within 30 days after the mailing by the Secretary or his delegate to the taxpayer of a notice stating such amount and making demand therefor.

(2) USE OF GOVERNMENT DEPOSITARIES.—For authority of the Secretary or his delegate to require payments to Government depositaries, see section 6302(c).

(c) DATE FIXED FOR PAYMENT OF TAX.—In any case in which a tax is required to be paid on or before a certain date, or within a certain period, any reference in this title to the date fixed for payment of

such tax shall be deemed a reference to the last day fixed for such payment (determined without regard to any extension of time for paying the tax).

**SEC. 6152. INSTALLMENT PAYMENTS.**

(a) **PRIVILEGE TO ELECT TO MAKE INSTALLMENT PAYMENTS.—**

(1) **CORPORATIONS.**—A corporation subject to the taxes imposed by chapter 1 may elect to pay the unpaid amount of such taxes in installments as follows:

(A) with respect to taxable years ending before December 31, 1954, four installments, the first two of which shall be 45 percent, respectively, of such taxes and the last two of which shall be 5 percent, respectively, of such taxes;

(B) with respect to taxable years ending on or after December 31, 1954, two equal installments.

(2) **ESTATES OF DECEDENTS.**—A decedent's estate subject to the tax imposed by chapter 1 may elect to pay such tax in four equal installments.

(b) **DATES PRESCRIBED FOR PAYMENT OF INSTALLMENTS.—**

(1) **FOUR INSTALLMENTS.**—In any case (other than payment of estimated income tax) in which the tax may be paid in four installments, the first installment shall be paid on the date prescribed for the payment of the tax, the second installment shall be paid on or before 3 months, the third installment on or before 6 months, and the fourth installment on or before 9 months, after such date.

(2) **TWO INSTALLMENTS.**—In any case (other than payment of estimated income tax) in which the tax may be paid in two installments, the first installment shall be paid on the date prescribed for the payment of the tax, and the second installment shall be paid on or before 3 months after such date.

(c) **PRORATION OF DEFICIENCY TO INSTALLMENTS.**—If an election has been made to pay the tax imposed by chapter 1 in installments and a deficiency has been assessed, the deficiency shall be prorated to such installments. Except as provided in section 6861 (relating to jeopardy assessments), that part of the deficiency so prorated to any installment the date for payment of which has not arrived shall be collected at the same time as and as part of such installment. That part of the deficiency so prorated to any installment the date for payment of which has arrived shall be paid upon notice and demand from the Secretary or his delegate.

(d) **ACCELERATION OF PAYMENT.**—If any installment (other than an installment of estimated income tax) is not paid on or before the date fixed for its payment, the whole of the unpaid tax shall be paid upon notice and demand from the Secretary or his delegate.

**SEC. 6153. INSTALLMENT PAYMENTS OF ESTIMATED INCOME TAX BY INDIVIDUALS.**

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**SEC. 6154. INSTALLMENT PAYMENTS OF ESTIMATED INCOME TAX BY CORPORATIONS.**

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**SEC. 6155. PAYMENT ON NOTICE AND DEMAND.**

(a) **GENERAL RULE.**—Upon receipt of notice and demand from the Secretary or his delegate, there shall be paid at the place and time stated in such notice the amount of any tax (including any interest, additional amounts, additions to tax, and assessable penalties) stated in such notice and demand.

(b) **CROSS REFERENCES.**—

(1) For restrictions on assessment and collection of deficiency assessments of taxes subject to the jurisdiction of the Tax Court, see sections 6212 and 6213.

(2) For provisions relating to assessment of claims allowed in a bankruptcy or receivership proceeding, see section 6873.

(3) For provisions relating to jeopardy assessments, see subchapter A of chapter 70.

**SEC. 6156. INSTALLMENT PAYMENTS OF TAX ON USE OF HIGHWAY MOTOR VEHICLES.**

(a) **PRIVILEGE TO PAY TAX IN INSTALLMENTS.**—If the taxpayer files a return of the tax imposed by section 4481 on or before the date prescribed for the filing of such return, he may elect to pay the tax shown on such return in equal installments in accordance with the following table:

<i>If liability is incurred in—</i>	<i>The number of installments shall be—</i>
<i>July, August, or September.....</i>	<i>4</i>
<i>October, November, or December.....</i>	<i>3</i>
<i>January, February, or March.....</i>	<i>2</i>

(b) **DATES FOR PAYING INSTALLMENTS.**—In the case of any tax payable in installments by reason of an election under subsection (a)—

(1) the first installment shall be paid on the date prescribed for payment of the tax,

(2) the second installment shall be paid on or before the last day of the third month following the calendar quarter in which the liability was incurred,

(3) the third installment (if any) shall be paid on or before the last day of the sixth month following the calendar quarter in which the liability was incurred, and

(4) the fourth installment (if any) shall be paid on or before the last day of the ninth month following the calendar quarter in which the liability was incurred.

(c) **PRORATION OF ADDITIONAL TAX TO INSTALLMENTS.**—If an election has been made under subsection (a) in respect of tax reported on a return filed by the taxpayer and tax required to be shown but not shown on such return is assessed before the date prescribed for payment of the last installment, the additional tax shall be prorated equally to the installments for which the election was made. That part of the additional tax so prorated to any installment the date for payment of which has not arrived shall be collected at the same time as and as part of such installment. That part of the additional tax so prorated to any installment the date for payment of which has arrived shall be paid upon notice and demand from the Secretary or his delegate.

(d) *ACCELERATION OF PAYMENTS.*—If the taxpayer does not pay any installment under this section on or before the date prescribed for its payment, the whole of the unpaid tax shall be paid upon notice and demand from the Secretary or his delegate.

(e) *SECTION INAPPLICABLE TO CERTAIN LIABILITIES.*—This section shall not apply to any liability for tax incurred in—

- (1) April, May, or June of any year, or
- (2) July, August, or September of 1972.

**SEC. [6156] 6157. PAYMENT OF TAXES UNDER PROVISIONS OF THE TARIFF ACT.**

For collection under the provisions of the Tariff Act of 1930 of the taxes imposed by section 4501(b), and subchapters A, B, C, D, and E of chapter 38, see sections 4504 and 4601, respectively.

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**CHAPTER 63—ASSESSMENT**

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**Subchapter A—In General**

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**SEC. 6206. SPECIAL RULES APPLICABLE TO EXCESSIVE CLAIMS UNDER SECTIONS 6420 [AND 6421], 6421, AND 6424.**

Any portion of a payment made under section 6420 [or 6421] <sup>6421, or 6424</sup> which constitutes an excessive amount (as defined in section 6675(b)), and any civil penalty provided by section 6675, may be assessed and collected as if it were a tax imposed by section 4081 and as if the person who made the claim were liable for such tax. The period for assessing any such portion, and for assessing any such penalty, shall be 3 years from the last day prescribed for the filing of the claim under section 6420 [or 6421], <sup>6421, or 6424,</sup> as the case may be.

**CHAPTER 65—ABATEMENTS, CREDITS, AND REFUNDS**

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**Subchapter B—Rules of Special Application**

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**SEC. 6412. FLOOR STOCKS REFUNDS.**

(a) **IN GENERAL.**—

(1) **PASSENGER AUTOMOBILES, ETC.**—Where before July 1, 1961, 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 July 1, 1961, if claim for such credit or refund is filed with the Secretary or his delegate on or before November 10, 1961, based upon a request submitted to the manufacturer, producer or importer before October 1, 1961, by the dealer who held the article in respect of which the credit or refund is claimed, and, on or before November 10, 1961, 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.

(2) TRUCKS AND BUSES, TIRES, TUBES, TREAD RUBBER, AND GASOLINE.—Where before [July 1,] *October 1, 1972*, any article subject to the tax imposed by section 4061(a)(1), [4071(a)(1) or (4);] *4071(a)(1), (3), or (4)*, or 4081 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 (or, in the case of tread rubber, is intended for sale or is held for use), 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 [July 1,] *October 1, 1972*, if claim for such credit or refund is filed with the Secretary or his delegate on or before [November 10, 1972,] *February 10, 1973*, based upon a request submitted to the manufacturer, producer, or importer before [October 1, 1972,] *January 1, 1973*, by the dealer who held the article in respect of which the credit or refund is claimed, and, on or before [November 10, 1972,] *February 10, 1973*, 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. No credit or refund shall be allowable under this paragraph with respect to gasoline in retail stocks held at the place where intended to be sold at retail, nor with respect to gasoline held for sale by a producer or importer of gasoline.

[(3) GASOLINE HELD ON JULY 1, 1961.—Where before July 1, 1961, any gasoline subject to the tax imposed by section 4081 has been sold by the producer or importer and on such date is held by a dealer and is intended for sale, there shall be credited or refunded (without interest) to the producer or importer an amount equal to the difference between the tax paid by such producer or importer on his sale of the gasoline and the amount of tax made applicable to such gasoline on and after July 1, 1961, if claim for such credit or refund is filed with the Secretary or his delegate on or before November 10, 1961, based upon a request submitted to the producer or importer before October 1, 1961, by the dealer who held the gasoline in respect of which the credit or refund is claimed, and, on or before November 10, 1961, reimbursement has been made to such dealer by such producer or importer for the tax reduction on such gasoline or written consent has been obtained from such dealer to allowance of such credit or refund. No credit or refund shall be allowable under this paragraph with respect to gasoline in retail stocks held at the place where intended to be sold at retail, nor with respect to gasoline held for sale by a producer or importer of gasoline.]

(4) DEFINITIONS.—For purposes of this section—

(A) The term "dealer" includes a wholesaler, jobber, distributor, or retailer, or, in the case of tread rubber subject to tax under section 4071(a)(4), includes any person (other

than the manufacturer, producer, or importer thereof who hold such tread rubber for sale or use.

(B) An article shall be considered as "held by a dealer" if title thereto has passed to such dealer (whether or not delivery to him has been made), and if for purposes of consumption title to such article or possession thereof has not at any time been transferred to any person other than a dealer.

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**SEC. 6416. CERTAIN TAXES ON SALES AND SERVICES.**

(a) **CONDITION TO ALLOWANCE.—**

(1) **GENERAL RULE.—**No credit or refund of any overpayment of tax imposed by section 4231(4), (5), or (6) (cabarets, etc.), chapter 31 (retailers taxes), or chapter 32 (manufacturers taxes) shall be allowed or made unless the person who paid the tax establishes, under regulations prescribed by the Secretary or his delegate, that he—

(A) has not included the tax in the price of the article, admission, or service with respect to which it was imposed and has not collected the amount of the tax from the person who purchased such article, admission, or service;

(B) has repaid the amount of the tax—

(i) in the case of any tax imposed by chapter 31 (other than the tax imposed by section 4041 (a)(1) or (b)(1)), to the purchaser of the article,

(ii) in the case of any tax imposed by chapter 32 and the tax imposed by section 4041(a)(1) or (b)(1) (diesel and special motor fuels), to the ultimate purchaser of the article, or

(iii) in the case of any tax imposed by section 4231(4), (5), or (6) (cabarets, etc.) to the person who paid for the admission, refreshment, service, or merchandise;

(C) in the case of an overpayment under subsection (b)(2), (b)(3) (C) or (D), or (b)(4) of this section—

(i) has repaid or agreed to repay the amount of the tax to the ultimate vendor of the article, or

(ii) has obtained the written consent of such ultimate vendor to the allowance of the credit or the making of the refund; or

(D) has filed with the Secretary or his delegate the written consent of the person referred to in subparagraph (B) (i), (ii), or (iii), as the case may be, to the allowance of the credit or the making of the refund.

(2) **EXCEPTIONS.—**This subsection shall not apply to—

(A) the tax imposed by section 4041(a)(2) or (b)(2) (use of diesel and special motor fuels), and

(B) an overpayment of tax under paragraph (1), (3) (A) or (B), or (5) of subsection (b) of this section.

(3) **SPECIAL RULES.—**For purposes of this subsection—

(A) any tax collected under section 4231(6) from a concessionaire and paid to the Secretary or his delegate shall be treated as paid by the concessionaire;

(B) if tax under chapter 31 was paid by a supplier pursuant to an agreement under section 6011(c), either the person who

(without regard to section 6011(c))' was required to return and pay the tax or the supplier may be treated as the person who paid the tax;

(C) in any case in which the Secretary or his delegate determines that an article is not taxable, the term "ultimate purchaser" (when used in paragraph (1)(B)(ii) of this subsection) includes a wholesaler, jobber, distributor, or retailer who, on the 15th day after the date of such determination, holds such article for sale; but only if claim for credit or refund by reason of this subparagraph is filed on or before the day for filing the return with respect to the taxes imposed under chapter 32 for the first period which begins more than 60 days after the date of such determination; and

(D) in applying paragraph (1)(C) to any overpayment under paragraph (2)(F), (3)(C) or (D), or (4) of subsection (b), the term "ultimate vendor" means the ultimate vendor of the other article.

(b) SPECIAL CASES IN WHICH TAX PAYMENTS CONSIDERED OVERPAYMENTS.—Under regulations prescribed by the Secretary or his delegate, credit or refund (without interest) shall be allowed or made in respect of the overpayments determined under the following paragraphs:

(1) PRICE READJUSTMENTS.—If the price of any article in respect of which a tax, based on such price, is imposed by chapter 31 or 32, is readjusted by reason of the return or repossession of the article or a covering or container, or by a bona fide discount, rebate, or allowance, including (in the case of a tax imposed by chapter 32) a readjustment for local advertising (but only to the extent provided in section 4216(f)(2) and (3)), the part of the tax proportionate to the part of the price repaid or credited to the purchaser shall be deemed to be an overpayment. The preceding sentence shall not apply in the case of an article in respect of which tax was computed under section 4223(b)(2); but if the price for which such article was sold is readjusted by reason of the return or repossession of the article, the part of the tax proportionate to the part of such price repaid or credited to the purchaser shall be deemed to be an overpayment.

(2) SPECIFIED USES AND REALES.—The tax paid under chapter 32 (or under section 4041(a)(1) or (b)(1)) in respect to any article shall be deemed to be an overpayment if such article was, by any person—

(A) exported (except in any case to which subsection (g) applies);

(B) used or sold for use as supplies for vessels or aircraft;

(C) sold to a State or local government for the exclusive use of a State or local government;

(D) sold to a nonprofit educational organization for its exclusive use;

(E) resold to a manufacturer or producer for use by him as provided in subparagraph (A), (B), [or (E)] (E), or (F) of paragraph (3);

(F) in the case of a tire, inner tube, or receiving set, resold for use as provided in subparagraph (C) or (D) of paragraph (3) and the other article referred to in such subparagraph is

by any person exported or sold as provided in such subparagraph;

(G) in the case of a liquid taxable under section 4041, sold for use as fuel in a diesel-powered highway vehicle or as fuel for the propulsion of a motor vehicle, motorboat, or airplane, if (i) the vendee used such liquid otherwise than as fuel in such a vehicle, motorboat, or airplane or resold such liquid, or (ii) such liquid was (within the meaning of paragraphs (1), (2), and (3) of section 6420(c)) used on a farm for farming purposes;

(H) in the case of a liquid in respect of which tax was paid under section 4041 at the rate of 3 cents or 4 cents a gallon, used during any calendar quarter in vehicles while engaged in furnishing scheduled common carrier public passenger land transportation service along regular routes; except that (i) this subparagraph shall apply only if the 60 percent passenger fare revenue test set forth in section 6421(b)(2) is met with respect to such quarter, and (ii) the amount of such overpayment for such quarter shall be an amount determined by multiplying 1 cent (where tax was paid at the 3-cent rate) or 2 cents (where tax was paid at the 4-cent rate) for each gallon of liquid so used by the percentage which such person's tax-exempt passenger fare revenue (as defined in section 6421(d)(2)) derived from such scheduled service during such quarter was of his total passenger fare revenue (not including the tax imposed by section 4261, relating to the tax on transportation of persons) derived from such scheduled service during such quarter;

(I) in the case of a liquid in respect of which tax was paid under section 4041(a)(1) at the rate of 3 cents or 4 cents a gallon, used or resold for use as a fuel in a diesel-powered highway vehicle (i) which (at the time of such use or resale) is not registered, and is not required to be registered, for highway use under the laws of any State or foreign country, or (ii) which, in the case of a diesel-powered highway vehicle owned by the United States, is not used on the highway; except that the amount of any overpayment by reason of this subparagraph shall not exceed an amount computed at the rate of 1 cent a gallon where tax was paid at the 3-cent rate or at the rate of 2 cents a gallon where tax was paid at the the 4-cent rate;

(J) in the case of a liquid in respect of which tax was paid under section 4041(b)(1) at the rate of 3 cents or 4 cents a gallon, used or resold for use otherwise than as a fuel for the propulsion of a highway vehicle (i) which (at the time of such use or resale) is registered, or is required to be registered, for highway use under the laws of any State or foreign country, or (ii) which, in the case of a highway vehicle owned by the United States, is used on the highway; except that the amount of any overpayment by reason of this subparagraph shall not exceed an amount computed at the rate of 1 cent a gallon where tax was paid at the 3-cent rate or at the rate of 2 cents a gallon where tax was paid at the 4-cent rate;

(K) in the case of any article taxable under section 4061(b) (other than spark plugs and storage batteries), used or sold for use as repair or replacement parts or accessories for farm equipment (other than equipment taxable under section 4061(a));

(L) in the case of tread rubber in respect of which tax was paid under section 4071(a)(4), used or sold for use otherwise than in the recapping or retreading of tires of the type used on highway vehicles (as defined in section 4072(c)), unless credit or refund of such tax is allowable under subsection (b)(3);

(M) in the case of gasoline, used or sold for use in production of special motor fuels referred to in section 4041(b);

(N) in the case of lubricating oil, used or sold for non-lubricating purposes;

(O) in the case of lubricating oil in respect of which tax was paid at the rate of 6 cents a gallon, used or sold for use as cutting oils (within the meaning of section 4092(b)); except that the amount of such overpayment shall not exceed an amount computed at the rate of 3 cents a gallon;

(P) in the case of any musical instrument taxable under section 4151, sold to a religious institution for exclusively religious purposes;

(Q) in the case of unexposed motion picture film, used or sold for use in making of newsreel motion picture film.

(3) TAX-PAID ARTICLES USED FOR FURTHER MANUFACTURE, ETC.—If the tax imposed by chapter 32 has been paid with respect to the sale of any article by the manufacturer, producer, or importer thereof to a second manufacturer or producer, such tax shall be deemed to be an overpayment by such second manufacturer or producer if—

(A) in the case of any article other than an article to which subparagraph (B), (C), (D), or (E) applies, such article is used by the second manufacturer or producer as material in the manufacture or production of, or as a component part of, another article taxable under chapter 32 manufactured or produced by him;

(B) in the case of—

(i) a part or accessory taxable under section 4061(b),

(ii) a radio or television component taxable under section 4141, or

(iii) a camera lens taxable under section 4171,

such article is used by the second manufacturer or producer as material in the manufacture or production of, or as a component part of, any other article manufactured or produced by him;

(C) in the case of—

(i) a tire or inner tube taxable under section 4071, or

(ii) an automobile radio or television receiving set taxable under section 4141,

such article is sold by the second manufacturer or producer on or in connection with, or with the sale of, any other article manufactured or produced by him and such other article is by any person exported, sold to a State or local government

for the exclusive use of a State or local government, sold to a nonprofit educational organization for its exclusive use, or used or sold for use as supplies for vessels or aircraft;

(D) in the case of a radio receiving set or an automobile radio receiving set—

(i) such set is used by the second manufacturer or producer as a component part of any other article manufactured or produced by him, and

(ii) such other article is by any person exported, sold to a State or local government for the exclusive use of a State or local government, sold to a nonprofit educational organization for its exclusive use, or used or sold for use as supplies for vessels or aircraft; **[or]**

(E) in the case of—

(i) a bicycle tire (as defined in section 4221(e)(4)(B)), or

(ii) an inner tube for such a tire, such article is used by the second manufacturer or producer as material in the manufacture or production of, or as a component part of, a bicycle (other than a rebuilt or reconditioned bicycle) **[.]**; or

*(F) in the case of gasoline taxable under section 4081, such gasoline is used by the second manufacturer or producer, for nonfuel purposes, as a material in the manufacture or production of any other article manufactured or produced by him.*

For purposes of subparagraphs (A) and (B), an article shall be treated as having been used as a component part of another article if, had it not been broken or rendered useless in the manufacture or production of such other article, it would have been so used.

(4) TIRES, INNER TUBES, AND AUTOMOBILE RADIO AND TELEVISION RECEIVING SETS.—If—

(A)(i) a tire or inner tube taxable under section 4071, or automobile radio or television receiving set taxable under section 4141, is sold by the manufacturer, producer, or importer thereof on or in connection with, or with the sale of, any other article manufactured or produced by him, or

(ii) a radio receiving set or an automobile radio receiving set is used by the manufacturer thereof as a component part of any other article manufactured or produced by him; and

(B) such other article is by any person exported, sold to a State or local government for the exclusive use of a State or local government, sold to a nonprofit educational organization for its exclusive use, or used or sold for use as supplies for vessels or aircraft,

any tax imposed by chapter 32 in respect of such tire, inner tube, or receiving set which has been paid by the manufacturer, producer, or importer thereof shall be deemed to be an overpayment by him.

(5) RETURN OF CERTAIN INSTALLMENT ACCOUNTS.—If—

(A) tax was paid under section 4053(b)(1) or 4216(e)(1) in respect of any installment account;

(B) such account is, under the agreement under which the account was sold, returned to the person who sold such account, and

(C) the consideration is readjusted as provided in such agreement, the part of the tax paid under section 4053(b)(1) or 4216(e)(1) proportionate to the part of the consideration repaid or credited to the purchaser of such account shall be deemed to be an overpayment.

This subsection shall apply in respect of an article only if the exportation or use referred to in the applicable provision of this subsection occurs before any other use, or, in the case of a sale or resale, the use referred to in the applicable provision of this subsection is to occur before any other use.

\* \* \* \* \*

**SEC. 6421. GASOLINE USED FOR CERTAIN NONHIGHWAY PURPOSES OR BY LOCAL TRANSIT SYSTEMS.**

(a) **NONHIGHWAY USES.**—If gasoline is used otherwise than as a fuel in a highway vehicle (1) which (at the time of such use) is registered, or is required to be registered, for highway use under the laws of any State or foreign country, or (2) which, in the case of a highway vehicle owned by the United States, is used on the highway, the Secretary or his delegate shall pay (without interest) to the ultimate purchaser of such gasoline an amount equal to 1 cent for each gallon of gasoline so used on which tax was paid at the rate of 3 cents a gallon and 2 cents for each gallon of gasoline so used on which tax was paid at the rate of 4 cents a gallon.

(b) **LOCAL TRANSIT SYSTEMS.**—

(1) **ALLOWANCE.**—If gasoline is used during any calendar quarter in vehicles while engaged in furnishing scheduled common carrier public passenger land transportation service along regular routes, the Secretary or his delegate shall, subject to the provisions of paragraph (2), pay (without interest) to the ultimate purchaser of such gasoline the amount determined by multiplying—

(A) 1 cent for each gallon of gasoline so used on which tax was paid at the rate of 3 cents a gallon and 2 cents for each gallon of gasoline so used on which tax was paid at the rate of 4 cents a gallon, by

(B) the percentage which the ultimate purchaser's tax-exempt passenger fare revenue derived from such scheduled service during such quarter was of his total passenger fare revenue (not including the tax imposed by section 4261, relating to the tax on transportation of persons) derived from such scheduled service during such quarter.

(2) **LIMITATION.**—Paragraph (1) shall apply in respect of gasoline used during any calendar quarter only if at least 60 percent of the total passenger fare revenue (not including the tax imposed by section 4261, relating to the tax on transportation of persons) derived during such quarter from scheduled service described in paragraph (1) by the person filing the claim was attributable to tax-exempt passenger fare revenue derived during such quarter by such person from such scheduled service.

(c) TIME FOR FILING CLAIMS; PERIOD COVERED.—

(1) GENERAL RULE.—Except as provided in paragraph (2), not more than one claim may be filed under subsection (a), and not more than one claim may be filed under subsection (b), by any person with respect to gasoline used during the one-year period ending on June 30 of any year. No claim shall be allowed under this paragraph with respect to any one-year period unless filed on or before September 30 of the year in which such one-year period ends.

(2) EXCEPTION.—If \$1,000 or more is payable under this section to any person with respect to gasoline used during a calendar quarter, a claim may be filed under this section by such person with respect to gasoline used during such quarter. No claim filed under this paragraph shall be allowed unless filed on or before the last day of the first calendar quarter following the calendar quarter for which the claim is filed.

(d) DEFINITIONS.—For purposes of this section—

(1) GASOLINE.—The term "gasoline" has the meaning given to such term by section 4082(b).

(2) TAX-EXEMPT PASSENGER FARE REVENUE.—The term "tax-exempt passenger fare revenue" means revenue attributable to fares which were exempt from the tax imposed by section 4261 by reason of section 4263(a) (relating to the exemption for commutation travel, etc.).

(e) EXEMPT SALES; OTHER PAYMENTS OR REFUNDS AVAILABLE—

(1) EXEMPT SALES.—No amount shall be paid under this section with respect to any gasoline which the Secretary or his delegate determines was exempt from the tax imposed by section 4081. The amount which (but for this sentence) would be payable under this section with respect to any gasoline shall be reduced by any other amount which the Secretary or his delegate determines is payable under this section, or is refundable under any provision of this title, to any person with respect to such gasoline.

(2) GASOLINE USED ON FARMS.—This section shall not apply in respect of gasoline which was (within the meaning of paragraphs (1), (2), and (3) of section 6420(c)) used on a farm for farming purposes.

(f) APPLICABLE LAWS.—

(1) IN GENERAL.—All provisions of law, including penalties, applicable in respect of the tax imposed by section 4081 shall, insofar as applicable and not inconsistent with this section, apply in respect of the payments provided for in this section to the same extent as if such payments constituted refunds of overpayments of the tax so imposed.

(2) EXAMINATION OF BOOKS AND WITNESSES.—For the purpose of ascertaining the correctness of any claim made under this section, or the correctness of any payment made in respect of any such claim, the Secretary or his delegate shall have the authority granted by paragraphs (1), (2), and (3) of section 7602 (relating to examination of books and witnesses) as if the claimant were the person liable for tax.

(g) REGULATIONS.—The Secretary or his delegate may by regulations prescribe the conditions, not inconsistent with the provisions of this section, under which payments may be made under this section.



(h) **EFFECTIVE DATE.**—This section shall apply only with respect to gasoline purchased after June 30, 1956, and before **[July 1, October 1, 1972.]**

(i) **CROSS REFERENCES.**—

(1) For reduced rate of tax in case of diesel fuel and special motor fuels used for certain nonhighway purposes, see subsections (a) and (b) of section 4041.

(2) For partial refund of tax in case of diesel fuel and special motor fuels used for certain nonhighway purposes, see section 6416(b)(2)(1) and (J).

(3) For partial refund of tax in case of diesel fuel and special motor fuels used by local transit systems, see section 6416(b)(2)(H).

(4) For civil penalty for excessive claims under this section, see section 6675.

(5) For fraud penalties, etc., see chapter 75 (section 7201 and following, relating to crimes, other offenses, and forfeitures).

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**"SEC. 6424. GASOLINE LOST BY SHRINKAGE, EVAPORATION, ETC.**

**"(a) PAYMENTS TO RETAIL DEALERS.**—The Secretary or his delegate shall pay (without interest) to a retail dealer of gasoline, to compensate such dealer for the tax paid on gasoline which is lost by shrinkage, evaporation, and other causes, an amount equal to 1 percent of the tax paid under section 4081 on the gasoline sold by him.

**"(b) TIME FOR FILING CLAIM; PERIOD COVERED.**—Not more than one claim for payment may be filed under this section by any retail dealer with respect to gasoline sold during the one-year period ending on June 30 of any year. No claim for payment shall be allowed under this section with respect to any one-year period unless filed on or before September 30 of the year in which such one-year period ends.

**"(c) LIMITATIONS.**—

**"(1) EXEMPT SALES; REFUNDS; ETC.**—No amount shall be paid to any retail dealer of gasoline under this section with respect to any gasoline sold by him—

**"(A)** which the Secretary or his delegate determines was exempt from the tax imposed by section 4081,

**"(B)** the tax on which is refundable to any person under any provision of this title, or

**"(C)** with respect to which any amount is payable under section 6420 (relating to gasoline used on farms) or 6421 (relating to gasoline used for certain nonhighway purposes or by local transit systems).

**"SALES TO OTHER DEALERS.**—No amount shall be paid to any retail dealer of gasoline under this section with respect to any gasoline sold by him to any other dealer (including any wholesaler or distributor) of gasoline.

**"(d) APPLICABLE LAWS.**—

**"(1) IN GENERAL.**—All provisions of law, including penalties, applicable in respect of the tax imposed by section 4081 shall, insofar as applicable and not inconsistent with this section, apply in respect of the payments provided for in this section to the same

extent as if such payments constituted refunds of overpayments of the tax so imposed.

"(2) *EXAMINATION OF BOOKS AND WITNESSES.*—For the purpose of ascertaining the correctness of any claim made under this section, or the correctness of any payment made in respect of any such claim, the Secretary or his delegate shall have the authority granted by paragraphs (1), (2), and (3) of section 7602 (relating to examination of books and witnesses) as if the claimant were the person liable for tax.

"(e) *REGULATIONS.*—The Secretary or his delegate may by regulations prescribe the conditions, not inconsistent with the provisions of this section, under which payments may be made under this section.

"(f) *EFFECTIVE DATE.*—This section shall apply only with respect to gasoline sold by retail dealers after June 30, 1961.

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## CHAPTER 67—INTEREST

SUBCHAPTER A. Interest on underpayments.

SUBCHAPTER B. Interest on overpayments.

### Subchapter A—Interest on Underpayments

Sec. 6601. Interest on underpayment, nonpayment, or extensions of time for payment of tax.

Sec. 6602. Interest on erroneous refund recoverable by suit.

### SEC. 6601. INTEREST ON UNDERPAYMENT, NONPAYMENT, OR EXTENSIONS OF TIME FOR PAYMENT, OF TAX.

(a) *GENERAL RULE.*—If any amount of tax imposed by this title (whether required to be shown on a return, or to be paid by stamp or by some other method) is not paid on or before the last date prescribed for payment, interest on such amount at the rate of 6 percent per annum shall be paid for the period from such last date to the date paid.

(b) *EXTENSIONS OF TIME FOR PAYMENT OF ESTATE TAX.*—If the time for payment of an amount of tax imposed by chapter 11 is extended as provided in section 6161(a)(2) or 6166, or if the time for payment of an amount of such tax is postponed or extended as provided by section 6163, interest shall be paid at the rate of 4 percent, in lieu of 6 percent as provided in subsection (a).

(c) *LAST DATE PRESCRIBED FOR PAYMENT.*—For purposes of this section, the last date prescribed for payment of the tax shall be determined under chapter 62 with the application of the following rules:

(1) *EXTENSIONS OF TIME DISREGARDED.*—The last date prescribed for payment shall be determined without regard to any extension of time for payment.

(2) *INSTALLMENT PAYMENTS.*—In the case of an election under 6152(a) or 6156(a) to pay the tax in installments—

(A) The date prescribed for payment of each installment of the tax shown on the return shall be determined under section 6152(b) or 6156(b), as the case may be, and

(B) The last date prescribed for payment of the first installment shall be deemed the last date prescribed for payment of any portion of the tax not shown on the return.

(3) JEOPARDY.—The last date prescribed for payment shall be determined without regard to any notice and demand for payment issued, by reason of jeopardy (as provided in chapter 70), prior to the last date otherwise prescribed for such payment.

(4) LAST DATE FOR PAYMENT NOT OTHERWISE PRESCRIBED.—In the case of taxes payable by stamp and in all other cases in which the last date for payment is not otherwise prescribed, the last date for payment shall be deemed to be the date the liability for tax arises (and in no event shall be later than the date notice and demand for the tax is made by the Secretary or his delegate).

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**CHAPTER 68—ADDITIONS TO THE TAX, ADDITIONAL AMOUNTS, AND ASSESSABLE PENALTIES**

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**Subchapter B—Assessable Penalties**

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**SEC. 6675. EXCESSIVE CLAIMS WITH RESPECT TO THE USE OR SALE OF CERTAIN GASOLINE.**

(a) CIVIL PENALTY.—In addition to any criminal penalty provided by law, if a claim is made under section 6420 (relating to gasoline used on farms) [or 6421], 6421 (relating to gasoline used for certain non-highway purposes or by local transit systems), or 6424 (relating to gasoline lost by shrinkage, evaporation, etc.) for an excessive amount, unless it is shown that the claim for such excessive amount, is due to reasonable cause, the person making such claim shall be liable to a penalty in an amount equal to whichever of the following is the greater:

- (1) Two times the excessive amount; or
- (2) \$10.

(b) EXCESSIVE AMOUNT DEFINED.—For purposes of this section, the term "excessive amount" means in the case of any person the amount by which—

- (1) the amount claimed under section 6420 [or 6421], 6421, or 6424, as the case may be, for any period, exceeds
- (2) the amount allowable under such section for such period.

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**CHAPTER 75—CRIMES OTHER OFFENSES AND FORFEITURES**

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**Subchapter A—Crimes**

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**PART I—GENERAL PROVISIONS**

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**SEC. 7210. FAILURE TO OBEY SUMMONS.**

Any person who, being duly summoned to appear to testify, or to appear and produce books, accounts, records, memoranda, or other papers, as required under sections 6420(e)(2), 6421(f)(2), 6424(d)(2), 7602, 7603, and 7604(b), neglects to appear or to produce such books, accounts, records, memoranda, or other papers, shall, upon conviction thereof, be fined not more than \$1,000; or imprisoned not more than 1 year, or both, together with costs of prosecution.

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**CHAPTER 78—DISCOVERY OF LIABILITY AND  
ENFORCEMENT OF TITLE**

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**Subchapter A—Examination and Inspection**

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**SEC. 7603. SERVICE OF SUMMONS.**

A summons issued under section 6420(e)(2), 6421(f)(2), 6424(d)(2), or 7602 shall be served by the Secretary or his delegate, by an attested copy delivered in hand to the person to whom it is directed, or left at his last and usual place of abode; and the certificate of service signed by the person serving the summons shall be evidence of the facts it states on the hearing of an application for the enforcement of the summons. When the summons requires the production of books, papers, records, or other data, it shall be sufficient if such books, papers, records, or other data are described with reasonable certainty.

**SEC. 7604. ENFORCEMENT OF SUMMONS.**

(a) **JURISDICTION OF DISTRICT COURT.**—If any person is summoned under the internal revenue laws to appear, to testify, or to produce books, papers, records, or other data, the United States district court for the district in which such person resides or is found shall have jurisdiction by appropriate process to compel such attendance, testimony, or production of books, papers, records, or other data.

(b) **ENFORCEMENT.**—Whenever any person summoned under section 6420(e)(2), 6421(f)(2), 6424(d)(2), or 7602 neglects or refuses to obey such summons, or to produce books, papers, records, or other data, or to give testimony, as required, the Secretary or his delegate may apply to the judge of the district court or to a United States commissioner for the district within which the person so summoned resides or is found for an attachment against him as for a contempt. It shall be the duty of the judge or commissioner to hear the application, and, if satisfactory proof is made, to issue an attachment, directed to some proper officer, for the arrest of such person, and upon his being brought before him to proceed to a hearing of the case; and upon such hearing the judge or the United States commissioner shall have power to make such order as he shall deem proper, not inconsistent with the law for the punishment of contempts, to enforce obedience to the requirements of the summons and to punish such person for his default or disobedience.

(c) CROSS REFERENCES.—

(1) AUTHORITY TO ISSUE ORDERS, PROCESSES, AND JUDGMENTS.—For authority of district courts generally to enforce the provisions of this title, see section 7402.

(2) PENALTIES.—For penalties applicable to violation of section 6420(e)(2), 6421(f)(2), ~~6424(d)(2)~~, or 7602, see section 7210.

SEC. 7605. TIME AND PLACE OF EXAMINATION.

(a) TIME AND PLACE.—The time and place of examination pursuant to the provisions of section 6420(e)(2), 6421(f)(2), ~~6424(d)(2)~~, or 7602 shall be such time and place as may be fixed by the Secretary or his delegate and as are reasonable under the circumstances. In the case of a summons under authority of paragraph (2) of section 7602, or under the corresponding authority of section 6420(e)(2) [or 6421(f)(2)], ~~6421(f)(2)~~, or ~~6421(d)(2)~~, the date fixed for appearance before the Secretary or his delegate shall not be less than 10 days from the date of the summons.

(b) RESTRICTIONS ON EXAMINATION OF TAXPAYER.—No taxpayer shall be subjected to unnecessary examination or investigations, and only one inspection of a taxpayer's books of account shall be made for each taxable year unless the taxpayer requests otherwise or unless the Secretary or his delegate, after investigation, notifies the taxpayer in writing that an additional inspection is necessary.

## IX. INDIVIDUAL VIEWS OF SENATOR PAUL H. DOUGLAS

The 1956 Highway Revenue Act requires that apportionments to each State be reduced whenever the trust fund revenues are estimated to be inadequate to cover the planned apportionments in any individual year. State apportionments will be made this summer for the fiscal year 1963. Under the present plans, authorizations for both fiscal years 1963 and 1964 are set at \$2.2 billion. Because of estimated shortages of trust fund revenues under the present law, however, it now appears that apportionments to States for the interstate system for fiscal 1963 would only be \$2 billion and for fiscal 1964 \$1.5 billion. These results would occur in spite of the 7 or 8 percent of the total costs which are to be contributed from general revenues.

In order to maintain the planned rate of highway construction, it is estimated that additional revenues above those now provided for will be necessary totaling \$9.74 billion, or about \$900 million more a year, through fiscal 1972. Without these additional revenues, the completion of the system would be postponed 5 years beyond the original target date.

The first question with which we are faced, therefore, is whether we should raise additional revenue for the highway program or allow that program to lag. While I have some personal reservations about it, the answer of Congress seems to be clear. It is argued that the highway program makes a vital contribution to our economy and to our national well-being. It is said that the completion of the program is essential to our national defense. We must be able to transport men and equipment quickly and easily from place to place. It is also argued that the highway program is also essential to highway safety. It is estimated that the system when completed will save at least 4,000 lives a year, not to mention the tremendous savings in injuries and property damage. The highway program, therefore, in the view of the Congress seems essential to our economy. It will, of course, provide a stimulus to employment in a number of key industries. The program also facilitates the mobility of goods and services in our highly integrated economy.

The committee, by its actions in increasing the total revenues which are attributable to the highway trust fund, has indicated its agreement with the view that the program is essential and should not be slowed.

The next question which arises is: Who should pay the additional taxes which are needed to continue this program? The answer to this seems clear. The program should be supported by those who benefit from it. Therefore, it is necessary to attempt to allocate the costs of the highway program among those who benefit from the program.

As I have indicated, society generally benefits from the highway program and a certain amount of the aggregate costs of the highway program should be borne by the general public. However, it is equally

clear that there are many special beneficiaries of the highway program as well, and the costs of the program should be allocated proportionately among these special beneficiaries.

The allocation of highway costs among users can be done in various ways. In general, these allocation methods are based on costs, i.e., the expenditures required by highway departments to provide the types of facilities adequate to service the larger and heavier vehicles, or benefits; i.e., the estimated monetary savings in operating vehicles over the improved roads provided by the program. One of the allocation techniques is the incremental method by which highway designs are assumed to be built up from a basic design to meet the requirements of progressively heavier vehicles. Another method is the differential-benefit technique by which costs are allocated in approximate proportion to the benefits derived from the use of the highways by vehicles of different dimensions and weights. The third allocation technique is by cost functions which divide highway costs into those which do not vary by type of vehicles, those that vary with traffic volume but not with size and weight, and those that do vary with size and weight. The fourth technique is by gross-ton mile which makes the allocation among vehicles of different dimensions and weights in proportion to the product of gross operating weight and distance traveled.

Table 1 shows the results of these various allocation methods for particular types of motor vehicles. This table is based on the assumption that the benefits of the highway program to society in general have already been subtracted from the total cost. What does this table reveal? It shows that, regardless of method, the share of the total costs which should be allocated to the larger trucks is much greater than the amounts which are being charged to the larger trucks under the present law. For example, the four-axle tractor-semitrailer combination should pay between \$871 and \$2,003 and, in fact is paying only \$700. The five-axle tractor-semitrailer combination should pay between \$1,245 and \$3,595. Its actual payment is only \$1,040. At the same time passenger automobiles and light pickup trucks are being overcharged.

TABLE 1.—Required payments per year to the highway trust fund

Type of vehicle	Under differential-benefit method	Under incremental method	Under cost-function method	Under gross-ton-mile method	Under law in effect, fiscal year 1961	Committee proposals <sup>1</sup>
Medium passenger car.....	\$31	\$30	\$25	\$22	\$29	\$20.20
2-axle, 4-tire truck (pickup).....	32	24	22	21	39	46.50
2-axle, 6-tire truck (stake).....	55	55	63	69	86	108.08
3-axle tractor-semitrailer combination (2-S1) gasoline.....	505	571	802	949	476	607.19
4-axle tractor-semitrailer combination (2-S2) diesel.....	871	1,085	1,667	2,003	700	924.32
5-axle tractor-semitrailer combination (3-S2) diesel.....	1,245	1,769	3,006	3,595	1,040	1,356.44

<sup>1</sup> The figures in this column are not totally comparable. The passenger car figure does not include the manufacturers' excise on automobiles. However, the Ways and Means Committee added the manufacturers' excise on trucks to all of the truck figures.

<sup>2</sup> Including 6 passengers.

2: Even more importantly, the highway system brings immediate benefits to the trucking industry which far more than compensate for the allocated user payments indicated in table 1. For example, there are already 5,000 miles of interstate routes improved to adequate standards. Benefits to the trucking industry from these limited-access routes come from fuel savings due to lower grades, fewer stops and starts, greater average speed with operating savings, lower insurance costs due to greater safety, and other factors. For example, in a test run from Chicago to Jersey City via toll roads, total elapsed time was reduced by 29 hours and 54 minutes and actual travel time was reduced by 11 hours and 17 minutes. The toll road showed a saving of 30½ gallons of gasoline while traveling 8.2 miles an hour faster. The test vehicle made 2,339 fewer gear shifts, 696 fewer brake applications, and 185 fewer full stops. It was estimated that each minute saving of time resulted in a saving of cost for tractor-semitrailer combinations and truckfull trailer combinations of from 5.52 to 6.87 cents per minute. The 677 minutes of actual travel time saved in the test amounted to at least \$37.30 savings in time alone. Other tests show comparable results.

President Kennedy has proposed a series of increases in present highway taxes which will roughly reflect the relative benefits to various users. Table 2 indicates these rates and compares them to those recommended by the majority of this committee.

TABLE 2

	Tax base	Present rates	Rates as of July 1 under present law	Rates proposed by President	Committee's proposed changes
Diesel fuel and special motor fuel.....	Gallon.....	\$0.04	\$0.03	\$0.07	\$0.04
Trucks and buses over 26,000 pounds.....	1,000 pounds of gross weight.	1.50	1.50	5.00	3.00
Highway tires.....	Pound.....	.08	.08	.10	.10
Inner tubes.....	do.....	.09	.09	.10	.10
Tread rubber.....	do.....	.03	.03	.10	.05

The rates recommended by the President seem eminently reasonable. They are based upon the allocation studies which I have indicated earlier. For example, the President recommended a tax on diesel motor fuel which is larger than the recommended tax on gasoline. The reason for this is the difference in consumption of the two fuels on a per-mile basis. It costs the same amount to build a mile of road for either a diesel or gasoline-powered truck of the same weight and size. Therefore, the charge by the Government per mile of vehicle travel should be the same. Since diesel fuel is more economical, the tax rate per gallon this fuel should be greater than the corresponding rate per gallon on gasoline. Some of the differences between the two fuels are significant, e.g., at 40,000 pounds gross weight, the diesel fuel consumption rate is about 68 percent of the gasoline consumption rate; at 75,000 pounds gross weight, the diesel consumption rate is about 61 percent of the gasoline consumption rate. The President's proposed tax rates recognize these differences. Even under the President's proposed rates, however, operation of diesel engines would retain a com-



petitive advantage over operation of gasoline engines. The committee has recommended that the two tax rates be the same.

Similar comments can be made with respect to the tax on tread rubber. As indicated earlier, trucks create much more wear and tear on highways than do automobiles. At the same time, trucks make much more extensive use of tread rubber than do passenger cars. For example, a passenger car tire is normally retreaded only once. By comparison, truck tire carcasses are retreaded from 3 to 12 times. Since the tax on tread rubber is at present much lower than the tax on new tires, trucks are paying a relatively lower average tax on tire rubber than are automobiles. The President's recommendations tended to equalize the tax on highway tires and tread rubber; the committee's recommendation retains a relatively favorable treatment for tread rubber.

The alleged disadvantages to the trucking industry of the increased taxes recommended by the President do not seem to be significant. The effect on competition with rail shipping would be slight. The trucking industry is today nearly twice the size of the railroad industry in terms of revenues earned; trucks service many areas where rail service is not available; and trucks ship many different types of commodities that railroads do not carry. Statistics suggest that the effect of the proposed taxes on trucking profits would not be great, even if the taxes were not passed on in higher prices. Taxes have not been an increasing burden on the industry in the past few years. Since 1953, the proportion of total taxes on motor vehicles borne by trucks has remained fairly constant at 38 percent. Total operating taxes and licenses have been only about 5.8 percent of trucking revenues, and the President's proposed tax increases would add only a relatively small increment to the total taxpayments.

One test of the reasonableness of the President's proposals is their comparability with toll road charges. Toll charges for heavy trucks per mile are 5.5 cents on the Massachusetts Turnpike, 4.5 cents on the Oklahoma Turnpike, 3.8 cents on the New Jersey Turnpike, 4.6 cents on the Florida Turnpike, 5.3 cents on the Indiana Turnpike, and 7.5 cents on the West Virginia Turnpike. Trucks are using these toll roads voluntarily and in substantial numbers despite the fact that these rates are roughly four times the cost per mile under the President's proposed tax schedule. Moreover, the relative increase in the use of these turnpikes by trucks in the last few years has been much greater than the increase by passenger cars. These facts alone prove beyond any reasonable doubt that the benefits derived by the trucking industry from the highway system will be greater by severalfold than the costs to the trucking industry proposed by the President. Why, then, should we adopt even lower tax rates for the trucking industry?

I believe that the President's proposals, rather than the committee's recommendations, should be adopted. The principal reason for this is that the committee's recommendations do not accurately reflect user cost. To this extent, the committee's recommendations provide a thinly disguised subsidy for one industry. I know of no social justification for subsidizing this type of commercial operation.

At the same time, it is obvious from the committee's recommendations that the highway program can only be continued at its planned

pace by increased contributions from general revenues. Such additional contributions imply one of three things:

(a) That highway building should replace other planned expenditures, for example, for defense, aid to schools, veterans, etc;

(b) That these latter functions should be carried on as planned by increasing general revenues; or

(c) That highway construction should be financed by general budget deficits.

I do not think that the Congress or the American people should be asked to accept any of these three alternatives. I do not believe that heavy trucks should be allowed to run over the American people.

PAUL H. DOUGLAS.

