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TEMPORARY REDUCTION IN DUTY-FREE ALLOWANCE FOR RETURNING RESIDENTS

JUNE 29, 1961.—Ordered to be printed

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

REPORT

[To accompany H.R. 6611]

The Committee on Finance, to whom was referred the bill (H.R. 6611) to amend paragraph 1798(c)(2) of the Tariff Act of 1930 to reduce temporarily the exemption from duty enjoyed by returning residents, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

PURPOSE OF THE BILL

The purpose of the bill is to provide a temporary reduction from $500 to $100 in the amount of purchases abroad that a returning resident of the United States may bring back into this country free of duty. This proposal was recommended by the President as a part of a program to counter our unfavorable balance of payments.

AMENDMENT

The Finance Committee amended the bill to provide that an additional duty-free $100 worth of goods may be brought in from the Virgin Islands. This would mean that a citizen returning from the Virgin Islands could enter without payment of duty a total of $200 worth of foreign goods, provided that at least $100 of it was acquired in the Virgin Islands. It was felt that, because of its close relationship to the United States, its new program for the promotion of tourism could be assisted in some degree, and that the outflow of dollars to the territories and possessions of the United States is of a much less serious nature than that to other parts of the world. However, the 48-hour rule which applies to all areas except the Virgin Islands would be invoked on all goods not originating there. It should be noted that the amendment does not provide for an additional $200 for the Virgin Islands over and above the $100 provided for other areas. The maximum which could be brought in under any set of circumstances without payment of duty would be $200.

GENERAL STATEMENT

Under existing law, a returning U.S. resident is allowed the following personal exemptions from duty on articles he has purchased abroad:

1. If the returning resident remains outside the territorial limits of the United States for at least 48 hours, he may claim an exemption from duty for $200 worth of articles acquired abroad. If, however, he returns through a port of entry on the Mexican border, he need only have been absent from the United States for such time (not to exceed 24 hours) as the Secretary of the Treasury has by regulation provided with respect to such port. At present, these regulations require an absence of at least 24 hours (the maximum requirement permitted under the law) in the case of residents returning through one of the southern California ports below Los Angeles. In the case of other ports along the United States-Mexican border, there is no period of absence provided for. The exemption from duty described in this paragraph may be claimed once every 30 days.
2. If the returning resident remains outside the territorial limits of the United States for 12 or more days, he may claim an exemption from duty for $300 worth of articles acquired abroad. This additional exemption, which may be claimed together with the basic exemption described above, can be utilized only once in every 6-month period.

Thus, for the average U.S. resident returning from abroad, there is an effective duty-free exemption of $500.

The bill reduces this $500 exemption to $100 until the close of June 30, 1963, by eliminating the $300 additional exemption and by reducing the $200 basic exemption to $100. Except as explained below with respect to articles acquired in the Virgin Islands, the bill continues the present absence requirements set forth in paragraph 1, above. The exemption may be claimed not more often than once every 30 days. On and after July 1, 1963, the tourist exemption allowances presently in effect would be restored.

Four hundred dollars of the present five-hundred-dollar exemption allowed returning residents reflects legislation enacted in the early post-World War II period aimed at stimulating the flow of dollars to those countries which then badly needed dollars. In 1948, Congress increased the tourist exemption from $100 to $400. In 1949, an additional $100 was added, bringing the total exemption to its present level of $500.

Dating back to at least 1799, all persons arriving in the United States from abroad were permitted free entry of their "personal effects." This exemption was aimed at permitting persons emigrating to the United States to bring in their personal belongings free of duty. However, the law was so written and applied that many U.S. tourists returning from abroad were given the same treatment as was extended to immigrants. In many cases it was alleged that these tourists brought back as "personal effects" articles which they had purchased on their trip. Because of these alleged abuses the Congress, in 1897, restricted the "personal effects" provision to immigrants and at the same time provided a $100 tourist exemption for returning U.S. travelers. This $100 allowance remained in effect from 1897 until it was raised in 1948.

In a letter to the Speaker of the House of Representatives requesting this legislation, dated February 24, 1961, the President said:

> * * * After World War II, * * * foreign countries faced a dollar shortage and, as one measure to ease this shortage, Congress increased the tariff exemption by $300 in 1948 and by $100 in 1949, bringing the total exemption to $500. However, in the light of the existing balance-of-payments problem, this more liberal customs exemption, designed to encourage American expenditures abroad, is not presently warranted. Accordingly, the customs exemption should be returned to the traditional amount.

The reduced amount of tourist exemption called for by the bill will still leave the United States in the position of extending to its returning tourists more favorable duty-free treatment of articles purchased abroad than do most other countries of the world.

The bill provides that, as to articles acquired in the Virgin Islands of the United States, any person who arrives in the United States during the period beginning on the 30th day after the date of the enactment of the bill and ending at the close of June 30, 1963 (the same period that the first section of the act is effective), and who has remained outside the United States for less than 48 hours, the 48-hour requirement in paragraph 1798(c)(2)(A) of the Tariff Act of 1930 shall be treated as satisfied. For this purpose the term "United States" has the meaning given to it in section 401(k) of the Tariff Act of 1930 and includes all territories and possessions of the United States except the Virgin Islands, American Samoa, Wake Island, Midway Islands, Kingman Reef, Johnston Island, and the island of Guam.

CHANGES IN EXISTING LAW

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

TARIFF ACT OF 1930

TITLE II—FREE LIST

SEC. 201. That on and after the day following the passage of this Act, except as otherwise specially provided for in this Act, the articles mentioned in the following paragraphs, when imported into the United States or into any of its possessions (except the Virgin Islands, American Samoa, Wake Island, Midway Islands, Kingman Reef, Johnston Island, and the island of Guam), shall be exempt from duty:

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PAR. 1798.

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(c) In the case of any person arriving in the United States who is a returning resident thereof—

(1) all personal and household effects taken abroad by him or for his account and brought back by him or for his account; and

(2) articles (including not more than one wine gallon of alcoholic beverages and not more than one hundred cigars) acquired abroad as an incident of the journey from which he is returning, for his personal or household use, but not imported for the account of any other person nor intended for sale, if declared in accordance with regulations of the Secretary of the Treasury, up to but not exceeding in aggregate value—

(A) [$200, if such person] *$100 (or $200 in the case of persons arriving directly or indirectly from the Virgin Islands of the United States, not more than $100 of which shall have been acquired elsewhere than in the Virgin Islands of the United States) if such person arrives before July 1, 1963 (or $200 if such person arrives on or after July 1, 1963), and he either* arrives from a contiguous country which maintains a free zone or free port (see subparagraph (d) of this paragraph), or arrives from any other country after having remained beyond the territorial limits of the United States for a period of not less than forty-eight hours, and in either case has not claimed an exemption under this subdivision (A) within the thirty days immediately preceding his arrival; and

(B) [$300 in addition, if such person] *$300 in addition, if such person arrives on or after July 1, 1963, and he* has remained beyond the territorial limits of the United States for a period of not less than twelve days and has not claimed an exemption under this subdivision (B) within the six months immediately preceding his arrival.

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