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{ REPORT
No. 851

FREE ENTRY OF TOWING CARRIAGE FOR UNIVERSITY OF MICHIGAN AND INCREASED DUTY-FREE GIFT EXEMPTION FOR VISITING NONRESIDENTS

AUGUST 31, 1961.—Ordered to be printed

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

R E P O R T

[To accompany H.R. 5852]

The Committee on Finance, to whom was referred the bill (H.R. 5852), to provide for the free entry of a towing carriage for the use of the University of Michigan, 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 H.R. 5852 is to provide for the free importation of one towing carriage and appurtenances imported for the use of the University of Michigan.

COMMITTEE AMENDMENT

The committee amendment would add a new subdivision to paragraph 1798(b) of the Tariff Act of 1930, as amended, so as to allow a person arriving in the United States who is not a returning resident thereof to enter free of duty and internal revenue tax "not exceeding \$100 in value of articles (including not more than 1 wine gallon of alcoholic beverages and not more than 100 cigars) accompanying such person to be disposed of by him as bona fide gifts, if such person has not claimed an exemption under this subdivision (2) (the proposed new subdivision) within the 6 months immediately preceding his arrival."

The so-called administrative exemptions allowed under section 321 were designed "to avoid expense and inconvenience to the Government disproportionate to the amount of revenue that would otherwise be collected." The items specifically excluded from the exemptions

were excluded by the Secretary of the Treasury, under the authority of section 321, because it was found to be necessary for the protection of the revenue.

Under the personal-exemption provisions of subdivision (1) of paragraph 1798(b) of the Tariff Act of 1930, as amended, and section 10.18(e) of the customs regulations thereunder, the quantity of imports of alcoholic beverages and tobacco products which may be exempted from duty and tax is limited to 50 cigars, or 300 cigarettes, or 3 pounds of manufactured tobacco, or proportionate amounts of each, and to 1 quart of alcoholic beverages. All articles entered under subdivision (1) must be for the personal use of the nonresident and may not be given to any other person. The proposed subdivision (2) would, in addition to the foregoing amounts, exempt from duty and tax up to 1 wine gallon of alcoholic beverages and 100 cigars, if such beverages and cigars are to be used solely as bona fide gifts and provided they are otherwise within the \$100 limitation.

In order to prevent possible abuse under the amendment the Finance Committee incorporated a provision that the privilege should extend only to visitors who were to remain in the United States for 72 hours or longer and such exemption may not be applied for oftener than every 6 months.

The various departments have indicated support of the amendment, including the Treasury Department which suggested one or two minor revisions in language and these suggestions were adopted by the committee. The report from the Department of Commerce included the following paragraphs:

This Department favors enactment of S. 1280 (the original text of the amendment) as an element in the encouragement of foreign travel to the United States.

Many visitors from abroad enjoy the hospitality of American families during all or part of their stay, and such visitors quite naturally feel that they should at least offer a gift in return for the hospitality received. To some extent, the limitations on dollar exchange allowed to them by their governments make it impracticable for foreign visitors to purchase gifts here. On the other hand, gifts from the home country can, of course, be purchased with local currency, and more importantly have the added attraction of being more personal and characteristic in nature. To give non-resident travelers a more adequate duty-free allowance for gifts, as proposed, would, we believe, contribute to better public international relations and to some increased international travel, with little, if any, loss of revenue.

GENERAL STATEMENT

The University of Michigan has a large ship model towing tank which was built in 1904. Except for the Navy's David Taylor Model Basin installation near Bethesda, Md., the University of Michigan's facility is the largest of its kind in the United States.

The towing tank, which is used for experimental testing and research on model vessels under simulated sea conditions, is spanned by a towing carriage which runs on precisely ground rails mounted along the top walls of the tank. Measuring instruments and cameras are

mounted on the carriage which tows and guides the ship models under test over the length of the tank.

The new carriage which this bill would permit to be entered free of duty by the University of Michigan is fitted with an electronic speed control, airbrakes, and a drag measuring dynamometer. The carriage was built by the only firm in the world which specializes in the design and construction of ship model laboratory equipment.

The University of Michigan testing facility performs many research projects for the Maritime Administration and the Bureau of Ships of the Navy Department. Since the Navy's facility in Maryland is frequently overloaded with work, it is customary to contract work with the University of Michigan. Also, at the present time, some 25 to 30 students sponsored by the U.S. Navy are studying naval architecture and marine engineering at the University of Michigan. In addition, eight U.S. Coast Guard officers are studying for their master's degree in naval architecture.

The towing carriage which is the subject of the bill will serve to modernize and update the testing facilities of the university. The bill would remove from the university the burden of substantial import duties in its efforts to improve the country's research and testing capabilities.

The Finance Committee urges the adoption of the bill as amended.

CHANGES IN EXISTING LAW

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

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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(b) In the case of any person arriving in the United States who is not a returning resident thereof—

(1) wearing apparel, articles of personal adornment, toilet articles, and similar personal effects; all the foregoing, if actually owned by and in the possession of such person abroad at the time of or prior to his departure for the United States, and if appropriate for his own personal use and intended only for such use and not for any other person nor for sale;

(2) *not exceeding \$100 in value of articles (including not more than one wine gallon of alcoholic beverages and not more than one hundred cigars) accompanying such person to be disposed of by*

him as bona fide gifts, if such person has not claimed an exemption under this subdivision (2) within the six months immediately preceding his arrival and he intends to remain in the United States for not less than seventy-two hours;

[(2)] (3) automobiles, trailers, aircraft, motorcycles, bicycles, baby carriages, boats, horse-drawn conveyances, horses, and similar means of transportation, and the usual equipment accompanying the foregoing; any of the foregoing imported in connection with the arrival of such person and to be used in the United States only for the transportation of such person, his family and guests, and such incidental carriage of articles as may be appropriate to his personal use of the conveyance; and

[(3)] (4) not exceeding \$200 in value of articles accompanying such a person who is in transit to a place outside United States customs territory and who will take the articles with him to such place.

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(g) If any jewelry or similar articles or personal adornment having a value of \$300 or more which have been exempted from duty under subdivision (1) of subparagraph (b) of this paragraph or any article which has been exempted from duty under subdivision (2)(B) of subparagraph (c) of this paragraph is sold within three years after the date of importation, or if any article which has been exempted from duty under subdivision [(2)] (3) of subparagraph (b) of this paragraph is sold within one year after the date of importation, without prior payment to the United States of the duty which would have been payable at the time of entry if the article had been entered without the benefit of this paragraph, such article, or its value (to be recovered from the importer), shall be subject to forfeiture. A sale pursuant to a judicial order or in liquidation of the estate of a decedent shall not be subject to the provisions of this subparagraph.

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TITLE III—SPECIAL PROVISIONS

PART I—MISCELLANEOUS

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SEC. 321. (a) The Secretary of the Treasury, in order to avoid expense and inconvenience to the Government disproportionate to the amount of revenue that would otherwise be collected, is authorized under such regulations as he shall prescribe, to—

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(2) admit articles free of duty and of any tax imposed on or by reason of importation, but the aggregate value of articles imported by one person on one day and exempted from the payment of duty shall not exceed—

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(B) \$10 in the case of articles accompanying, and for the personal or household use of, persons arriving in the United States who are not entitled to any exemption from duty or tax under paragraph 1798 (b)(2) or (c)(2) of section 1201 of this title, or

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