

## TAX RATE EXTENSION ACT OF 1963

JUNE 20, 1963.--Ordered to be printed

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

### REPORT

[To accompany H.R. 6755]

The Committee on Finance, to whom was referred the bill (H.R. 6755) to provide a 1-year extension of the existing corporate normal tax rate and of certain excise tax rates, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

#### I. SUMMARY OF BILL

The purpose of H.R. 6755 is to continue the present corporate tax rate and certain existing excise tax rates for 1 year.

The existing tax rates which this bill continues for 1 year (until July 1, 1964) are the present combined 52 percent corporate income tax rate, which would otherwise revert to 47 percent (the 5 percentage point reduction would occur in the 30 percent normal tax), and the present rates of excise tax on distilled spirits, beer, wine, cigarettes, passenger cars, automobile parts and accessories, general (previously local) telephone service, and the transportation of persons by air. All of the taxes affected by this bill, except those relating to general telephone service and transportation of persons by air, are taxes which were increased at the time of the Korean war. The Tax Rate Extension Act of 1959 added the latter two taxes to the list of taxes subject to automatic reduction (the Tax Rate Extension Act of 1962 limited the tax on the transportation of persons to that by air and lowered this tax rate to 5 percent).

If this bill were not enacted, it is estimated that there would be a revenue loss of \$4.1 to \$4.2 billion in a full year of operation and a loss of revenue in the fiscal year 1964 of \$2.8 to \$2.9 billion (taking into account floor stock refunds).

The rate extensions contained in this bill conform with the recommendations made to your committee by the Secretary of the Treasury.

## II. REASONS FOR THE BILL

The administration has proposed that the corporate tax rate be reduced from 52 to 50 percent for the calendar year 1964 (together with an adjustment of the rate for small corporations) and that the corporate rate be further reduced to 47 percent for the calendar year 1965. The President's proposed revision of the corporate rate structure is part of the overall income tax program now being considered by the House Ways and Means Committee. Since there is no possibility of enactment of this larger program by July 1, it is necessary to take some action to prevent the presently scheduled corporate tax reduction from going into effect as of July 1. H.R. 6755 proposes to meet this situation by amending present law to postpone the scheduled reduction for another year. Therefore, in this bill, the corporate rate is continued at the present 52-percent rate for another year. However, it is not intended that any inferences be drawn from this action as to what the committee may recommend with respect to the corporate tax rate with respect to the President's major tax program.

This position is in accord with that of the Secretary of the Treasury who stated:

Because present law provides for an automatic change in the corporate tax rate as of July 1, it is necessary to look ahead and make some interim provisions to prevent this change until Congress has time to act upon the President's proposal as to corporate tax rates. I believe the simplest way of taking care of this situation is to amend existing law merely to postpone the scheduled reduction for another year.

With respect to the excise tax reduction, the Secretary of the Treasury stated:

The automatic excise tax reductions are particularly inconsistent with the decision of the President that tax revision to stimulate economic growth and increase taxpayer equity first requires removal of the strong check on initiative and investment in present income tax rates. This conclusion as to the effect of our income taxes does not imply that changes in excises might not be desirable at a later date, but merely that they have less urgency than income tax revisions at this time.

In addition, the Secretary suggested that, when excise tax reductions were appropriate, it would be desirable to review all excise taxes rather than to automatically select for reduction those excise taxes which were increased at the time of the Korean conflict, or have been added to the list of excises extended on a year-by-year basis since that time.

In view of the considerations pointed out above, your committee concluded that it would be appropriate to extend these existing excise tax rates at their present level for an additional year. Any failure to extend these existing tax rates at the present time would lessen the committee's and Congress' opportunity subsequently to determine the most appropriate form of any tax reduction which may be provided. Future excise tax reductions should be made only in the light of an up-to-date evaluation of the entire excise tax system.

### III. EXPLANATION OF BILL

This bill provides for a 1-year extension of the present corporate income tax rates and the existing rates of certain excise taxes. The rates of these taxes which are extended for 1 year are, under existing law, scheduled for reduction or repeal on July 1, 1963. The present combined 52-percent corporate tax rate, without the 1-year extension provided by this bill, would revert to 47 percent as of July 1, 1963, through a reduction of the normal tax rate from 30 to 25 percent.

The excise tax rates which without this bill would be decreased or repealed as of July 1, 1963, are those on—

1. Distilled spirits, which would be reduced from \$10.50 to \$9 per proof gallon;
2. Beer, which would be reduced from \$9 to \$8 per barrel;
3. Wines, which are subject to various tax rates which would be reduced by approximately 11 percent;
4. Cigarettes, which would be reduced from 8 cents to 7 cents a pack;
5. Passenger cars, which would be reduced from 10 percent to 7 percent of the manufacturers' price;
6. Auto parts and accessories, which would be reduced from 8 percent to 5 percent of the manufacturers' price;
7. General telephone service, which would be reduced from 10 percent of the amount paid to zero;
8. Transportation of persons by air, which would be reduced from 5 percent of the amount paid to zero.

The corporate income tax rate and the tax rates referred to in the first six categories listed above reflect rate increases which were initially provided in 1951 at the time of the Korean war. Elimination of the tax on general telephone service (or local telephone service, as it formerly was called) and the reduction in the rate of tax on transportation of persons were first scheduled for the year 1960 in the Tax Rate Extension Act of 1959. The Tax Rate Extension Act of 1962 limited the tax on the transportation of persons to that by air, reduced the rate to 5 percent through June 30, 1963, and would repeal the tax thereafter.

This bill, in addition to making the changes referred to above, also makes a number of conforming changes, including the postponement for 1 more year of the floor stocks refunds or credits presently effective with respect to stocks of various tax-paid products on hand on July 1, 1963. These floor stocks refunds are available in the case of distilled spirits, wines and beer, cigarettes, and passenger cars.

Table 1 shows the present tax rates which are extended and those which would become effective as of July 1, 1963, in the absence of this bill.

TABLE 1.—Tax rates affected by bill

	Unit of tax	Present rates extended under the bill	Rates which under present law would be effective July 1, 1963
Corporations.....	Normal tax net income.....	30 percent.....	25 percent.
Excises:			
Liquor taxes:			
Distilled spirits.....	Per proof gallon.....	\$10.50.....	\$9.
Beer.....	Per barrel.....	\$9.....	\$8.
Wine:			
Containing less than 14 percent alcohol.....	Per wine gallon.....	17 cents.....	15 cents.
Containing 14 to 21 percent alcohol.....	do.....	67 cents.....	60 cents.
Containing 21 to 24 percent alcohol.....	do.....	\$2.25.....	\$2.
Containing more than 24 percent alcohol.....	do.....	\$10.50.....	\$9.
Sparkling wines, liqueurs, etc.:			
Champagne or sparkling wine.....	do.....	\$3.40.....	\$3.
Liqueurs, cordials, etc.....	do.....	\$1.92.....	\$1.60.
Artificially carbonated wine.....	do.....	\$2.40.....	\$2.
Tobacco taxes: Cigarettes.....	Per 1,000.....	\$4.....	\$3.60.
Manufacturers excise taxes:			
Passenger cars.....	Manufacturers' sale price.....	10 percent.....	7 percent.
Auto parts and accessories.....	do.....	8 percent.....	5 percent.
Miscellaneous taxes:			
General (local) telephone.....	Amount charged.....	10 percent.....	0.
Transportation of persons by air.....	Amount paid.....	5 percent.....	0.

The scheduled elimination of the tax on the transportation of persons by air is to be effective with respect to transportation which begins after June 30, 1964. It is contemplated that the Internal Revenue Service, under regulations appropriately safeguarding the collection of taxes, will provide that no tax need be collected on tickets purchased before July 1, 1964, for travel beginning on or after that date. For cases of this kind where tax is paid but not actually due, provision is made for credit or refund. Where a tax with respect to transportation has been collected before July 1, 1964, for travel beginning on or after that date, the person who collected the tax (usually the carrier) is to be allowed a credit or refund for the tax collected if before the transportation began, the collector of the tax repaid the tax to the person from whom he collected it or had obtained the consent of that person to the allowance of the credit or refund.

#### IV. REVENUE EFFECT OF BILL

Tables 2 and 3 show the revenue effect of the tax rates extended by this bill. Table 2 contains the estimates of the staff of the Joint Committee on Internal Revenue Taxation and table 3 the estimates of the Treasury Department. These tables show the effect of the changes made by this bill with respect to the fiscal year 1964 and also in a full year of operation. The full year effect of the bill will be to maintain receipts of \$4.1 to \$4.2 billion which would otherwise be lost. In the fiscal year 1964 the receipts maintained by the rate extensions will amount to \$2.8 to \$2.9 billion (taking into account the effect of floor stock refunds).

TABLE 2.—*Estimates of the staff of the Joint Committee on Internal Revenue Taxation of the increase in revenue resulting from extension of present corporate and excise tax rates*

(In millions of dollars)

	Effect on net budget receipts, fiscal year 1964			Increase in revenue, full year
	Increase in receipts	Decrease in refunds	Total	
Corporate income tax.....	1,065	-----	1,065	2,375
Alcohol:				
Distilled spirits.....	173	112	285	176
Beer.....	89	9	98	91
Wines.....	11	1	12	11
Total alcohol taxes.....	273	122	395	278
Tobacco: Cigarettes (small).....	270	27	297	275
Manufacturers excise taxes:				
Passenger automobiles.....	415	52	467	474
Parts and accessories for automobiles.....	69	-----	69	79
Total manufacturers excise taxes.....	484	52	536	553
Miscellaneous excise taxes:				
General telephone service.....	430	-----	430	575
Transportation of persons by air.....	68	-----	68	90
Total miscellaneous excise taxes.....	498	-----	498	665
Total excise taxes.....	1,525	201	1,726	1,771
Total effect of bill.....	2,590	201	2,791	4,146

TABLE 3.—*Treasury Department estimates of the increase in revenue resulting from extension of present corporate and excise tax rates*

(In millions of dollars)

	Effect on net budget receipts, fiscal year 1964			Increase in revenue, full year
	Increase in receipts	Decrease in refunds	Total	
Corporate income tax.....	1,200	-----	1,200	2,500
Alcohol:				
Distilled spirits.....	190	138	328	193
Beer.....	83	9	92	84
Wines.....	9	5	14	9
Total alcohol taxes.....	282	152	434	286
Tobacco: Cigarettes (small).....	241	24	265	246
Manufacturer's excise taxes:				
Passenger automobiles.....	380	50	430	460
Parts and accessories for automobiles.....	68	-----	68	82
Total manufacturer's excise taxes.....	448	50	498	542
Miscellaneous excise taxes:				
General telephone service.....	430	-----	430	570
Transportation of persons by air.....	86	-----	86	105
Total miscellaneous excise taxes.....	516	-----	516	675
Total excise taxes.....	1,487	226	1,713	1,749
Total effect of bill.....	2,687	226	2,913	4,249

The difference between the estimates of the full year effect and the effect in the fiscal year 1964 are primarily attributable to the postponing of the corporate rate reduction, which is not fully reflected in receipts in the fiscal year 1964. There is also some lag in the collections of the manufacturers' excise taxes on passenger cars and auto parts and accessories, as well as in the case of the general (local) telephone tax and the tax on the transportation of persons by air.

As shown in tables 2 and 3, \$2.4 to \$2.5 billion of the full year revenue loss of \$4.1 to \$4.2 billion prevented by this bill is attributable to the corporate income tax. Of the remainder, \$278 to \$286 million is attributable to the taxes on alcoholic beverages, \$246 to \$275 million to the taxes on cigarettes, \$542 to \$553 million to the automotive taxes, \$570 to \$575 million to the general (local) telephone tax and \$90 to \$105 million to the tax on the transportation of persons by air.

### CHANGES IN EXISTING LAW

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

### INTERNAL REVENUE CODE OF 1954

#### SEC. 11. TAX IMPOSED.

(a) CORPORATIONS IN GENERAL.—A tax is hereby imposed for each taxable year on the taxable income of every corporation. The tax shall consist of a normal tax computed under subsection (b) and a surtax computed under subsection (c).

(b) NORMAL TAX.—

(1) TAXABLE YEARS BEGINNING BEFORE JULY 1, [1963] 1964.—  
In the case of a taxable year beginning before July 1, [1963] 1964, the normal tax is equal to 30 percent of the taxable income.

(2) TAXABLE YEARS BEGINNING AFTER JUNE 30, [1963] 1964.—  
In the case of a taxable year beginning after June 30, [1963] 1964, the normal tax is equal to 25 percent of the taxable income.

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#### SEC. 821. TAX ON MUTUAL INSURANCE COMPANIES TO WHICH PART II APPLIES.

(a) IMPOSITION OF TAX.—A tax is hereby imposed for each taxable year beginning after December 31, 1962, on the mutual insurance company taxable income of every mutual insurance company (other than a life insurance company and other than a fire, flood, or marine insurance company subject to the tax imposed by section 831). Such tax shall consist of—

(1) NORMAL TAX.—

(A) TAXABLE YEARS BEGINNING BEFORE JULY 1, [1963] 1964.—In the case of taxable years beginning before July 1, [1963] 1964, a normal tax of 30 percent of the mutual insurance company taxable income, or 60 percent of the amount by which such taxable income exceeds \$6,000, whichever is the lesser;

(B) **TAXABLE YEARS BEGINNING AFTER JUNE 30, [1963] 1964.**—In the case of taxable years beginning after June 30, [1963] 1964, a normal tax of 25 percent of the mutual insurance company taxable income, or 50 percent of the amount by which such taxable income exceeds \$6,000, whichever is the lesser; plus

(2) **SURTAX.**—A surtax of 22 percent of the mutual insurance company taxable income (computed without regard to the deduction provided in section 242 for partially tax-exempt interest) in excess of \$25,000.

(b) **MUTUAL INSURANCE COMPANY TAXABLE INCOME DEFINED.**—For purposes of this part, the term “mutual insurance company taxable income” means, with respect to any taxable year, the amount by which—

(1) the sum of—

(A) the taxable investment income (as defined in section 822(a)(1)),

(B) the statutory underwriting income (as defined in section 823(a)(1)), and

(C) the amounts required by section 824(d) to be subtracted from the protection against loss account, exceeds

(2) the sum of—

(A) the investment loss (as defined in section 822(a)(2)),

(B) the statutory underwriting loss (as defined in section 823(a)(2)), and

(C) the unused loss deduction provided by section 825(a).

(c) **ALTERNATIVE TAX FOR CERTAIN SMALL COMPANIES.**—

(1) **IMPOSITION OF TAX.**—In the case of taxable years beginning after December 31, 1962, there is hereby imposed for each taxable year on the income of each mutual insurance company to which this subsection applies a tax (which shall be in lieu of the tax imposed by subsection (a)) computed as follows:

(A) **NORMAL TAX.**—

(i) **TAXABLE YEARS BEGINNING BEFORE JULY 1, [1963] 1964.**—In the case of taxable years beginning before July 1, [1963] 1964, a normal tax of 30 percent of the taxable investment income, or 60 percent of the amount by which such taxable income exceeds \$3,000, whichever is the lesser;

(ii) **TAXABLE YEARS BEGINNING AFTER JUNE 30, [1963] 1964.**—In the case of taxable years beginning after June 30, [1963] 1964, a normal tax of 25 percent of the taxable investment income, or 50 percent of the amount by which such taxable income exceeds \$3,000, whichever is the lesser; plus

(B) **SURTAX.**—A surtax of 22 percent of the taxable investment income (computed without regard to the deduction provided in section 242 for partially tax-exempt interest) in excess of \$25,000.

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**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 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, [1963] 1964, 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.

(b) **PARTS AND ACCESSORIES.**—There is hereby imposed upon parts or accessories (other than tires and inner tubes and other than automobile radio and television receiving sets) for any of the articles enumerated in subsection (a) sold by the manufacturer, producer, or importer a tax equivalent to 8 percent of the price for which so sold, except that on and after July 1, [1963] 1964, the rate shall be 5 percent.

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**SEC. 4251. IMPOSITION OF TAX.**

(a) **IN GENERAL.**—There is hereby imposed on amounts paid for the communication services enumerated in the following table a tax equal to the percent of the amount so paid as is specified in such table:

Taxable service	Rate of tax
	Percent
General telephone service.....	10
Toll telephone service.....	10
Telegraph service.....	10
Teletypewriter exchange service.....	10
Wire mileage service.....	10
Wire and equipment service.....	8



The taxes imposed by this section shall be paid by the person paying for the services.

(b) **TERMINATION OF TAX ON GENERAL TELEPHONE SERVICE.**—

(1) **IN GENERAL.**—Effective as provided in paragraph (2), the tax imposed by this section on amounts paid for general telephone service shall cease to apply.

(2) **EFFECTIVE DATE.**—

(A) Subject to the provisions of subparagraph (B), paragraph (1) shall apply with respect to amounts paid on or after July 1, [1963] 1964, for services rendered on or after such date.

(B) Paragraph (1) shall not apply with respect to amounts paid pursuant to bills rendered before July 1, [1963] 1964. In the case of amounts paid pursuant to bills rendered on or after such date for services for which no previous bill was rendered, paragraph (1) shall apply except with respect to such services as were rendered more than 2 months before such date. Paragraph (1) shall not apply with respect to amounts paid for services rendered more than 2 months before such date.

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**SEC. 4261. IMPOSITION OF TAX.**

(a) **AMOUNTS PAID WITHIN THE UNITED STATES.**—There is hereby imposed upon the amount paid within the United States for taxable transportation (as defined in section 4262) of any person by air a tax equal to 5 percent of the amount so paid for transportation which begins after November 15, 1962, and before July 1, [1963] 1964.

(b) **AMOUNTS PAID OUTSIDE THE UNITED STATES.**—There is hereby imposed upon the amount paid without the United States for taxable transportation (as defined in section 4262) of any person by air, but only if such transportation begins and ends in the United States, a tax equal to 5 percent of the amount so paid for transportation which begins after November 15, 1962, and before July 1, [1963] 1964.

(c) **SEATS, BERTHS, ETC.**—There is hereby imposed upon the amount paid for seating or sleeping accommodations in connection with transportation with respect to which a tax is imposed by subsection (a) or (b) a tax equivalent to 5 percent of the amount so paid in connection with transportation which begins after November 15, 1962, and before July 1, [1963] 1964.

(d) **BY WHOM PAID.**—Except as provided in section 4264, the taxes imposed by this section shall be paid by the person making the payment subject to the tax.

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**SEC. 5001. IMPOSITION, RATE, AND ATTACHMENT OF TAX.**

(a) **RATE OF TAX.**—

(1) **GENERAL.**—There is hereby imposed on all distilled spirits in bond or produced in or imported into the United States an internal revenue tax at the rate of \$10.50 on each proof gallon or wine gallon when below proof and a proportionate tax at a like rate on all fractional parts of such proof or wine gallon. On and after July 1, [1963] 1964, the rate of tax imposed by this paragraph shall be \$9 in lieu of \$10.50.

(2) **PRODUCTS CONTAINING DISTILLED SPIRITS.**—All products of distillation, by whatever name known, which contain distilled spirits, on which the tax imposed by law has not been paid, shall be considered and taxed as distilled spirits.

(3) **IMPORTED PERFUMES CONTAINING DISTILLED SPIRITS.**—There is hereby imposed on all perfumes imported into the United States containing distilled spirits a tax of \$10.50 per wine gallon, and a proportionate tax at a like rate on all fractional parts of such wine gallon. On and after July 1, [1963] 1964, the rate of tax imposed by this paragraph shall be \$9 in lieu of \$10.50.

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**SEC. 5022. TAX ON CORDIALS AND LIQUEURS CONTAINING WINE.**

On all liqueurs, cordials, or similar compounds produced in the United States and not produced for sale as wine, wine specialties, or cocktails, which contain more than 2½ percent by volume of wine of an alcoholic content in excess of 14 percent by volume, there shall be paid, in lieu of the tax imposed by section 5021, a tax at the rate of \$1.92 per wine gallon and a proportionate tax at a like rate on all fractional parts of such wine gallon until July 1, [1963] 1964, and on or after July 1, [1963] 1964, at the rate of \$1.60 per wine gallon and a proportionate tax at a like rate on all fractional parts of such wine gallon. The last sentence of section 5021 shall not be construed to limit the imposition of tax under this section. All other provisions of law applicable to rectification shall apply to the products subject to tax under this section.

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**SEC. 5041. IMPOSITION AND RATE OF TAX.**

(a) **IMPOSITION.**—There is hereby imposed on all wines (including imitation, substandard, or artificial wine, and compounds sold as wine) having not in excess of 24 percent of alcohol by volume, in bond in, produced in, or imported into, the United States, taxes at the rates shown in subsection (b), such taxes to be determined as of the time of removal for consumption or sale. All wines containing more than 24 percent of alcohol by volume shall be classed as distilled spirits and taxed accordingly. Still wines shall include those wines containing not more than 0.256 gram of carbon dioxide per hundred milliliters of wine; except that the Secretary or his delegate may by regulations prescribe such tolerances to this maximum limitation as may be reasonably necessary in good commercial practice.

(b) **RATES OF TAX.**—

(1) On still wines containing not more than 14 percent of alcohol by volume, 17 cents per wine gallon, except that on and after July 1, [1963] 1964, the rate shall be 15 cents per wine gallon;

(2) On still wines containing more than 14 percent and not exceeding 21 percent of alcohol by volume, 67 cents per wine gallon, except that on and after July 1, [1963] 1964, the rate shall be 60 cents a wine gallon;

(3) On still wines containing more than 21 percent and not exceeding 24 percent of alcohol by volume, \$2.25 per wine gallon, except that on and after July 1, [1963] 1964, the rate shall be \$2.00 per wine gallon;

(4) On champagne and other sparkling wines, \$3.40 per wine gallon, except that on and after July 1, [1963] 1964, the rate shall be \$3.00 per wine gallon; and

(5) On artificially carbonated wines, \$2.40 per wine gallon, except that on and after July 1, [1963] 1964, the rate shall be \$2.00 per wine gallon.

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#### SEC. 5051. IMPOSITION AND RATE OF TAX.

(a) **RATE OF TAX.**—There is hereby imposed on all beer, brewed or produced, and removed for consumption or sale, within the United States, or imported into the United States, a tax of \$9 for every barrel containing not more than 31 gallons and at a like rate for any other quantity or for fractional parts of a barrel. On and after July 1, [1963] 1964, the tax imposed by this subsection shall be at the rate of \$8 in lieu of \$9. Where the Secretary or his delegate finds that the revenue will not be endangered thereby, he may by regulations prescribe tolerances for barrels and fractional parts of barrels, and, if such tolerances are prescribed, no assessment shall be made and no tax shall be collected for any excess in any case where the contents of a barrel or a fractional part of a barrel are within the limit of the applicable tolerance prescribed.

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#### SEC. 5063. FLOOR STOCKS REFUNDS ON DISTILLED SPIRITS, WINES, CORDIALS, AND BEER.

(a) **GENERAL.**—With respect to any article upon which tax is imposed under this part, upon which internal revenue tax (including floor stocks tax) at the applicable rate prescribed has been paid or determined, and which, on July 1, [1963] 1964, is held by any person and intended for sale or for use in the manufacture or production of any article intended for sale, there shall be credited or refunded to such person (without interest), subject to such regulations as may be prescribed by the Secretary or his delegate, an amount equal to the difference between the tax so paid or determined and the rate made applicable to such articles on and after July 1, [1963] 1964, if claim for such credit or refund is filed with the Secretary or his delegate prior to October 1, [1963] 1964, or within 30 days from the promulgation of such regulations, whichever is later.

(b) **LIMITATIONS ON ELIGIBILITY FOR CREDIT OR REFUND.**—No person shall be entitled to credit or refund under subsection (a), unless such person, for such period or periods both before and after July 1, [1963] 1964 (but not extending beyond 1 year thereafter), as the Secretary or his delegate shall by regulations prescribe, makes and keeps, and files with the Secretary or his delegate, such records of inventories, sales, and purchases as may be prescribed in such regulations.

(c) **OTHER LAWS APPLICABLE.**—All provisions of law, including penalties, applicable in respect of internal revenue taxes on distilled spirits, wines, liqueurs and cordials, imported perfumes containing distilled spirits, and beer shall, insofar as applicable and not inconsistent with this section, be applicable in respect of the credits and refunds provided for in this section to the same extent as if such credits or refunds constituted credits or refunds of such taxes.

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**SEC. 5701. RATE OF TAX.**

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(c) **CIGARETTES.**—On cigarettes, manufactured in or imported into the United States, there shall be imposed the following taxes:

(1) **SMALL CIGARETTES.**—On cigarettes, weighing not more than 3 pounds per thousand, \$4 per thousand until July 1, [1963] 1964, and \$3.50 per thousand on and after July 1, [1963] 1964;

(2) **LARGE CIGARETTES.**—On cigarettes, weighing more than 3 pounds per thousand, \$8.40 per thousand; except that, if more than 6½ inches in length, they shall be taxable at the rate prescribed for cigarettes weighing not more than 3 pounds per thousand, counting each 2¾ inches, or fraction thereof, of the length of each as one cigarette.

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**SEC. 5707. FLOOR STOCKS REFUND ON CIGARETTES.**

(a) **IN GENERAL.**—With respect to cigarettes, weighing not more than 3 pounds per thousand, upon which the tax imposed by subsection (c)(1) of section 5701 has been paid, and which, on July 1, [1963] 1964, are held by any person and intended for sale, or are in transit from foreign countries or insular possessions of the United States to any person in the United States for sale, there shall be credited or refunded to such person (without interest), subject to such regulations as shall be prescribed by the Secretary or his delegate, an amount equal to the difference between the tax paid on such cigarettes and the tax made applicable to such articles on July 1, [1963] 1964, if claim for such credit or refund is filed with the Secretary or his delegate before October 1, [1963] 1964.

(b) **LIMITATIONS ON ELIGIBILITY FOR CREDIT OR REFUND.**—No person shall be entitled to credit or refund under subsection (a) unless such person, for such period or periods both before and after July 1, [1963] 1964 (but not extending beyond 1 year thereafter), as the Secretary or his delegate shall by regulation prescribe, makes and keeps, and files with the Secretary or his delegate, such records of inventories, sales, and purchases as may be prescribed in such regulations.

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

(a) **IN GENERAL.**—

(1) **PASSENGER AUTOMOBILES, ETC.**—Where before July 1, [1963] 1964, 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, [1963] 1964, if claim for such credit or refund is filed with the Secretary or his delegate on or before November 10, [1963] 1964, based upon a request submitted to the manufacturer, producer or importer before October 1, [1963] 1964, by the dealer who held the article in respect of which the credit or refund is claimed, and, on or before November 10, [1963] 1964,

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.

## SECTION 497 OF THE REVENUE ACT OF 1951

### SEC. 497. REFUNDS ON ARTICLES FROM FOREIGN TRADE ZONES.

(a) IMPORTED ARTICLES.—With respect to any article specified in section 2000(c)(2), 2800(a), 3030(a), or 3150(a) of the Internal Revenue Code of 1939 (or section 5701(c), 5001(a), 5022, 5041(b), or 5051(a) of the Internal Revenue Code of 1954) on which internal revenue tax at the applicable rate prescribed in such section has been determined pursuant to section 3 of the Act of June 18, 1934, as amended (U.S.C., title 19, sec. 81c), prior to July 1, [1963] 1964, and which on or after such date is brought from a foreign trade zone into customs territory of the United States and the tax so determined thereon paid, there shall be credited or refunded (without interest) to the taxpayer, subject to such regulations as may be prescribed by the Secretary, an amount equal to the difference between the tax so paid and the amount of tax made applicable to such articles on and after July 1, [1963] 1964, if claim for such credit or refund is filed with the Secretary within thirty days after payment of the tax.

(b) PREVIOUSLY TAXPAID ARTICLES.—With respect to any article specified in section 2000(c)(2), 2800(a), 3030(a) or 3150(a) of the Internal Revenue Code of 1939 (or section 5701(c), 5001(a), 5022, 5041(b), or 5051(a) of the Internal Revenue Code of 1954), upon which internal revenue tax (including floor stocks tax) at the applicable rate prescribed in such section has been paid, and which was taken into a foreign trade zone from the customs territory of the United States and placed under the supervision of the collector of customs, pursuant to the second proviso of section 3 of the Act of June 18, 1934, as amended (U.S.C., title 19, sec. 81c), prior to July 1, [1963] 1964, and which on or after such date is (without loss of identity) returned from a foreign trade zone to customs territory of the United States, there shall be credited or refunded (without interest) to the person so returning such article, subject to such regulations as may be prescribed by the Secretary, an amount equal to the difference between the tax so paid and the amount of tax made applicable to such articles on and after July 1, [1963] 1964, if claim for such credit or refund is filed with the Secretary within thirty days after the return of the article to customs territory.

**SECTION 5(e) OF THE TAX RATE EXTENSION ACT OF 1962**

**SEC. 5. EXTENSION THROUGH NOVEMBER 15, 1962, OF TAX ON TRANSPORTATION OF PERSONS, AND FURTHER EXTENSION OF TAX ON TRANSPORTATION OF PERSONS BY AIR AT 5-PERCENT RATE FOR PERIOD NOVEMBER 16, 1962, THROUGH JUNE 30, 1963.**

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(e) **SPECIAL CREDIT OR REFUND OF TRANSPORTATION TAX.**—Notwithstanding any other provision of law, in any case in which tax has been collected—

(1) before November 16, 1962, for or in connection with the transportation of persons which begins on or after November 16, 1962, or

(2) after November 15, 1962, and before July 1, [1963] 1964 for or in connection with the transportation of persons by air which begins on or after July 1, [1963] 1964,

the person who collected the tax shall pay the same over to the United States; but credit or refund (without interest) of the tax collected in excess of that applicable (by reason of the amendments made by this section) shall be allowed to the person who collected the tax as if such credit or refund were a credit or refund under the applicable provision of the Internal Revenue Code of 1954, but only to the extent that, before the time such transportation has begun, he has repaid the amount of such excess to the person from whom he collected the tax, or has obtained the consent of such person to the allowance of the credit or refund. For the purpose of this subsection, transportation shall not be considered to have begun on or after November 16, 1962, or on or after July 1, [1963] 1964, as the case may be, if any part of the transportation paid for (or for which payment has been obligated) commenced before such date.

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