
TAX ADJUSTMENT ACT OF 1966

MARCH 14, 1966.—Ordered to be printed

Mr. MILLS, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H. R. 12752]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 12752) to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 18, 22, 23, 24, 25, and 34.

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 19, 20, 21, 26, 27, 28, 29, 30, 31, 32, and 33, and agree to the same.

Amendment numbered 35:

That the House recede from its disagreement to the amendment of the Senate numbered 35, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

Sec. 302. Benefits at age 72 for certain uninsured individuals.

(a) *MONTHLY BENEFITS.*—Title II of the Social Security Act is amended by adding at the end thereof the following new section:

"BENEFITS AT AGE 72 FOR CERTAIN UNINSURED INDIVIDUALS**"ELIGIBILITY**

"SEC. 228. (a) Every individual who—

"(1) has attained the age of 72,

"(2)(A) attained such age before 1968, or (B) has not less than 3 quarters of coverage, whenever acquired, for each calendar year elapsing after 1966 and before the year in which he attained such age,

"(3) is a resident of the United States (as defined in subsection (e)), and is (A) a citizen of the United States or (B) an alien lawfully admitted for permanent residence who has resided in the United States (as defined in section 210(i)) continuously during the 5 years immediately preceding the month in which he files application under this section, and

"(4) has filed application for benefits under this section, shall (subject to the limitations in this section) be entitled to a benefit under this section for each month beginning with the first month after September 1966 in which he becomes so entitled to such benefits and ending with the month preceding the month in which he dies. No application under this section which is filed by an individual more than 3 months before the first month in which he meets the requirements of paragraphs (1), (2), and (3) shall be accepted as an application for purposes of this section.

"BENEFIT AMOUNT

"(b)(1) Except as provided in paragraph (2), the benefit amount to which an individual is entitled under this section for any month shall be \$35.

"(2) If both husband and wife are entitled (or upon application would be entitled) to benefits under this section for any month, the amount of the husband's benefit for such month shall be \$35 and the amount of the wife's benefit for such month shall be \$17.50.

"REDUCTION FOR GOVERNMENTAL PENSION SYSTEM BENEFITS

"(c)(1) The benefit amount of any individual under this section for any month shall be reduced (but not below zero) by the amount of any periodic benefit under a governmental pension system for which he is eligible for such month.

"(2) In the case of a husband and wife only one of whom is entitled to benefits under this section for any month, the benefit amount, after any reduction under paragraph (1), shall be further reduced (but not below zero) by the excess (if any) of (A) the total amount of any periodic benefits under governmental pension systems for which the spouse who is not entitled to benefits under this section is eligible for such month, over (B) \$17.50.

"(3) In the case of a husband and wife both of whom are entitled to benefits under this section for any month—

"(A) the benefit amount of the wife, after any reduction under paragraph (1), shall be further reduced (but not below zero) by the excess (if any) of (i) the total amount of any periodic benefits under governmental pension systems for which the husband is eligible for such month, over (ii) \$35, and

“(B) the benefit amount of the husband, after any reduction under paragraph (1), shall be further reduced (but not below zero) by the excess (if any) of (i) the total amount of any periodic benefits under governmental pension systems for which the wife is eligible for such month, over (ii) \$17.50.

“(4) For purposes of this subsection, in determining whether an individual is eligible for periodic benefits under a governmental pension system—

“(A) such individual shall be deemed to have filed application for such benefits,

“(B) to the extent that entitlement depends on an application by such individual's spouse, such spouse shall be deemed to have filed application, and

“(C) to the extent that entitlement depends on such individual or his spouse having retired, such individual and his spouse shall be deemed to have retired before the month for which the determination of eligibility is being made.

“(5) For purposes of this subsection, if any periodic benefit is payable on any basis other than a calendar month, the Secretary shall allocate the amount of such benefit to the appropriate calendar months.

“(6) If, under the foregoing provisions of this section, the amount payable for any month would be less than \$1, such amount shall be reduced to zero. In the case of a husband and wife both of whom are entitled to benefits under this section for the month, the preceding sentence shall be applied with respect to the aggregate amount so payable for such month.

“(7) If any benefit amount computed under the foregoing provisions of this section is not a multiple of \$0.10, it shall be raised to the next higher multiple of \$0.10.

“(8) Under regulations prescribed by the Secretary, benefit payments under this section to an individual (or aggregate benefit payments under this section in the case of a husband and wife) of less than \$5 may be accumulated until they equal or exceed \$5.

“SUSPENSION FOR MONTHS IN WHICH CASH PAYMENTS ARE MADE UNDER PUBLIC ASSISTANCE

“(d) The benefit to which any individual is entitled under this section for any month shall not be paid for such month if—

“(1) such individual receives aid or assistance in the form of money payments in such month under a State plan approved under title I, IV, X, XIV, or XVI, or

“(2) such individual's husband or wife receives such aid or assistance in such month, and under the State plan the needs of such individual were taken into account in determining eligibility for (or amount of) such aid or assistance,

unless the State agency administering or supervising the administration of such plan notifies the Secretary, at such time and in such manner as may be prescribed in accordance with regulations of the Secretary, that such payments to such individual (or such individual's husband or wife) under such plan are being terminated with the payment or payments made in such month.

"SUSPENSION WHERE INDIVIDUAL IS RESIDING OUTSIDE THE UNITED STATES

"(e) The benefit to which any individual is entitled under this section for any month shall not be paid if, during such month, such individual is not a resident of the United States. For purposes of this subsection, the term 'United States' means the 50 States and the District of Columbia.

"TREATMENT AS MONTHLY INSURANCE BENEFITS

"(f) For purposes of subsections (t) and (u) of section 202, and of section 1840 a monthly benefit under this section shall be treated as a monthly insurance benefit payable under section 202.

"ANNUAL REIMBURSEMENT OF FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

"(g) There are authorized to be appropriated to the Federal Old-Age and Survivors Insurance Trust Fund for the fiscal year ending June 30, 1969, and for each fiscal year thereafter, such sums as the Secretary of Health, Education, and Welfare deems necessary on account of—

"(1) payments made under this section during the second preceding fiscal year and all fiscal years prior thereto to individuals who, as of the beginning of the calendar year in which falls the month for which payment was made, had less than 3 quarters of coverage,

"(2) the additional administrative expenses resulting from the payments described in paragraph (1), and

"(3) any loss in interest to such Trust Fund resulting from such payments and expenses,
in order to place such Trust Fund in the same position at the end of such fiscal year as it would have been in if such payments had not been made.

"DEFINITIONS

"(h) For purposes of this section—

"(1) The term 'quarter of coverage' includes a quarter of coverage as defined in section 5(d) of the Railroad Retirement Act of 1937.

"(2) The term 'governmental pension system' means the insurance system established by this title or any other system or fund established by the United States, a State, any political subdivision of a State, or any wholly owned instrumentality of any one or more of the foregoing which provides for payment of (A) pensions, (B) retirement or retired pay, or (C) annuities or similar amounts payable on account of personal services performed by any individual (not including any payment under any workmen's compensation law or any payment by the Veterans' Administration as compensation for service-connected disability or death).

"(3) The term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments.

"(4) The determination of whether an individual is a husband or wife for any month shall be made under subsection (h) of section 216 without regard to subsections (b) and (f) of section 216."

(b) **CERTAIN APPLICATIONS UNDER 1965 AMENDMENTS.**—For purposes of paragraph (4) of section 228(a) of the Social Security Act

(added by subsection (a) of this section), an application filed under section 103 of the Social Security Amendments of 1965 before July 1966 shall be regarded as an application under such section 228 and shall, for purposes of such paragraph and of the last sentence of such section 228(a), be deemed to have been filed in July 1966, unless the person by whom or on whose behalf such application was filed notifies the Secretary that he does not want such application so regarded.

And the Senate agree to the same.

Amendment numbered 36:

That the House recede from its disagreement to the amendment of the Senate numbered 36, and agree to the same with the following amendments:

On page 19 of the Senate engrossed amendments, strike out line 4 and insert:

Sec. 303. Temporary duty-free entry for gifts from members of Armed Forces in combat zones.

(a) *GIFTS COSTING \$50 OR LESS.*—Subpart B of part 1 of the appendix to

On page 19 of the Senate engrossed amendments, in the matter following line 7, after "may prescribe" insert a comma.

On page 19 of the Senate engrossed amendments, in the fourth line from the bottom of the page, strike out "(b)" and insert: (b) *CLERICAL AMENDMENT.*—

On page 19 of the Senate engrossed amendments, in the last line, strike out "(c)" and insert: (c) *EFFECTIVE DATE.*—

And the Senate agree to the same.

W. D. MILLS,
CECIL R. KING,
HALE BOGGS,
EUGENE J. KEOGH,
JOHN W. BYRNES,
JAMES B. UTT,

Managers on the Part of the House.

RUSSELL B. LONG,
GEORGE A. SMATHERS,
CLINTON P. ANDERSON,
JOHN J. WILLIAMS,
FRANK CARLSON,

Managers on the Part of the Senate.

STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 12752) to provide for graduated withholding of income tax from wages, to require declarations of estimated tax with respect to self-employment income, to accelerate current payments of estimated income tax by corporations, to postpone certain excise tax rate reductions, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The following Senate amendments made technical, clerical, clarifying or conforming changes: 1, 2, 3, 6, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 20, 21, 23, 24, 25, 27, 28, 29, 30, 31, and 32. With respect to these amendments (1) the House recedes, or (2) the Senate recedes in order to conform to other action agreed upon by the committee of conference.

WITHHOLDING ALLOWANCES BASED ON ITEMIZED DEDUCTIONS

Amendments Nos. 4 and 5: The bill as passed by the House and the Senate permits employees to claim withholding allowances (which are to have the same effect as withholding exemptions for purposes of income tax withholding) equal to the number determined by dividing by \$700 the excess of (1) estimated itemized deductions, over (2) an amount equal to the sum of a specified percentage of the first \$7,500 of estimated wages and 17 percent of the remainder of the estimated wages. Under the bill as passed by the House, the percentage of the first \$7,500 of estimated wages was 12 percent. Under Senate amendment No. 4, this percentage is reduced to 10 percent. The House recedes.

Under the bill as passed by the House, any fraction resulting from the computation was to be disregarded except that, if the number determined was one-half or more but less than 1, it was to be increased to 1. Under Senate amendment No. 5, fractional numbers are not to be taken into account. The House recedes.

The conferees on the part of the House and on the part of the Senate are concerned about the extent of overwithholding which prevails under existing law and which it appears will continue at a reduced level under the graduated withholding system provided by this bill, even with the withholding allowances as provided in the agreement reached by your conferees. For that reason, it has requested the Treasury Department to continue to survey and study ways and means of reducing overwithholding, particularly in the case of seasonal and intermittent employment, and has asked the Treasury Department, as it gains some experience under the system provided by the bill, to report back from time to time to the House Committee on Ways and Means and the Senate Committee on Finance as to any practicable means of reducing the remaining overwithholding.

Amendment No. 7: Under the bill as passed by the House, an employee's estimated itemized deductions for any estimation year could not be greater than the amount of the deductions (other than the deductions referred to in secs. 141 and 151 of the code and other than the deductions required to be taken into account in determining adjusted gross income under sec. 62 of the code) shown on his Federal income tax return for the taxable year preceding his estimation year. Under Senate amendment No. 7, if the employee did not show such deductions on his return for such preceding taxable year, the amount of his estimated itemized deductions is not to exceed the lesser of \$1,000 or 10 percent of the wages shown on such return. The House recedes.

OPTION OF INDIVIDUALS TO DISREGARD BALANCES DUE AND
OVERPAYMENTS OF \$5 OR LESS

Amendment No. 18: This amendment added a new section 5 to the code under which individuals were given an election to disregard balances due and overpayments of \$5 or less where their withholding and other tax credits and payments of estimated tax for a year were within \$5 of their tax liability for the year as shown on their returns. This election would have been effective for taxable years after 1966.

The Senate recedes.

Although the House conferees did not agree to Senate amendment No. 18, they recognize the desirability of simplifying tax collection and refund procedures, an objective toward which this amendment was directed. For this reason, the conferees, both on the part of the House and on the part of the Senate, are requesting the Treasury Department to study and report back to the House Committee on Ways and Means and the Senate Committee on Finance as to the practicability and desirability of forgoing taxpayments and refunds in cases where the amount due at the time the final return is filed is small because of substantial payments through withholding or payments of estimated tax, or both. This study and report to the committees is to be made in conjunction with the study on ways of relieving overwithholding referred to earlier in this statement.

FLOOR STOCKS TAX ON PASSENGER AUTOMOBILES, ETC.

Amendment No. 19: The bill as passed by the House provided for a floor stocks tax on passenger automobiles and trailers (other than house trailers) suitable for use in connection with passenger automobiles which on the day after the enactment of the bill are held by dealers and have not been used and are intended for sale. Under this provision the tax was 1 percent of the price for which the article was sold by the manufacturer, producer, or importer. The tax was to be paid by the dealer and be collected from him by the manufacturer, producer, or importer. The tax was to be paid at such time after 60 days after the date of enactment of the bill as may be prescribed by the Secretary of the Treasury or his delegate.

Senate amendment No. 19 strikes out this provision of the bill. The House recedes.

LOCAL RESIDENTIAL TELEPHONE SERVICE

Amendment No. 22: The bill, as passed by the House, increased the tax on communication services to 10 percent (the rate in effect on December 31, 1965) for the period from the effective date of this provision through March 31, 1968. Senate amendment No. 22 provided that this temporary increase was not to apply to local residential telephone service, as defined in the amendment, and that the tax rates provided by existing law (3 percent for calendar year 1966, 2 percent for calendar year 1967, and 1 percent for calendar year 1968) were to continue to apply to this service.

The Senate recesses.

EFFECTIVE DATE OF INCREASE IN COMMUNICATIONS TAX

Amendment No. 26: Under the bill as passed by the House, the amendments made by section 202 of the bill (relating to communication services) were to take effect, under the rules prescribed by the bill, on the first day of the first month which begins more than 15 days after the date on which the bill is enacted. Under Senate amendment No. 26 the effective date is April 1, 1966.

The House recesses.

DISALLOWANCE OF DEDUCTION FOR CERTAIN INDIRECT CONTRIBUTIONS TO POLITICAL PARTIES

Amendment No. 33: This amendment adds a new section 276 to the code providing that no deduction otherwise allowable under chapter 1 of the code shall be allowed for any amount paid or incurred for—

(1) advertising in a convention program of a political party, or in any other publication if any part of the proceeds of such publication directly or indirectly inures (or is intended to inure) to or for the use of a political party or a political candidate,

(2) admission to any dinner or program, if any part of the proceeds of such dinner or program directly or indirectly inures (or is intended to insure) to or for the use of a political party or a political candidate, or

(3) admission to an inaugural ball, inaugural gala, inaugural parade, or inaugural concert, or to any similar event which is identified with a political party or a political candidate.

The new section also defines the term "political party" and provides that proceeds are to be treated as inuring to or for the use of a political candidate only if (a) such proceeds may be used directly or indirectly for the purpose of furthering his candidacy for selection, nomination, or election to any elective public office, and (b) such proceeds are not received by such candidate in the ordinary course of a trade or business (other than the trade or business of holding elective public office). The new section applies to taxable years beginning after December 31, 1965, but only with respect to amounts paid or incurred after the date of the enactment of the bill.

The House recesses.

INFORMATION RETURNS MADE BY THE DEPARTMENT OF AGRICULTURE

Amendment No. 34: Section 6041(a) of the code now requires information returns to be made by persons engaged in trade or business and by officers and employees of the United States with respect to certain payments of \$600 or more in a taxable year. The return sets forth the amount of the payments and the name and address of the recipient. Senate amendment No. 34 added a new subsection (e) to section 6041 providing (1) that information returns which are required under section 6041(a) with respect to payments under programs administered by the Department of Agriculture are to be rendered by the Secretary of Agriculture or by one or more officers or employees of the Department of Agriculture designated by the Secretary of Agriculture to make such returns on his behalf, and (2) that the Secretary of Agriculture (or the officer or employee rendering the return) is to furnish to each person whose name is set forth in the return a written statement showing the aggregate amount of payments to the person as shown on the return.

The Senate recedes.

Although the conferees on the part of the House, because of problems of administering the amendment, did not agree to Senate amendment No. 34, it was recognized that there is a problem in correlating the different payments which may be made to a farmer during a year at different times or by different offices or agencies of the Department of Agriculture. It was thought that a means should be developed administratively to report with respect to any farmer a total of the payments made to him which should be reported for tax purposes. Also, a study should be made of the feasibility of reporting to the farmer amounts paid to him which are reported to the Internal Revenue Service. These studies should be made by the Department of Agriculture in cooperation with the Department of the Treasury and a report made to the House Committee on Ways and Means and the Senate Committee on Finance early in the next Congress.

SOCIAL SECURITY BENEFITS FOR CERTAIN AGED UNINSURED INDIVIDUALS

Amendment No. 35: This amendment adds a new section to the bill to provide monthly benefit payments under section 202 of the Social Security Act to individuals who meet the requirements of the new provisions. Under the Senate amendment, an individual would be entitled to the new benefits if he has filed application for the benefits and (a) has attained age 70, (b) either (i) is not and would not (upon filing application) be entitled to monthly benefits under existing section 202 for the month in which he attains age 70 or (if later) the month in which he files application for the new benefits, or (ii) is entitled to such benefits but the amount is less than the amount of the new benefits, and (c) is a resident of the United States (as defined in sec. 210(i) of the Social Security Act) and is a citizen of the United States or an alien lawfully admitted for permanent residence who has resided in the United States (as so defined) continuously during the 5 years immediately preceding the month in which he files application for the new benefits.

Under the Senate amendment, the amount of the new monthly benefit would (in effect) be \$44, except that the amount would be \$22 in the case of a married woman whose husband is entitled to the

new benefits. Under the Senate amendment the new provisions would apply for months after September 1966, and section 227 of the Social Security Act (relating to transitional insured status) would be repealed as of the close of September 1966.

The Senate amendment authorized appropriations to be made from time to time to the Federal old-age and survivors insurance trust fund and to the Federal hospital insurance trust fund to place each trust fund in the same position in which it would have been but for the Senate amendment.

Under the conference agreement, the House recedes with an amendment in the nature of a substitute for the Senate amendment. Subsection (a) of section 302 of the bill as agreed to in conference adds a new section 228 to the Social Security Act providing for benefits at age 72 for certain uninsured individuals.

Under subsection (a) of the new section 228 an individual is (subject to the limitations provided by sec. 228) to be entitled to benefits if he—

- (1) has attained age 72;
- (2) attained such age before 1968 or has not less than three quarters of coverage (whenever acquired) for each calendar year elapsing after 1966 and before the year in which he attained such age;
- (3) is a resident of the United States (as defined in the second sentence of subsec. (e) of the new sec. 228), and is a citizen of the United States or an alien lawfully admitted for permanent residence who has resided in the United States (as defined in sec. 210(i) of the Social Security Act) continuously during the 5 years immediately preceding the month in which he files application under new section 228; and

(4) has filed application for benefits under new section 228. Entitlement is to begin with the first month after September 1966 in which the individual becomes entitled to such benefits and is to end with the month preceding the month in which he dies.

Subsection (b) of the new section 228 provides that the benefit amount for any month is to be \$35, except that if both husband and wife are entitled (or upon application would be entitled) to benefits under new section 228 for any month, the husband's benefit for such month is to be \$35 and the wife's benefit is to be \$17.50.

Subsection (c) of the new section 228 provides for the reduction of the benefits under this new provision on account of periodic benefits for which the individuals concerned are eligible under governmental pension systems (as defined in new subsec. (h)(2)).

Under paragraph (1) of the new subsection (c) the amount of the new benefit for any individual is first reduced by the periodic benefits under governmental pension systems for which such individual is eligible.

Paragraphs (2) and (3) relate to husbands and wives and in effect provide that the new benefit amount to which one spouse is entitled will be further reduced, in the manner specified, by a portion of the periodic benefits for which the other spouse is eligible under governmental pension systems.

Paragraph (4) of the new subsection (c) provides in effect that, in determining the eligibility of individuals for periodic benefits under governmental pension systems, applications for such benefits shall be

deemed to have been filed and the individuals concerned shall be deemed to have retired.

Paragraph (5) of the new subsection (c) provides that where a periodic benefit is payable on a basis other than a calendar month, the Secretary of Health, Education, and Welfare is to allocate the amount of such benefit to the appropriate calendar months.

Paragraph (6) of the new subsection (c) provides that a monthly benefit amount under the new provision (determined before rounding under new subsec. (c)(7)) of less than \$1 is to be reduced to zero. Where both husband and wife are entitled to benefits under the new provision for the month, their benefit amounts are to be reduced to zero only if, after such amounts are combined (but before rounding under new subsec. (c)(7)), they aggregate less than \$1.

Paragraph (7) of the new subsection (c) provides that any benefit amount which is not a multiple of 10 cents is to be raised to the next higher multiple of 10 cents. In the case of a husband and wife, this rounding provision is to be applied separately to the benefit of each spouse.

Paragraph (8) of the new subsection (c) provides that, under regulations prescribed by the Secretary of Health, Education, and Welfare, where the amount otherwise payable under the new provision to an individual (or to a husband and wife) is less than \$5, that amount may be accumulated. Where the amounts so accumulated equal or exceed \$5, they will become immediately payable.

Subsection (d) of the new section 228 provides, in general, that the benefit to which any individual is entitled under section 228 for any month is not to be paid if he receives aid or assistance in the form of money payments in such month under a State plan approved under title I, IV, X, XIV, or XVI of the Social Security Act. Such benefit for any month is also not to be paid if such individual's spouse receives such aid or assistance in such month and the needs of such individual were taken into account in determining eligibility for (or the amount of) such aid or assistance.

Subsection (e) of the new section 228 provides that the benefit to which any individual is otherwise entitled under the new section 228 is not to be paid for any month during which the individual is not a resident of the United States. For this purpose, the term "United States" means the 50 States and the District of Columbia.

Subsection (f) of the new section 228 provides that monthly benefits under the new section are to be treated as monthly insurance benefits under section 202 of the Social Security Act for purposes of sections 202(t) (relating to suspension of benefits of aliens who are outside United States), 202(u) (relating to conviction for certain offenses), and 1840 (relating to payment of premiums for supplementary medical insurance benefits). It is to be noted that this treatment (as monthly benefits under sec. 202) does not apply, for example, with respect to section 226 of the Social Security Act (relating to entitlement to hospital insurance benefits) or to section 202(m) of such act (relating to minimum benefits).

Subsection (g) authorizes to be appropriated to the Federal old-age and survivors insurance trust fund for the fiscal year ending June 30, 1969, and for each fiscal year thereafter, such sums as the Secretary of Health, Education, and Welfare deems necessary on account of—

(1) benefit payments made under the new section 228 during the second preceding fiscal year (and all fiscal years prior thereto

which begin after June 30, 1966) to individuals who had less than three quarters of coverage as of the beginning of the calendar year in which falls the month for which such benefit payments were made;

(2) the additional administrative expenses resulting from such benefit payments; and

(3) any loss in interest to such trust fund resulting from such benefit payments and administrative expenses;

in order to place such trust fund in the same position at the end of such fiscal year as it would have been in if such benefit payments had not been made.

Subsection (h) provides definitions for the new section 228.

Paragraph (1) provides that the term "quarter of coverage" includes a quarter of coverage as defined in section 5(l) of the Railroad Retirement Act of 1937.

Paragraph (2) defines the term "governmental pension system" to mean the insurance system established by title II of the Social Security Act or any other system or fund established by the United States, a State, any political subdivision of a State, or any wholly owned instrumentality of any one or more of the foregoing which provides for payment of (a) pensions, (b) retirement or retired pay, or (c) annuities or similar amounts payable on account of personal services performed by any individual (not including any payment under any workmen's compensation law or any payment by the Veterans' Administration as compensation for service-connected disability or death).

Paragraph (3) provides that the term "periodic benefit" includes a benefit payable in a lump sum if it is in commutation of, or a substitute for, periodic payments.

Paragraph (4) provides that the determination of whether an individual is a husband or wife for any month is to be made under the general rules of subsection (h) of section 216 without regard to the special rules in subsections (b) and (f) of such section.

The new subsection (b) of section 302 of the bill, as agreed to in conference, provides that, for purposes of paragraph (4) of the new section 228(a) of the Social Security Act (which requires the filing of an application as a condition of entitlement to the new benefits), applications filed before July of 1966 under section 103 of the Social Security Amendments of 1965 (which provides eligibility for hospital insurance benefits for certain uninsured individuals) shall be treated also as an application for benefits under the new section 228.

DUTY FREE TREATMENT OF GIFTS FROM SERVICEMEN IN COMBAT AREAS

Amendment No. 36: Under existing law (sec. 321(a) of the Tariff Act of 1930) bona fide gifts from abroad may be imported free of duty if the retail value in the country of shipment does not exceed \$10. Senate amendment No. 36 adds a new item to the tariff schedules providing for the temporary duty free entry of articles constituting a bona fide gift from a member of the Armed Forces of the United States serving in a combat zone to the extent such articles in any shipment do not exceed \$50 in aggregate retail value in the country of shipment and with such limitations on the importation of alcoholic beverages and tobacco products as the Secretary of the Treasury may prescribe. The provision would apply only if the articles are purchased in or through authorized agencies of the Armed Forces of the

United States or in accordance with regulations prescribed by the Secretary of Defense. For purposes of this provision the term "combat zone" is any area designated by the President by an Executive order under section 112(c) of the Internal Revenue Code of 1954 (relating to exclusion from gross income for certain combat pay of members of the Armed Forces). On April 24, 1965, the President designated Vietnam and adjacent waters as a combat zone.

The Senate amendment applies to articles entered after the date of the enactment of the bill and on or before December 31, 1967.

The House recedes with clerical amendments.

W. D. MILLS,
CECIL R. KING,
HALE BOGGS,
EUGENE J. KEOGH,
JOHN W. BYRNES,
JAMES B. UTT,

Managers on the Part of the House.

