

## EXTENSION OF CERTAIN EXCISE TAXES AND POSTAGE RATES

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Mr. HARRISON, from the Committee on Finance, submitted the following

### REPORT

[To accompany H. J. Res. 324]

The Committee on Finance, to whom was referred the joint resolution (H. J. Res. 324) to provide revenue, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the joint resolution as amended do pass.

Under existing law certain excise taxes become inoperative after June 30, 1935, certain others become inoperative after July 31, 1935, and certain others will continue to operate only at reduced rates or with increased exemptions after June 30, 1935. In addition, the rate on nonlocal, first-class mail matter will be subject to reduction from 3 cents to 2 cents after June 30, 1935.

If the temporary taxes, and the temporary increased rates or decreased exemptions, and the temporary increased rate on nonlocal, first-class mail matter are permitted to lapse at this time, the Treasury faces a total annual loss of revenue estimated at nearly 502 million dollars, as will be shown hereafter in this report.

While the present financial condition of the Treasury is encouraging and while the present revenues are somewhat greater than the original estimates, it is the opinion of your committee that the revenues provided by the temporary provisions above referred to cannot be spared at this time. This view was expressed by the President in his message transmitting the Budget for 1936, in which he said:

While I do not consider it advisable at this time to propose any new or additional taxes for the fiscal year 1936, I do recommend that the Congress take steps by suitable legislation to extend the miscellaneous internal-revenue taxes which under existing law will expire next June of July, and also to maintain the current rates of these taxes which will be reduced next June. I consider that such taxes are necessary to the financing of the Budget for 1936.

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In this connection, may I say, too, that the postal revenues, as estimated in detail in the annexed budget of the Post Office Department, are based on the continuation of the 3-cent postage rate for nonlocal first-class mail. Unless this rate is continued, the postal expenses for 1936, which include steamship and aircraft subsidies and free carriage of Government mail, will be increased by about \$75,000,000, all of which will become an added burden on the general revenues of the Treasury. I, therefore, recommend the extension of the 3-cent rate.

At the close of the first 10 months of this fiscal year, on May 31, 1935, the total receipts of the Federal Government amounted to \$3,336,733,841. These receipts were \$612,186,571 in excess of the receipts for the corresponding 10 months of the previous fiscal year. In other words, receipts this year show an increase of more than 22 percent over last year. The total expenditures for the first 10 months of this fiscal year amount to \$6,470,205,136, which is \$98,422,410, or 1½ percent, in excess of the expenditures for the first 10 months of the previous fiscal year. The total receipts exceed the regular general expenditures of the Government by nearly \$100,000,000 for the first 10 months of this year, but it must be borne in mind that the emergency expenditures, under the relief and recovery program in the same period amount to over \$3,229,000,000. It is obvious that expenditures will exceed receipts in both the current fiscal year and the next fiscal year to an extent which would make extremely unwise a decrease in the Federal revenues.

The joint resolution as passed by the House extends for a period of 2 years all these temporary provisions of the revenue laws which bring in additional revenues and which without legislation will automatically expire within the next 2 months. Your committee has amended the resolution so that these provisions will be extended for only 1 year instead of 2 years. It is recognized that some of these excise taxes are objectionable or contain objectionable features, but obviously, we cannot afford to lose the revenue provided for by these excise taxes at this time. In conformity with the 1-year extension above noted, the joint resolution as reported by your committee extends to June 30, 1936, the power granted to the President under existing law to reduce the rates on nonlocal first-class mail matter. Thus if the President finds, after a survey, that conditions so warrant he can reduce the 3-cent postage rate at any time.

In order to show the taxes affected by this joint resolution, the actual revenues derived therefrom in the fiscal year 1934, the estimated revenues to be derived therefrom in 1935 and 1936, and the estimated annual loss in revenues to be expected from a failure to extend the present temporary provisions of the existing revenue laws, the following three tables are submitted:

TABLE I.—Excise taxes subject to repeal under existing law

Tax on—	Section Revenue Act of 1932	Actual revenue fiscal year 1934	Estimated revenue fiscal year 1935	Estimated revenue fiscal year 1936
Lubricating oil.....	601(c)(1)	\$25,255,000	\$26,848,000	\$28,000,000
Brewers wort, etc.....	601(c)(2)	3,040,000	1,322,000	800,000
Grape concentrate.....	601(c)(3)	27,000	2,000	1,000
Imported petroleum, etc.....	601(c)(4)	8,243,000	8,000,000	8,000,000
Imported coal.....	601(c)(5)	1,153,000	1,100,000	1,100,000
Imported lumber.....	601(c)(6)	918,000	900,000	900,000
Imported copper.....	601(c)(7)	800,000	800,000	800,000
Tires and tubes.....	602	27,630,000	26,141,000	27,000,000
Toilet preparations.....	603	10,813,000	12,554,000	12,000,000
Furs.....	604	7,662,000	2,725,000	2,600,000
Jewelry.....	605	4,669,000	1,942,000	1,800,000
Auto trucks.....	606	5,048,000	6,191,000	6,300,000
Other autos.....	606	32,527,000	34,305,000	35,000,000
Auto accessories.....	606	6,696,000	6,128,000	6,200,000
Radios and phonographs.....	607	3,157,000	3,583,000	3,700,000
Mechanical refrigerators.....	608	5,526,000	6,538,000	6,800,000
Sporting goods.....	609	3,773,000	4,513,000	4,600,000
Firearms, etc.....	610	2,511,000	2,333,000	2,300,000
Cameras, etc.....	611	864,000	345,000	340,000
Matches.....	612	6,971,000	6,284,000	6,200,000
Chewing gum.....	614	651,000	638,000	650,000
Electrical energy.....	616	33,134,000	32,452,000	33,000,000
Gasoline.....	617	202,575,000	162,059,000	170,000,000
Telephone and telegraph messages, etc.....	701	19,251,000	19,696,000	20,200,000
Transfer of bonds.....	724	13,300,000	14,300,000	14,300,000
Conveyances.....	725			
Oil by pipe line.....	731	10,379,000	9,585,000	9,600,000
Total.....		435,073,000	391,274,000	402,091,000

NOTE.—Expiration dates of above taxes all June 30, 1935, except taxes on tires and tubes, auto trucks, other autos, and auto accessories, which will be on July 31, 1935.

TABLE II.—Excise taxes subject to reduction under existing law

Tax on—	Section Revenue Act 1932	Actual revenue fiscal year 1934	Estimated revenue fiscal year 1935	Estimated revenue (if rate increases are extended) fiscal year 1936	Estimated annual loss of revenue (if rate increases are not extended)
Issues of bonds.....	721	\$2,959,000	\$3,162,000	\$3,200,000	\$1,600,000
Issues of stock.....	722				
Stock transfers.....	723				
Produce futures.....	726				
Admissions.....	711				
Total.....		63,486,000	37,507,000	36,900,000	24,900,000

NOTE.—The expiration date of the temporary rate increase of the above taxes is June 30, 1935, under existing law.

TABLE III.—Summary

Actual revenue from temporary taxes and taxes temporarily increased for fiscal year 1934.....	\$498,559,000
Estimated revenue from above for fiscal year 1935.....	428,781,000
Estimated revenue from above for fiscal year 1936 (if taxes are continued on existing basis).....	438,991,000
Estimated annual loss of revenue on 1936 basis (if temporary taxes and rates are not continued) <sup>1</sup> .....	426,991,000
Estimated annual loss of revenue (if existing temporary law in respect to postal rates is not continued).....	75,000,000
Grand total estimated annual loss of revenue (if existing temporary laws are not continued).....	501,991,000

<sup>1</sup> Loss for fiscal year 1936 would be about \$45,000,000 less than the annual figure given, since collections would be made in the first 2 months of the fiscal year 1936 on account of sales made in the last 2 months of the fiscal year 1935. (Postal rates decrease after June 30, 1935, under existing law.)