

EXEMPTION OF HOSPITALIZED SERVICEMEN AND VETERANS FROM THE ADMISSIONS TAX WHEN ADMITTED FREE

MAY 28 (legislative day, MAY 20), 1948.—Ordered to be printed

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

REPORT

To accompany H. R. 5065)

The Committee on Finance, to whom was referred the bill (H. R. 5065) to amend section 1700(a)(1) of the Internal Revenue Code so as to exempt hospitalized servicemen and veterans from the admissions tax when admitted free, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike out the material from the colon on line 6 through the end of line 10 and insert in its place the following:

Subject to such regulations as the Commissioner, with the approval of the Secretary, shall prescribe, no tax shall be imposed in the case of admission free of charge of a hospitalized member of the military, naval, or air forces of the United States or of a person hospitalized as a veteran by the Federal Government in a Federal, State, municipal, private, or other hospital or institution, except when such member or veteran is on leave or furlough.

A tax of 1 cent for each 5 cents or major fraction thereof is imposed on the price of admissions under the provisions of section 1700(a)(1) of the Internal Revenue Code. This section provides that an equivalent tax shall be collected on free admissions, based on the price charged to other persons for the same or similar accommodations. The pending bill would exempt hospitalized servicemen and veterans who are granted free admission from the payment of the tax. The exemption does not apply when the serviceman or veteran is on leave or furlough.

The amendment by your committee extends the tax-free admission privilege to servicemen and veterans hospitalized in State, municipal, and private hospitals, as well as to those hospitalized in Government hospitals and institutions which was the limitation of the referred bill.

2 EXEMPTION OF ADMISSIONS TAX ON CERTAIN SERVICEMEN

The report of the Committee on Ways and Means of the House of Representatives is as follows:

GENERAL STATEMENT

This bill would exempt from payment of the present 20-percent admissions tax levied under section 1700 (a) (1) of the Internal Revenue Code, free admissions furnished to hospitalized service personnel and veterans hospitalized in any Government hospital or institution. Thus, it restores, in part, an exemption from this tax which was applicable during the war period in the case of free admissions to military and naval personnel when in uniform, limiting the exemption, however, to free admissions in the case of a particular class of service personnel and veterans.

The general effect of the bill will be to permit many thousands of hospitalized service personnel and veterans to attend a wide variety of sporting events, entertainments, and other educational and recreational functions through the courtesy of free admission privileges. These privileges, however, to qualify as a basis for the exemption under this bill, must be extended by the operator of the place to which admission is otherwise charged. The exemption will become effective on the first day of the first month which commences more than 20 days after enactment of the bill. Accordingly, if it becomes a law, for example on or after March 12, 1948, it will not take effect until May 1, 1948. In view of the fact that the season for many highly enjoyable outdoor spectator events is about to open, your committee feels this bill is not only unique, and one of the most deserving of its kind but that its early enactment is imperative.

In the case of persons admitted free or at reduced rates to any place at a time when, and under circumstances under which, an admission charge is made to other persons, existing law requires, nevertheless, that a tax shall be collected based on the price so charged to such other persons for the same or similar accommodations, to be paid by the person so admitted. Exceptions to this rule are made in the case of bona fide employees, municipal officers on official business, and children under 12 years of age. This bill, in effect, simply adds to these three excepted classes of individuals two others, namely, hospitalized service personnel and certain hospitalized veterans, if, in either case, they are not on leave or furlough.

Although the bill refers merely to hospitalized members of the "military, naval, or Air Forces of the United States," its provisions will apply to hospitalized members of the Marine Corps; the Coast Guard; the Army Nurse Corps, female; the Women's Army Auxiliary Corps; the Navy Nurse Corps, female; and the Women's Reserve branch of the Naval Reserve, since these branches of the service are embraced in the statutory definition of the term, "military or naval forces of the United States" under section 3790 (a) (15) of the Internal Revenue Code which is applicable to all provisions of the code. The term "member of the Air Forces of the United States" is clear, in the opinion of your committee, and the term "veteran" is intended to cover any former member of the military, naval, or Air Forces.

In order to qualify for the exemption under this bill, the admission must not only be free but the person so admitted must be a "hospitalized member of the military, naval, or Air Forces of the United States," or a "veteran hospitalized in a Government hospital or institution," and it will not apply "when such member or veteran is on leave or furlough." The bill makes no change in existing law which levies an admissions tax on "the amount paid for admission to any place, including admission by season ticket or subscription." Accordingly, admission privileges sold to any buyer will continue to be sold subject to payment of the required tax, notwithstanding that admission privileges, such as tickets or passes, so purchased are intended for use, or actually used by hospitalized service personnel or hospitalized veterans within the scope of the bill's provisions.