

PROVIDING THAT AMOUNTS WHICH DO NOT EXCEED 60 CENTS SHALL BE EXEMPT FROM THE TAX IMPOSED UPON AMOUNTS PAID FOR THE TRANSPORTATION OF PERSONS

JULY 25 (legislative day, JULY 16), 1956.—Ordered to be printed

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

REPORT

[To accompany H. R. 7634]

The Committee on Finance, to whom was referred the bill (H. R. 7634) to provide that amounts which do not exceed 60 cents shall be exempt from the tax imposed upon amounts paid for the transportation of persons, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE OF THE BILL

The bill increases from 35 cents to 60 cents the maximum charge for fares which are to be exempt from the 10-percent excise tax on amounts paid for the transportation of persons.

REASONS FOR BILL

When the tax on the transportation of persons was imposed in 1941, it was the intention of the Congress to exempt from tax certain short trips of a local nature. The exemption was designed to free from tax the ordinary trip involved in commuting to and from work. This objective was achieved by exempting from tax fares which did not exceed 35 cents. Since 1941 prices of transportation services have advanced considerably with the result that this exemption is now considerably less effective in exempting commutation travel than it was in 1941. The bill, by inserting 60 cents, instead of 35 cents, has adjusted the exemption level to be consistent with the most common increase in the price of transportation services since 1940. Railroad coach fares in the eastern part of the country have risen since 1940 from 2 cents a mile to 3.375 cents, an increase of 68 percent or approximately the equivalent of an increase from 35 cents to 60 cents.

TAX IMPOSED FOR TRANSPORTATION OF PERSONS

EXPLANATION OF THE BILL

The first section of the bill amends the language now contained in subsection (b) of section 4262 (redesignated as section 4263 by H. R. 5265 which has passed the House and Senate) of the Internal Revenue Code of 1954. That section presently provides that the tax imposed by section 4261 shall not apply to amounts paid for transportation which do not exceed 35 cents. The bill provides that this exemption shall apply to amounts paid which do not exceed 60 cents. The bill does not change the other exemptions for commutation travel, namely, the exemptions for commutation or season tickets for single trips of less than 30 miles or for amounts paid for commutation tickets for 1 month or less. These exemptions apply irrespective of the charge.

Section 2 of the bill provides that the exemption for amounts paid which do not exceed 60 cents shall apply to amounts paid on or after the first of the month beginning more than 10 days after the enactment of this bill for transportation on or after the first of that month.

It is estimated that the enactment of this bill will decrease revenues by about \$6 million a year.

CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rule 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).

SECTION 3469 (b) OF THE INTERNAL REVENUE CODE OF 1939 SEC. 3469. TAX ON TRANSPORTATION OF PERSONS, ETC.

(a) TRANSPORTATION.—There shall be imposed—

(1) upon the amount paid within the United States for the transportation of persons by rail, motor vehicle, water, or air within or without the United States, and

(2) upon the amount paid without the United States for the transportation of persons by rail, motor vehicle, water, or air which begins and ends in the United States,

a tax equal to 10 per centum of the amount so paid. * * *

(b) EXEMPTION OF CERTAIN TRIPS.—The tax imposed by subsection (a) shall not apply to amounts paid for transportation which do not exceed [35] 60 cents, to amounts paid for commutation or season tickets for single trips of less than thirty miles, to amounts paid for commutation tickets for one month or less or to amounts paid for transportation by boat for the purposes of fishing from such boat.