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TAX RATE EXTENSION ACT OF 1958

JUNE 12, 1958.—Ordered to be printed

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

REPORT

together with

SUPPLEMENTAL VIEWS

[To accompany H. R. 12695]

The Committee on Finance, to whom was referred the bill (H. R. 12695) 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. GENERAL STATEMENT

H. R. 12695 provides for a 1-year extension of the present corporate income tax rate and the existing rates of certain excises. The rates of these taxes otherwise are scheduled for reduction on July 1, 1958.

The present 52 percent corporate income tax rate, without the 1-year extension provided in the bill, would revert to 47 percent as of July 1, 1958, through a reduction of the normal tax rate from 30 percent to 25 percent. The excise tax rates, which without this bill would also be decreased as of July 1, 1958, are those on distilled spirits, beer, wine, cigarettes, passenger automobiles, and automobile parts and accessories. (This bill does not affect the taxes on gasoline, trucks, and buses, and special fuels which also were originally increased by the Revenue Act of 1951. The rates of these taxes remain as at present until 1972 under the provisions of the Highway Revenue Act of 1956.)

Your committee's bill extends the present corporate and excise tax rates, without at this time proposing any reductions in tax rates. This is in accord with the recommendation of the President of the United States in his letter of May 26, 1958, to the Speaker of the House and also is in accord with testimony of the Secretary of the Treasury and the Director of the Bureau of the Budget before your committee. The pertinent part of the letter of the President is as follows:

> The budget message in January recommended a continuation, without change, of the corporation income tax and excise tax rates which in the absence of legislation would be reduced on July 1. This recommendation is now renewed.
>
> This renewed recommendation is made after consultation by the Secretary of the Treasury with leaders of both political parties in the Congress. Consideration of fiscal measures will continue to be made in the light of the developing economic situation and with full regard to both the short- and long-range effects of any proposal.

II. Revenue and Budget Effects

Table 1 indicates that a deficit of approximately $4 billion can now be expected for the fiscal year 1958 and a deficit of about $11 billion for the fiscal year 1959. These deficits are based on expenditure estimates of $73 billion and $78 billion for 1958 and 1959, respectively, which are estimates recently used by the Secretary of the Treasury. The receipt estimates are approximately $69 billion and $67 billion for 1958 and 1959, respectively. The receipt estimates were made by the staff of the Joint Committee on Internal Revenue Taxation.

Table 1.—*Receipts, expenditures, and surplus or deficit of the Federal Government, actual for fiscal year 1957, estimates for fiscal years 1958 and 1959*

[Billions of dollars]

	Actual, 1957	Estimated, 1958		Estimated, 1959	
		January budget estimates	Current staff estimates	January budget estimates	Current staff estimates
Receipts	71.0	72.4	69.1	74.4	[1] 66.9
Expenditures	69.3	72.8	[1] 73.0	73.9	[2] 78.0
Surplus (+) or deficit (−)	+1.6	−.4	−3.9	+.5	−11.1

[1] Assuming continuation of present rates of all taxes.
[2] Expenditure estimates are those recently used by the Secretary of the Treasury.

Source: Staff of the Joint Committee on Internal Revenue Taxation.

The receipt estimates assume the continuation of existing tax rates as provided by this bill. This table also shows receipt, expenditure, and surplus or deficit data for 1957 and the estimates for 1958 and 1959 contained in the January budget. Table 2 presents a more detailed breakdown of receipts for the same periods as table 1.

TABLE 2.—*Receipts of the Federal Government, actual for fiscal year 1957, estimates for fiscal years 1958 and 1959*

[Millions of dollars]

Source	Actual, 1957	Estimated, 1958		Estimated, 1959	
		January budget estimates	Current staff estimates	January budget estimates	Current staff estimates [1]
Individual income taxes	39,030	40,800	39,060	42,300	39,600
Corporation income taxes	21,531	20,800	20,600	20,815	17,716
Excises	10,638	11,192	10,743	11,633	10,506
Estate and gift taxes	1,378	1,500	1,450	1,585	1,550
Employment taxes	7,581	8,725	8,450	8,963	8,640
Customs	754	785	785	800	800
Miscellaneous receipts [2]	2,764	3,330	3,300	3,526	3,500
Total	83,676	87,132	84,388	89,622	82,312
Deduct:					
Transfers to Federal old-age and survivors insurance and disability trust funds	6,634	7,763	7,525	7,968	7,750
Transfer to railroad retirement account	616	620	585	625	550
Transfer to highway trust fund	1,479	2,120	2,088	2,164	2,112
Refund of receipts	3,917	4,229	5,100	4,445	5,000
Net budget receipts	71,029	72,400	69,090	74,400	66,900

[1] Assuming continuation of present rates of all taxes.
[2] Includes taxes not elsewhere classified.

NOTE. Detail may not add to totals because of rounding.
Source: Staff of the Joint Committee on Internal Revenue Taxation.

Table 3 sets forth the revenue effect of the tax rates extended by this bill. This is shown both for a full year of operation and for the fiscal year 1959. The full-year effect of the bill will be to maintain receipts of about $2.5 billion which otherwise would be lost. In the fiscal year 1959 the receipts maintained by the rate extensions will amount to about $1.6 billion, or, taking into account floor stock refunds which otherwise would have to be made, will prevent an increase in the deficit of nearly $1.8 billion. The difference between the full-year effect of $2.5 billion and the effect in the fiscal year 1959 of $1.8 billion is primarily attributable to the corporate rate reduction which would not be fully reflected in receipts in the fiscal year 1959.

TABLE 3.—*Estimated revenue gain from postponing scheduled rate reductions from July 1, 1958, to July 1, 1959*

	Scheduled rate change	Full-year effect	Net effect in fiscal year 1959[1]
		Million dollars	*Million dollars*
Corporation income tax	Reduce normal tax 5 percentage points.	$1,710	$845
Excise taxes:			
Alcohol taxes:			
Distilled spirits	$10.50 to $9 per gallon	127	227
Beer	$9 to $8 per barrel	83	91
Wines	Various	10	14
Total alcohol taxes		220	332
Tobacco taxes: Cigarettes (small)	$4 to $3.50 per thousand	210	229
Passenger automobiles	10 percent to 7 percent	300	311
Parts and accessories for automobiles	8 percent to 5 percent	64	56
Total excise taxes		794	928
Total		2,504	1,773

[1] Postponing the scheduled rate reductions will result in the elimination of floor stocks refunds of $180,000,000 which would otherwise be paid in fiscal year 1959. These have been shown as additional revenue losses in the fiscal year 1959 for the various excise taxes.

Source: Staff of the Joint Committee on Internal Revenue Taxation.

III. REASONS FOR THE BILL

In recent months, in connection with the question of the extension of existing rates, various types of tax reductions have been suggested as aids in overcoming the present economic recession. Your committee, like the proponents of these tax cuts, is deeply concerned over present economic conditions. However, it has not as yet, at least, been convinced that under existing conditions a tax reduction is necessary.

Estimates presented to your committee by the Treasury Department indicate a deficit in the fiscal 1959 of $8 billion to $10 billion and the estimates prepared by the staff suggest the deficit is more likely to be in the neighborhood of $11 billion. The high expenditure levels involved in these estimates themselves should constitute a considerable stimulant to the economy. Moreover, such a stimulant, together with other measures taken by Congress, may be all that is needed to bring about an economic recovery.

Your committee believes that further deficit financing should be avoided, if possible, because of the long-run results further deficits would have on the fiscal operations of the Government. If the corporate and excise tax rates were not to be continued, the deficit for the fiscal year 1959 could be expected to be close to $13 billion, and if additional tax cuts being advocated should be enacted, might mount as high as $18 billion. These large deficits breed further deficits in subsequent years. These lead to a larger and larger national debt and heavier and heavier interest charges which represent a burden to be avoided whenever possible. Moreover, such larger deficits may not be needed for a recovery and, even if needed, might not prove to be the type of stimulant necessary to deal with the current recession.

The following statements of the Secretary of the Treasury and the Director of the Budget, presented orally to the members of the Committee on Finance, are printed below for the information and guidance of the Senate:

Statement by Treasury Secretary Robert B. Anderson Before the Senate Finance Committee

As you know, the President on May 26 renewed the recommendation contained in the January budget message, which asked for a continuation of existing corporation-income and certain excise-tax rates which otherwise would be reduced on July 1 of this year. The House last week voted such continuation in H. R. 12695.

In January when the President asked for the continuation of these rates, it was estimated that such reduction, if allowed to take place, would cause a revenue loss of $2.9 billion. This figure, because of present conditions, we now estimate to be about $2.6 billion.

The legislation now before the committee should be considered in the light of the present budgetary situation. For the fiscal year ending June 30, 1958, we now face a deficit in the magnitude of $3 billion due in the main to a decline in revenues.

For fiscal 1959 we now expect expenditures in an order of magnitude of 78 to 80 billion dollars. This increases the earlier January estimate by 4 to 6 billion dollars. Receipts during that same year are expected to be in the general range of those for 1958. Thus we face in fiscal 1959 a budget deficit probably ranging from 8 to 10 billion dollars.

Many proposals in recent months have been put forward suggesting certain tax reductions as a means of encouraging prompt resumption of economic improvement. We in the Treasury, as well as you, have given them most careful consideration and analysis. In the best interests of the Nation we cannot at this time propose any general reduction in individual income taxes. To do so would further widen the gap between revenues and expenditures. Nor can the serious disadvantages of so increasing the deficits be offset by a reasonable certainty that any particular individual income-tax adjustment would predictably assure resumption of growth either in specific areas of the economy or the economy as a whole.

Holding the conviction as we do that there is lack of justification for reducing the rate of individual income taxes at this time, it follows that to reduce corporate rates now is not justified.

The suggestion has been made by some that it might be appropriate to select certain excise tax rates for reduction without similar reduction in others.

Should any excise taxes be recommended for reduction, contentions would undoubtedly be made that others were entitled to like treatment. We believe that in fairness and in the best interest of the country, current excise rates should be extended without change for another year.

This committee, I know, has as its continuing interest the assurance that we are utilizing our best efforts at all levels of Government to operate efficiently and economically. The burdens of taxation and debt are heavy. We must continue to be concerned with these restraints which weigh on our system of incentives in our competitive economy. It follows then that we must continue to work diligently toward a tax system as fair and as simple as possible which will have the least repressive effects on business activities and individual initiative.

Increases in the public debt would add to the already heavy burden of interest on an already heavy debt and also further interfere with the normal flow of new security offerings in the financial market by private businesses, States, municipalities, and other political subdivisions.

In the absence of basic world changes we face a level of Federal expenditures which offers little prospect of decreasing in the near future. Even with a resumption of a rate of sustainable growth and the consequent recovery of tax receipts which would result therefrom, the deficits will run into the recovery period.

Mr. Chairman, we in the Treasury appreciate sincerely the thoughtful and cooperative consideration which has been given by the leadership of both parties to this difficult problem.

Statement of Maurice H. Stans, Director of the Bureau of the Budget, Before the Senate Finance Committee Concerning Extension of Tax Rates

Mr. Chairman and members of the committee, I would like to review with you briefly the prospective budgetary situation which, among other things, has influenced the President to reaffirm his recommendation that present excise taxes and corporation income tax rates be extended for another year.

Last January the budget estimates indicated a small surplus of $500 million for fiscal 1959. These estimates were based on defense needs and economic conditions as they appeared when the budget was prepared. They also reflected the recommended extension of tax rates.

Today the situation is considerably different. On the revenue side, as Secretary Anderson has indicated, 1959 tax collections under present rates will be considerably lower than had been anticipated.

On the expenditure side, four types of changes have taken place:

First, additional authorizations for defense programs have been requested of the Congress to take advantage of new possibilities for improving and accelerating some of these activities. The 1959 budget included $500 million for such defense contingencies. However, it now appears that this may be exceeded by several hundred million dollars or more.

Second, various steps designed to counter economic conditions have been taken by the administration and the Congress which will increase expenditures. These include new legislation on housing, highways, and unemployment benefits. They also include acceleration of going public-works projects, and of repair and modernization of Federal buildings. Such actions will increase expenditures for these items in fiscal 1959 by approximately $2 billion over the January budget estimates.

Third, some other programs will require higher expenditures than had been estimated last January. For example, the cost of the pay raises for postal and classified employees exceeds the total amount included in the budget; and expenditure impact of the retroactive provisions may come largely in July and therefore affect fiscal 1959. At the same time, the postage increases provided in the postal pay act fall short of the President's recommendations. Expenditures for the farm price support program are now expected to be substantially higher in view of the exceptionally large wheat crop and other factors; and the cost of the acreage reserve program will be greater than budgeted. Increases are also expected for the Atomic Energy Commission and for the new civilian agency on outer space. Action on appropriation bills so far by the Congress has been toward increases rather than decreases. In total, the various increases in this third category may range from 2 to 3 billion dollars.

Legislation and appropriations now pending in the Congress could add further to expenditures in 1959. For example, the House of Representatives has approved an additional contribution of $589 million dollars for the civil service retirement fund, but this has been disapproved by the Senate and therefore will be resolved in conference.

Fourth, lower interest rates will reduce interest expenditures by perhaps a half billion dollars below the budget estimate.

Altogether, it can now be estimated that these four types of changes will result in increasing fiscal 1959 expenditures by 4 to 6 billion dollars. As you know, it is difficult to make firm estimates at this time because the Congress is still deliberating on substantive legislation and appropriations which could affect the final result.

Considering the decreases in revenues expected by the Secretary of the Treasury, the budget deficit for fiscal 1959 now appears to be in the range of $8 to $10 billion.

Although we will continue to exert every effort to obtain efficient and economical management throughout the Government, a substantial deficit is unavoidable under existing conditions. It should not be increased still more by reductions in tax rates. Taking into account all of the unfavorable results of such reductions—higher deficits, higher national debt, and higher interest costs—I strongly recommend that the Senate approve H. R. 12695 to extend present tax rates for another year.

SUPPLEMENTAL VIEWS OF SENATOR DOUGLAS

The country is in a very serious economic recession. It is the most serious of the postwar recessions. Potentially it is even more dangerous than either of the other two because they were essentially inventory recessions while this one appears to stem primarily from the fall in expenditures for capital goods and in the decline in investment for new plant and equipment.

This recession is more serious than the others because a decline in investment for plant and equipment tends to proceed in geometric rather than in merely arithmetic proportions. The possibility that it may snowball or avalanche as cumulative downward forces proceed is much greater than in recessions which stem, primarily, from inventory declines.

It is for this reason, principally, that we should act and act speedily to stop the recession and turn it around. Although this is the principal reason why we should act, we should not discount the tragic effects of a recession because of the loss of jobs and income of those at home and in the loss in our prestige abroad if we appear to be unable to cope with our own domestic economic problems. It is not enough for the recession to "bottom out." It is necessary to get full recovery and to effect this as soon as possible.

ACTIONS TO TAKE

In a recession at least four major actions should be taken. We should first increase and expand unemployment compensation since this is the only direct method by which unemployed may be speedily helped. We have, however, passed an Unemployment Compensation Act which will have only a limited application. Furthermore, even if fully used, this action can only serve, at best, to cushion the decline and can have little if any stimulatng effect on the economy or serve to reverse this decline.

Second, we should expand needed public works. However, this method suffers as an antirecession measure from its relative slowness. In addition, even the most worthy public works are too often built in those areas where the unemployment is either nonexistent or low. Further, there seems to be no likelihood that the administration will move to expand those areas of greatest social need, such as the building of schools and hospitals, and the clearing of the slums, and, in fact, has moved to reduce these needed and worthwhile expenditures even as it has moved to cut expenditures in some other areas which would have an eventual stimulating effect on the economy.

Third, we should utilize social security payments and public assistance to the needy.

Fourth, and most important, we should cut taxes in such a way as to stimulate the economy, increase consumer spending, and bring lower prices. A tax cut, as a recession measure, if properly carried out, can increase the national product by about three times the size of the cut itself. Further, it is the quickest and most effective way to proceed.

However, a decision has now been made by the administration and certain political leaders against cutting taxes. The basic argument on which this decision rests appears to be the fear of budget deficits. The Budget Bureau and Treasury now estimate that we will have a $3 billion budget deficit in fiscal year 1958 and possibly a deficit of 8 to 10 billion dollars in fiscal year 1959. They argue that a tax cut would merely add to the deficit.

FAILURE TO LOOK AT DEFICIT IN ECONOMY

While these gentlemen concentrate on the deficit in the budget they fail entirely to think of the deficit in our economy. The budget deficit is not a cause of the recession but the result of the recession. The deficit in the budget is the effect of the deficit in the economy and the great decline in our gross national product, our national income, and in corporation profits and personal income against which taxes are levied. The deficit can best be made up by stimulating the economy enough to bring us back to full employment so that corporate profits, personal incomes, and consumption expenditures may rise to such an extent that our tax levels will provide additional revenues to offset our expenditures. Proof of this fact can be seen in the anticipated budget deficits themselves, for without any tax cuts whatsoever, and with only small increases in expenditures, the 1958 budget will show a $3 billion deficit as opposed to an estimated small surplus when it was drawn up, and the fiscal year 1959 budget will probably show an 8 to 10 billion dollar deficit, as a minimum, as opposed to an estimate as late as February 1958 of a surplus of about half a billion.

The anticipated budget deficits are the result of the "wait and see," do-nothing policies and do not come from any action taken to relieve or stop or turn around this recession.

FALL IN GROSS NATIONAL PRODUCT

The gross national product fell from an annual rate of $440 billion in the third quarter of 1957 to an annual rate of $422 billion in the first quarter of 1958. It has obviously gone down since then. There seems to be no real prospect of a rise in the average gross national product for 1958 above the $420 billion level and, in fact, it is most likely to fall by several more billions. Thus, we have now had a drop in the GNP of at least $18 billion when we should have had an increase for the year of at least 3 to 4 percent above the 1957 levels.

It has been estimated by the staff of the Joint Economic Committee that our economy would need to operate at a level of $460 billion in gross national product in the calendar year 1958 in order to insure recovery with unemployment levels of 4 percent.

There is yet no overall evidence that the economy has been declining at a slower rate or that it has "bottomed out"—to use a most inelegant phrase—or, especially, that it has begun an upward climb. Even if all of these things were true, we should still cut taxes and act speedily in the absence of overwhelming evidence that the economy was now recovering at a rate 2 to 3 times that of the 3 to 4 percent yearly average increase which we should normally seek.

These losses in gross national product have occurred without a single cut in taxes. Therefore, tax cuts cannot be blamed for the recession or the deficits. In fact, a major tax cut of the proper kind would hasten the day of recovery. In the absence of major efforts to stop the recession it will be many months indeed before we return to full-employment levels. Therefore we should act and act speedily. We should cut taxes and cut them where it will do the most good. We should be more concerned with the deficits in our economy than the deficits in our budget, for the latter are the result of the former.

AMENDMENT TO H. R. 12695

We are therefore submitting an amendment, in the nature of a substitute to H. R. 12695. The effect of this amendment would be to do three things, as follows:

First, to reduce the rate on the first $1,000 of taxable income from 20 percent to 15 percent for the 1-year period July 1, 1958, to June 30, 1959.

Second, to reduce the tax on the first $25,000 of corporate income from the present 30 percent to 22 percent, or by $2,000 on the first $25,000 of corporate profits. This is the so-called small-business tax relief measure.

Third, to reduce or repeal certain excises, for which we shall give details in a few minutes.

Except for these changes or modifications in the bill the amendment does not change the other features of the bill, even though the amendment is in the nature of a substitute, because that was the simplest way in which the amendments could be drafted.

We now turn to the specific provisions of the amendment.

PERSONAL INCOME-TAX CUT

The first of the three major provisions in the amendment is to cut the rate on the first $1,000 of taxable personal income from 20 percent to 15 percent for the period July 1, 1958, to June 30, 1959. It would be a temporary tax cut unless extended by Congress. It is a 1-year cut. At the present levels of national income it would mean an initial revenue loss of approximately $3 billion, although its eventual cost would be considerably less than that. It would mean a cut of $50 per person or $100 for those taxpayers who file joint returns.

This tax cut is designed to have the greatest possible stimulating effect on the economy. It is designed to go to those who will spend it rather than to those who will save it. More than 40 percent of the money value of this cut would go to those with incomes below $5,000. Another 50 percent would go to those with incomes between $5,000 and $10,000.

From studies which have been made by the Bureau of Labor Statistics, particularly the 18-volume study in 1950 of family incomes, expenditures, and savings, we know that families having incomes below $5,000, as a group—and we emphasize: as a group—have no savings at all, but actually have what are called "dissavings."

We also know that at the present time, those with incomes below $10,000 do not have savings of great amounts. It is only when incomes exceed $10,000 that savings as a proportion of income become very high.

This personal tax cut provision gives more of the cut to those with incomes below $10,000 than does any other serious proposal which we have seen. It meets, therefore, the argument that a tax cut might be saved rather than spent. This tax cut proposal is designed to go to low- and middle-income groups because the lower the income the greater the amounts spent rather than saved. Conversely, the higher the family income, the greater the actual and relative savings. It is estimated that at least 75 percent of this cut would be spent and no more than 25 percent would be saved and not reinvested or go in taxes. The ultimate stimulating effect on the economy, therefore, would be to increase our national product by approximately three times the amount of the tax cut.

This part of the tax cuts which we are proposing amounts to $3 billion. The total amounts to $6 billion. If, of this $6 billion, 75 percent is spent and no more than 25 percent is saved and not invested the ultimate effect would be to raise the national product by 3 times what it would otherwise be, or by $18 billion. The effective tax rate on this $18 billion would be about 25 percent when Federal, State, and local taxes are all taken into account. Therefore, $4.5 billion of this $6 billion tax cut eventually would be recouped in taxes so that the effective cost would be only $1.5 billion. Further, if the tax cut had the effect of stimulating the economy so that recovery comes sooner than it otherwise would, the losses would be even less, for at the moment our tax revenues are decreasing because of the decline in corporate profits and personal incomes.

A table prepared by the Joint Committee on Internal Revenue Taxation, giving the estimated distribution of the tax reduction from this proposal, to cut the rate on the first $1,000 of taxable income from 20 to 15 percent is printed below.

Estimated distribution of personal tax reduction which would reduce the rate on the 1st $1,000 of taxable income from 20 percent to 15 percent

Adjusted gross income	Tax reduction: Amount (millions)	Tax reduction: Percentage distribution of tax reduction
Under $5,000	$1,400	40.3
$5,000 to $10,000	1,740	50.1
Over $10,000	335	9.6
Total	3,475	100.0

This table was prepared earlier in the year on the basis of 1958 revenue estimates and, therefore, overestimates the loss of revenue. Because of the decline in national income and personal income, it is our view that the revenue loss will be about $3 billion rather than $3.4 billion.

DESIRABLE FEATURES OF PERSONAL TAX CUT AMENDMENT

Apart from the fact that this provision would mean a tax reduction for those who would spend it rather than for those who would save it, it has several other desirable features. These are:

First. It would mean a tax savings of $50 per person or $100 for those who file a joint return.

Second. It would provide a benefit for filing a joint return to those who have taxable income of $2,000 or less. Presently, there is no benefit from filing a joint return for those with taxable income below $2,000, but for those with taxable incomes above that amount there is a progressive benefit as income increases.

Third. It would mean that no one would leave the tax rolls as a result of this amendment. While the tax paid would be lower for everyone now on the tax rolls, it would not mean that 3 to 4 million taxpayers would leave the tax rolls only to return again on July 1, 1959, as a provision which raised the exemption for a temporary period would mean.

Fourth. It would give as great or greater tax benefit than raising the exemption from $600 to $700 for those families with 5 fewer exemptions.

Fifth. It is a fairer tax cut than that which would increase the exemption from $600 to $700. In the latter case, a man and wife with 3 children would receive a tax benefit of $100 if they were paying at the first bracket rate. This would be the same saving which would come by cutting the rate from 20 to 15 percent on the first $1,000 of taxable income. However, raising the exemption would mean that a man and wife with 3 children would receive a tax reduction of $150 if they were paying at the 30-percent rate, or of $250 if they paid at the 50-percent rate. Therefore, the provision to reduce the rate in the first $1,000 is of greater proportionate benefit to low-income groups than raising the exemption would be, for raising the exemption benefits upper income groups more than lower income groups.

SMALL BUSINESS TAX CUT

The second major item in the amendment is a tax cut for small business. By reversing the existing normal and surtax rates, the effect of the amendment would be to reduce the corporate tax rate on the first $25,000 of taxable income by $2,000. It has been estimated in the past that the revenue losses from this provision of the amendment would be in the magnitude of $300 million to $400 million.

This proposal has been put forward on several occasions. It received the endorsement of the Republican and Democratic platforms in 1956, and of the administration at that time. Of course, each time it has been offered on the floor, the administration has opposed it for one reason or another when the chips were down and the votes were to be cast.

The amendment actually changes the present rate by establishing a normal corporate-income-tax rate of 22 percent, as opposed to the existing 30 percent; and it establishes a surtax rate of 30 percent, as opposed to the existing 22 percent.

This provision of the amendment provides that this rate shall be in effect until June 30, 1959, or the date to which we are extending corporate-tax rates in the bill which will be before us.

This provision would help small businesses, and especially businesses with incomes below $25,000.

A table showing the effect of the amendment on taxes of corporations with various incomes is printed below.

Effect of a normal tax rate of 22 percent and a surtax rate of 30 percent

Income subject to normal tax and surtax	Present tax liability (normal rate 30 percent, surtax rate 22 percent)	Proposed tax liability (normal rate 22 percent, surtax rate 30 percent)	Change	
			Amount	Percent
$5,000	$1,500	$1,100	-$400	-26.7
$10,000	3,000	2,200	-800	-26.7
$15,000	4,500	3,300	-1,200	-26.7
$20,000	6,000	4,400	-1,600	-26.7
$25,000	7,500	5,500	-2,000	-26.7
$50,000	20,500	18,500	-2,000	-9.8
$100,000	46,500	44,500	-2,000	-4.3
$225,000	111,500	109,500	-2,000	-1.8
$500,000	254,500	252,500	-2,000	-.8
$1,000,000	514,500	512,500	-2,000	-.4
$10,000,000	5,194,500	5,192,500	-2,000	-.04
$100,000,000	51,994,500	51,992,500	-2,000	-.004

EXCISE TAX CUTS

The third major provisions of the amendment is the repeal or reduction of certain excise taxes, as follows:

First. Retail excises: These include repeal of the tax on jewelry selling for less than $25; repeal of the tax on the first $100 of the retail price of watches and clocks; repeal of the tax on toilet preparations; and repeal of the tax on luggage, handbags, and wallets.

Second. Manufacturer's excises: These include reducing the tax from 10 percent to 5 percent on autos and trucks; the repeal of the tax on auto and truck parts; and the repeal of the tax on refrigerators and refrigeration equipment, air conditioners, electric and gas and oil appliances, power lawnmowers, light bulbs, radios, television sets, phonographs, musical instruments, sporting goods—except fishing equipment which is earmarked for conservation purposes, cameras, films, household type motion-picture projectors, business machines, mechanical lighters and pencils, fountain and ball point pens, and matches.

Third. Excise taxes on facilities and services: These include the repeal of the admissions taxes, including that on musicians; a reduction from 10 percent to 5 percent on long-distance telephone calls, leased wires, and so forth; the repeal of the 10-percent tax on local telephone service; a reduction from 8 percent to 4 percent in the tax on wire and equipment services; a reduction from 10 percent to 5 percent on the transportation of persons; and repeal of the 3-percent excise tax on the transportation of property and the 4-cent-per-ton tax on the transportation of coal.

The total revenue losses from these excise-tax cuts come to approximately $2.6 billion; and there should be added to that amount the relatively small costs of floor-stock refunds for autos and trucks and durable goods and the cost of the retroactive provision for the reduction of the excise tax on autos and trucks to March 1, 1958. The approximate total cost of these excise reductions would be from $2.6 billion to $2.7 billion.

A table setting forth the detailed provisions of the excise cuts is printed below.

Excise provisions of proposed tax cut

1. RETAILER'S EXCISES

Item	Present rate	How collected at present	New proposed rate	Revenue loss as estimated in fiscal year 1959 budget
			Percent	*Million*
Sec. 4001: Jewelry selling at retail for $25 or less and the 1st $100 of the retail selling price of watches and clocks.	10 percent of selling price	Paid by consumer to retailer	0	[1] $100.0
Sec. 4021: Toilet preparations	10 percent	Retailer	0	102.0
Sec. 4031: Luggage, handbags, wallets, etc.	do	do	0	60.0

2. MANUFACTURER'S EXCISES

Item	Present rate	How collected at present	New proposed rate	Revenue loss as estimated in fiscal year 1959 budget
Sec. 4061 (a) (2): Passenger automobiles	10 percent (permanent rate 7 percent)	Paid by manufacturer to Government	5	[2] $500.0
Sec. 4061 (a) (1): Truck and bus chasis and bodies	10 percent	do	5	124.0
Sec. 4061 (b): Auto parts and accessories (includes parts for trucks).	8 percent (permanent rate 5 percent)	do	0	113.0
Sec. 4111:				
1. Refrigeration equipment, household type	5 percent	Paid by manufacturer	0	44.0
2. Air conditioners	10 percent	do	0	
Sec. 4121: Electrical, gas, and oil appliances	5 percent	do	0	75.0
Sec. 4131: Light bulbs	10 percent	do	0	28.0
Sec. 4141: Radio and TV, phonographs, etc.	do	do	0	179.0
Sec. 4151: Musical instruments	do	do	0	
Sec. 4161: Sporting goods (except fishing equipment)	do	do	0	[1] 10.0
Sec. 4171:				
1. Cameras and films	do	do	0	22.0
2. Projectors, still and motion of household type	5 percent	do	0	
Sec. 4191: Business machines	10 percent	do	0	93.0
Sec. 4201: Mechanical lighters, pencils, fountain and point pens.	do	do	0	10.0
Sec. 4211: Matches:				
1. Plain	2 cents per 1,000 but not more than 10 percent	do	0	6.0
2. Fancy	5½ cents per 1,000	do	0	

[1] Estimated.
[2] A further cut of 2.5 percent should be conditional on manufacturers reducing prices by approximately 6 percent.

Excise provisions of proposed tax cut—Continued

3. FACILITIES AND SERVICES

Item	Present rate	How collected at present	New proposed rate	Revenue loss as estimated in fiscal year 1959 budget
			Percent	*Million*
Sec. 4231 (1–6): Admissions of all kinds including musicians.	Various (20 percent musicians)	Paid by person paying admission: collected from proprietors.	0	$100.0
Communications:				
Sec. 4251:				
1. Telephone and telegraph leased wires, etc.	10 percent	Imposed on person paying for facility	5	517.5
2. Local telephone	do	do	0	
3. Wire and equipment service	8 percent	do	4	
Transportation:				
Sec. 4261: Persons	10 percent	Paid by person making purchase. Collected by transportation company.	5	107.5
Sec. 4271 (a):				
1. Transportation of property other than coal.	3 percent	Paid by person making purchase of transportation.	0	476.0
2. Transportation of coal	4 cents per ton	do	0	
Total revenue loss (exclusive of floor stock refunds and the retroactive rate for autos and trucks).				2,667.0

ESTIMATED REVENUE LOSSES

The estimated revenue losses from the entire amendment on an annual basis would be as follows:

1. Cut from 20 percent to 15 percent on the first $1,000 of taxable income for 1 year: $3 billion.
2. Repeal or reduction of excises (on the basis of 1959 fiscal year budget estimates): $2.667 billion.
3. Reducing rate on first $25,000 of corporate profits from 30 percent to 22 percent: $300 million to $400 million.
4. Floor stock refunds for autos, trucks, and durable goods, and a retroactive date for autos and trucks to March 1, 1958: $100 million to $200 million.

Total revenue losses: $6.067 billion to $6.267 billion.

Because of the reduction in national income the cut would be nearer the smaller $6 billion figure than the $6.3 billion figure.

This should lead to an increase of approximately $18 billion in the national income, and that the added revenue of all branches of the Government from an $18 billion increase in the national income should amount to approximately one-fourth of that figure, or about $4,500 million, or an offset of approximately $4,500 million against the apparent loss, at present income levels, of $6 billion, so that the net loss would be only $1,500 million. We submit that this is a rather cheap way to try to obtain recovery.

The time to wait and see has long since passed. We should act and act now.

PAUL H. DOUGLAS.

SUPPLEMENTARY VIEWS OF SENATOR LONG

The logic of the Douglas argument for major tax reduction to combat the current recession is eminently sound. While I differ somewhat as to the precise type of tax reduction which should be voted, I regret that the committee declined to consider major tax reductions at this time.

RUSSELL B. LONG.

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, [1958] *1959*.—In the case of a taxable year beginning before July 1, [1958] *1959*, the normal tax is equal to 30 percent of the taxable income.

(2) TAXABLE YEARS BEGINNING AFTER JUNE 30, [1958] *1959*.—In the case of a taxable year beginning after June 30, [1958] *1959*, the normal tax is equal to 25 percent of the taxable income.

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SEC. 821. TAX ON MUTUAL INSURANCE COMPANIES (OTHER THAN LIFE OR MARINE OR FIRE INSURANCE COMPANIES ISSUING PERPETUAL POLICIES).

(a) IMPOSITION OF TAX ON MUTUAL COMPANIES OTHER THAN INTERINSURERS.—There shall be imposed for each taxable year on the income of every mutual insurance company (other than a life or a marine insurance company or a fire insurance company subject to the tax imposed by section 831 and other than an interinsurer or reciprocal underwriter) a tax computed under paragraph (1) or paragraph (2), whichever is the greater:

(1) If the mutual insurance company taxable income (computed without regard to the deduction provided in section 242 for partially tax-exempt interest) is over $3,000, a tax computed as follows:

(A) NORMAL TAX.—

(i) TAXABLE YEARS BEGINNING BEFORE JULY 1, [1958] *1959*.—In the case of taxable years beginning before July 1, [1958] *1959*, 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 $3,000, whichever is the lesser;

(ii) TAXABLE YEARS BEGINNING AFTER JUNE 30, [1958] *1959*.—In the case of taxable years beginning after June 30, [1958] *1959*, 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 $3,000, whichever is the lesser; plus

(B) 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.

(2) If for the taxable year the gross amount of income from the items described in section 822 (b) (other than paragraph (1) (D) thereof) and net premiums, minus dividends to policyholders, minus the interest which under section 103 is excluded from gross income, exceeds $75,000, a tax equal to 1 percent of the amount so computed, or 2 percent of the excess of the amount so computed over $75,000, whichever is the lesser.

(b) IMPOSITION OF TAX ON INTERINSURERS.—In the case of every mutual insurance company which is an interinsurer or reciprocal underwriter (other than a life or a marine insurance company or a fire insurance company subject to the tax imposed by section 831), if the mutual insurance company taxable income (computed as provided in subsection (a) (1)) is over $50,000, there shall be imposed for each taxable year on the mutual insurance company taxable income a tax computed as follows:

(1) NORMAL TAX.—

(A) TAXABLE YEARS BEGINNING BEFORE JULY 1, [1958] *1959*.—In the case of taxable years beginning before July 1, [1958] *1959*, 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 $50,000, whichever is the lesser;

(B) TAXABLE YEARS BEGINNING AFTER JUNE 30, [1958] *1959*.—In the case of a taxable year beginning after June 30, [1958] *1959*, 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 $50,000, whichever is the lesser; plus

(2) SURTAX.—A surtax of 22 percent of the mutual insurance company taxable income (computed as provided in subsection (a) (1) in excess of $25,000, or 33 percent of the amount by which such taxable income exceeds $50,000, whichever is the lesser.

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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 July 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, [1958] *1959*, 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, [1958] *1959*, the rate shall be 5 percent.

* * * * * * *

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

(a) RATE OF TAX—

(1) IN 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, [1958] *1959*, 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 or alcohol, 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, [1958] *1959*, 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 sold as wine, which contain more than 2½ percent by volume of wine of an alcoholic content in excess of 14 percent by volume (other than bottled cocktails), 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, [1958] *1959*, and on or after July 1, [1958] *1959*, 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. 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 imitations, 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.

(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, [1958] *1959*, 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, [1958] *1959*, 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, [1958] *1959*, 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, [1958] *1959*, 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, [1958] *1959*, 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 sold, or 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 the fractional parts of a barrel authorized and defined by law. On and after July 1, [1958] *1959*, the tax imposed by the preceding sentence shall be at the rate of $8 in lieu of $9. In estimating and computing such tax, the fractional parts of a barrel shall be halves, thirds, quarters, sixths, and eighths; and any fractional part of a barrel, containing less than one-eighth, shall be accounted one-eighth; more than one-eighth, and not more than one-sixth, shall be accounted one-sixth; more than one-sixth, and not more than one-fourth, shall be accounted one-fourth; more than one-fourth, and not more than one-third, shall be accounted one-third; more than one-third and not more than one-half, shall be accounted one-half; more than one-half and not more than one barrel, shall be accounted one barrel; and more than one barrel, and not more than 63 gallons, shall be accounted two barrels, or a hogshead. The provisions of this section requiring the accounting of hogsheads, barrels, and fractional parts of barrels at the next higher quantity shall not apply where the contents of such hogsheads, barrels, or fractional parts of barrels are within the limits of tolerance established by the Secretary or his delegate by regulations which he is hereby authorized to prescribe; and no assessment shall be made and no tax shall be collected for any excess in any case where the contents of the hogsheads, barrels, or fractional parts of barrels heretofore or hereafter used are within the limits of the tolerance so prescribed.

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SEC. 5063. FLOOR STOCKS TAX 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, and which, on July 1, [1958] *1959*, 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 and the rate made applicable to such articles on and after July 1, [1958] *1959*, if claim for such credit or refund is filed with the Secretary or his delegate prior to August 1, [1958] *1959*, or within 30 days from the promulgation of such regulations.

(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, [1958] *1959* (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. 5134. DRAWBACK.

(a) In the case of distilled spirits on which the tax has been determined and used as provided in this subpart, a drawback shall be allowed—

(1) At the rate of $6 on each proof gallon upon which tax is paid at a rate of $9 per proof gallon prior to November 1, 1951;

(2) at the rate of $9.50 on each proof gallon upon which tax is determined at the rate of $10.50 per proof gallon on and after November 1, 1951;

(3) at the rate of $8 on each proof gallon upon which tax is determined at a rate of $9 per proof gallon after June 30 [1958] *1959*.

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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 pound per thousand, $4 per thousand until July 1, [1958] *1959*, and $3.50 per thousand on and after July 1, [1958] *1959*;

(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, [1958] *1959*, 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, [1958] *1959*, if claim for such credit or refund is filed with the Secretary or his delegate before October 1, [1958] *1959*.

(b) LIMITATIONS ON ELIGIBILITY FOR CREDIT OR REFUND.—No person shall be entitled to credit or refund under subsection (a) of this section unless such person, for such period or periods both before and after July 1, [1958] *1959* (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 shall 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, [1958] *1959*, 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, [1958] *1959*, if claim for such credit or refund is filed with the Secretary or his delegate on or before November 10, [1958] *1959*, based upon a request submitted to the manufacturer, producer, or importer before October 1, [1958] *1959*, by the dealer who held the article in respect of which the credit or refund is claimed, and, on or before November 10, [1958] *1959*, 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, [1958] *1959*, 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, [1958] *1959*, 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) as 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, [1958] *1959*, 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, [1958] *1959*, if claim for such credit or refund is filed with the Secretary within thirty days after the return of the article of customs territory.

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