

TAX RATE EXTENSION ACT OF 1959

JUNE 24, 1959.—Ordered to be printed

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

R E P O R T

[To accompany H.R. 7523]

The Committee on Finance, to whom was referred the bill (H.R. 7523) 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 with amendments and recommend that the bill, as amended, do pass.

I. GENERAL STATEMENT

H.R. 7523 as passed by the House provided for a 1-year extension of the present corporate income tax rates and the existing rates of certain excise taxes. The rates of these taxes otherwise are scheduled for reduction on July 1, 1959.

The present 52 percent corporate income tax rate, without the 1-year extension provided in this bill, would revert to 47 percent as of July 1, 1959, 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, 1959, are those on distilled spirits, beer, wine, cigarettes, passenger automobiles, and automobile parts and accessories. The rates for these taxes, both those which are being extended and the rates which will be applicable July 1, 1960, are both shown in table 1.

Your committee has accepted the provisions of the House bill but added two amendments. One of these repeals the 10 percent tax on the transportation of persons effective for the first month beginning more than 10 days after the date of enactment of this bill. The second amendment provides that the present taxes on telephone, telegraph, and related services, which are generally at a 10 percent rate, are to terminate as of July 1, 1960, the same termination date the House-passed bill provides for the excise tax rates it is continuing.

The continuation of the present corporate tax rate and the excise tax rates on alcoholic beverages, cigarettes, passenger cars, and auto parts and accessories are essential in view of the 1960 budgetary requirements. Provision for a termination date in the case of the various communication excise taxes is provided in order to give assurance that these tax rates will be reviewed at the same time Congress reviews the other excise tax rates which are to terminate on July 1, 1960. This is not intended to give any assurance that these communication tax rates will be considered for termination any sooner than the other excise tax rates which under this bill are to be reduced as of July 1, 1960. The repeal of the transportation tax on rail, air, and other transportation by persons is in accord with the action taken by the Senate last year when it repealed this tax. However, this repeal did not become effective since it was not accepted by the conferees.

If the existing rates are not continued, there would be a revenue loss in a full year of operation of about \$3.1 billion. Of this, \$2.2 billion would be in corporate income taxes and \$0.9 billion in the following excise taxes: \$241 million of various alcohol taxes, \$226 million of the tax on cigarettes, and \$458 million of the taxes on automobiles and automobile parts and accessories. The \$924 million which would be received in a full year from the continuation of excise taxes will, under your committee's bill, be reduced by \$250 million, or the estimated cost in a full year of operation of its amendment repealing the tax on the transportation of persons. This reduces the \$924 million of gain from excise taxes to \$674 million in a full year of operation. This does not take into account the taxes on communications since these are not reduced until the beginning of the fiscal year 1961.

For the fiscal year ending June 30, 1960, the continuation of the corporate and existing excise taxes will result in a revenue increase for that year of \$2,033 million. However, under your committee's bill, there will be an additional loss in the fiscal year 1960 of \$188 million as a result of the repeal of the tax on the transportation of persons. This reduces the net gain under this bill for the fiscal year 1960 to \$1,845 million. Details of the revenue estimates are shown in table 2.

TABLE 1.—Tax rates affected by the bill

	Unit of tax	Present law rate	Rate to become effective July 1, 1960
Corporations.....	Normal tax net income....	30 percent.....	25 percent.
Excises:			
Liquor taxes:			
Distilled spirits.....	Per proof gallon.....	\$10.50.....	\$9.
Beer.....	Per barrel.....	\$9.....	\$8.
Wine:			
Still wine:			
Containing less than 14 percent alcohol.	Per wine gallon.....	17 cents.....	15 cents.
Containing 14 to 21 percent alcohol.	do.....	67 cents.....	60 cents.
Containing 21 to 24 percent alcohol.	do.....	\$2.25.....	\$2.
Containing more than 24 percent alcohol.	do.....	\$10.50.....	\$9.
Sparkling wines, liqueurs, etc.:			
Champagne, sparkling wine.	do.....	\$3.40.....	\$3.
Liqueurs, cordials, etc.	do.....	\$1.92.....	\$1.60.
Artificially carbonated wine.	do.....	\$2.40.....	\$2.
Tobacco taxes: Cigarettes.....	Per thousand.....	\$4.....	\$3.50.
Manufacturers' excises:			
Passenger cars.....	Manufacturers' sale price..	10 percent.....	7 percent.
Auto parts and accessories.....	do.....	8 percent.....	5 percent.
Transportation of persons.....	Amount paid.....	10 percent.....	0.
Communication taxes:			
General telephone service.....	do.....	10 percent.....	0.
Toll telephone service.....	do.....	10 percent.....	0.
Telegraph service.....	do.....	10 percent.....	0.
Teletypewriter exchange service.....	do.....	10 percent.....	0.
Wire mileage service.....	do.....	10 percent.....	0.
Wire and equipment service.....	do.....	8 percent.....	0.

TABLE 2.—Revenue effect of the bill as amended by your committee

[In millions of dollars]

	Revenue effect	
	Full year ¹	Fiscal year 1960 ²
Continuing the 52-percent corporate rate.....	\$ 2,214	\$1,000
Continuing present excise tax rates:		
Distilled spirits.....	145	245
Beer.....	85	93
Wine.....	10	14
Cigarettes.....	226	246
Passenger cars.....	392	377
Auto parts and accessories.....	66	58
Total excise rates continued.....	924	1,033
Excise tax repealed: Transportation of persons.....	-250	-188
Net excise tax revenues.....	674	845
Net effect of bill.....	2,888	1,845

¹ This gives no effect to the repeal of the communication taxes since these are effective until the fiscal year 1961.

² Includes floor stock refunds.

II. EXPENDITURE OUTLOOK

In testimony before your committee, the Director of the Bureau of the Budget presented the administration's current views as to the budgetary outlook for the fiscal years 1959, 1960, and to some extent for the subsequent years. Your committee believes that a summary of this testimony is helpful in showing the need for the enactment of this bill.

With respect to the fiscal year 1959, the Director indicated that, in his opinion, estimated expenditures will amount to about the \$80.9 billion estimated in last January's budget and that there will be a deficit of nearly \$13 billion, although there is a possibility that the budget deficit may turn out to be a few hundred million dollars less.

With respect to fiscal year 1960, the Director pointed out that a balanced budget was proposed in January providing for expenditures of \$77 billion and revenues at \$77.1 billion, with a small budgetary surplus of \$70 million. He stated that the only change in the January budget estimate of expenditures which now seems definite is for interest on the public debt. He indicated that because of currently higher interest rates, expenditures for interest may be about \$500 million more estimated than last January. In addition to the \$500 million increase in interest expenditures, the Director indicated that there are other factors, still not definite, which may affect the total of 1960 expenditures.

III. CHANGES IN EXISTING LAW

In the opinion of the committee, it is necessary, in order to expedite the business of the Senate, to dispense with the requirements of subsection 4 of rule XXIX of the Standing Rules of the Senate (relating to the showing of changes in existing law made by the bill, as reported).

