
TAX RATE EXTENSION ACT OF 1959

JUNE 26, 1959.—Ordered to be printed

Mr. MILLS, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H. R. 7523]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to 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 met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 3, 4, and 5.

Amendment numbered 1:

That the House recede from its disagreement to the amendment of the Senate numbered 1, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SEC. 4. REDUCTION OF TAX ON TRANSPORTATION OF PERSONS, EFFECTIVE JULY 1, 1960.

Section 4261 of the Internal Revenue Code of 1954 (relating to tax on transportation of persons) is amended by striking out "to 10 percent of the amount so paid." each place it appears therein and inserting in lieu thereof the following:

"to—

"(1) 10 percent of the amount so paid before July 1, 1960; or

"(2) 5 percent of the amount so paid on or after July 1, 1960."

And the Senate agree to the same.

Amendment numbered 2:

That the House recede from its disagreement to the amendment of the Senate numbered 2, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SEC. 5. TERMINATION OF TAX ON GENERAL TELEPHONE SERVICE, EFFECTIVE JULY 1, 1960.

Section 4251 of the Internal Revenue Code of 1954 (relating to tax on communications) is amended—

(1) by inserting "(a) *IN GENERAL.*—" at the beginning of the text of such section; and

(2) by adding at the end thereof the following new subsection:

"(b) *TERMINATION OF TAX ON GENERAL TELEPHONE SERVICE.*—

"(1) *IN GENERAL.*—Effective as provided in paragraph (2), the tax imposed by this section on amounts paid for general telephone service shall cease to apply.

"(2) *EFFECTIVE DATE.*—

"(A) Subject to the provisions of subparagraph (B), paragraph (1) shall apply with respect to amounts paid on or after July 1, 1960, for services rendered on or after such date.

"(B) Paragraph (1) shall not apply with respect to amounts paid pursuant to bills rendered before July 1, 1960. In the case of amounts paid pursuant to bills rendered on or after such date for services for which no previous bill was rendered, paragraph (1) shall apply except with respect to such services as were rendered more than 2 months before such date. Paragraph (1) shall not apply with respect to amounts paid for services rendered more than 2 months before such date."

And the Senate agree to the same.

That the House recede from its disagreement to the amendment of the Senate to the title of the bill and agree to the same.

W. D. MILLS,
CECIL R. KING,
RICHARD M. SIMPSON,
N. M. MASON,

Managers on the Part of the House.

HARRY F. BYRD,
ROBERT S. KERR,
J. ALLEN FREAR, Jr.,
JOHN J. WILLIAMS,
WALLACE F. BENNETT,
JOHN BUTLER,

By J. J. W.

Managers on the Part of the Senate.

STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 7523) to provide a 1-year extension of the existing corporate normal-tax rate and of certain excise-tax rates, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The bill, as passed the House, provides a 1-year extension of the existing corporate normal-tax rate and of certain excise-tax rates. Under the Senate amendments, the provisions of the House bill would be retained, but certain changes would be made in the Internal Revenue Code of 1954 and in the public assistance provisions of the Social Security Act.

Amendment No. 1: This amendment would repeal the taxes on the transportation of persons imposed by section 4261 of the Internal Revenue Code of 1954.

Section 4261(a) of such code imposes a tax on the amount paid within the United States for taxable transportation (as defined in sec. 4262 of such code) of any person by rail, motor vehicle, water, or air. The tax is equal to 10 percent of the amount so paid.

Section 4261(b) of such code imposes a tax on amounts paid without the United States for taxable transportation (as defined in sec. 4262 of such code) of any person by rail, motor vehicle, water, or air, but only if such transportation begins and ends in the United States. This tax is equal to 10 percent of the amount so paid.

Section 4261(c) of such code imposes a tax on amounts paid for seating or sleeping accommodations in connection with transportation with respect to which a tax is imposed by subsection (a) or (b) of section 4261. This tax is equivalent to 10 percent of the amount so paid.

Under Senate amendment No. 1, the repeal of these taxes would apply with respect to amounts paid, on or after the first day of the first month which begins more than 10 days after the date of the enactment of the bill, for transportation which begins on or after such first day.

The House recedes with an amendment. Under the conference agreement the rate of tax under subsections (a), (b), and (c) of section 4261 of the Internal Revenue Code of 1954 is reduced from 10 percent to 5 percent, effective with respect to amounts paid on or after July 1, 1960.

Amendment No. 2: This amendment would repeal the tax on amounts paid for enumerated communication services imposed by section 4251 of the Internal Revenue Code of 1954. The tax is equal

to the percent of the amount so paid, for the enumerated service, which is specified in the following table:

<i>Taxable service</i>	<i>Rate of tax, percent</i>
General telephone service.....	10
Toll telephone service.....	10
Telegraph service.....	10
Teletypewriter exchange service.....	10
Wire mileage service.....	10
Wire and equipment service.....	8

Under Senate amendment No. 2, the repeal of this tax would apply with respect to amounts paid on or after July 1, 1960, for communication services rendered on or after such date.

The House recedes with an amendment. Under the conference agreement, the tax on general telephone service is terminated, effective, in general, with respect to bills rendered on or after July 1, 1960.

Amendment No. 3: This amendment would repeal the credit against tax provided by section 34 of the Internal Revenue Code of 1954 for dividends received by individuals. The amount of the credit is (subject to certain specified limitations) 4 percent of the dividends which are received by individuals from domestic corporations and are included in gross income. Under the amendment, the repeal would be effective with respect to taxable years beginning after December 31, 1959.

The Senate recedes.

Amendment No. 4: This amendment added to the bill a new section 7, increasing the maximum amount of State expenditures in which the Federal Government would share under the public assistance provisions of the Social Security Act (titles I, IV, X, and XIV, relating to old-age assistance, aid to dependent children, aid to the blind, and aid to the permanently and totally disabled, respectively). Under the new section 7, the maximum amount of State expenditures in which the Federal Government would share under the basic formula in titles I, X, and XIV (at the rate of four-fifths of the first \$30 and the "Federal percentage" of the remainder) would be increased from \$65 to \$75 per recipient, with a corresponding increase in the formula for Puerto Rico, the Virgin Islands, and Guam (which is on a 50-50 matching basis) from \$35 to \$38. The maximum amount of State expenditures in which the Federal Government would share under the basic formula in title IV (which is presently at the rate of fourteen-seventeenths of the first \$17 and the "Federal percentage" of the remainder) would be increased from \$30 to \$33 per recipient (and the rate of Federal participation increased to five-sixths of the first \$18 and the "Federal percentage" of the remainder), with a corresponding increase in the formula for Puerto Rico, the Virgin Islands, and Guam (which is on a 50-50 matching basis) from \$18 to \$20 per recipient. In addition, the ceiling on the "Federal percentage" (applicable to States other than Hawaii) would be increased from 65 to 70 percent. The amendments made by the new section 7 would generally become effective October 1, 1959.

The Senate recedes.

Amendment No. 5: This amendment added to the bill a new section 8, increasing the rate of Federal participation in the expenditures made by certain States under titles I, X, and XIV of the Social Security Act (relating to old-age assistance, aid to the blind, and aid

to the permanently and totally disabled, respectively). Under the new section 8, this rate would be increased from four-fifths of the first \$30 per recipient (and the "Federal percentage" of the remainder) to five-sixths of the first \$36 per recipient (and the "Federal percentage" of the remainder) in any State where the per capita income is less than 60 percent of the average per capita income of the United States. The amendments made by the new section 8 would become effective with the quarter commencing October 1, 1959.

The Senate recesses.

W. D. MILLS,
CECIL R. KING,
RICHARD M. SIMPSON,
N. M. MASON,
Managers on the Part of the House.

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