

## TAX RATE EXTENSION ACT OF 1961

JUNE 14, 1961.—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. 7446]

The Committee on Finance, to whom was referred the bill (H.R. 7446) 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. SUMMARY OF BILL

H.R. 7446 continues for 1 year certain existing tax rates. The existing tax rates which this bill continues until July 1, 1962, are the present 52-percent corporate income tax rate, which would otherwise revert to 47 percent (the 5 percentage point reduction would occur in the 30 percent normal tax) and the present rates of excise tax on distilled spirits, beer, wine, cigarettes, passenger cars, automobile parts and accessories, general telephone service, and transportation of persons. All of these reductions which under present law occur on June 30 of this year, except those relating to the latter two taxes, represent increases made at the time of the Korean war. The general telephone tax and the tax on the transportation of persons were added to the list of taxes subject to automatic reductions by the Tax Rate Extension Act of 1959.

If these tax rates were not continued, it is estimated that there would be a revenue loss of almost \$3.7 billion in a full year of operation and a loss of revenue in the fiscal year 1962 of over \$2.5 billion (taking into account the effect of the bill on tax refunds).

The extension of these existing tax rates for 1 more year was recommended by the President in his tax message of April 20.

Your committee unanimously approved the bill without amendment.

#### II. EXPLANATION OF RATES EXTENDED

This bill provides 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, 1961. The present 52-percent corporate income tax rate, without the 1-year extension provided by this bill, would revert to 47 percent as of July 1, 1961, 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, 1961, are those on—

- (1) distilled spirits, which would be reduced from \$10.50 to \$9 per proof gallon;
- (2) beer, which would be reduced from \$9 to \$8 per barrel;
- (3) wines, which are subject to various tax rates which would be reduced by approximately 11 percent;
- (4) cigarettes, which would be reduced from 8 cents to 7 cents a pack;
- (5) passenger cars, which would be reduced from 10 percent to 7 percent of the manufacturer's price;
- (6) auto parts and accessories, which would be reduced from 8 percent to 5 percent of the manufacturer's price;
- (7) general telephone service, which would be reduced from 10 percent of the amount paid to zero; and
- (8) transportation of persons, which would be reduced from 10 percent to 5 percent of the amount paid.

The reductions in the corporate income tax and in the taxes referred to in the first six categories listed above are rate increases which were initially provided in 1951 at the time of the Korean war. The elimination of the tax on general telephone service (or local telephone service as it formerly was called) and the reduction in the tax on the transportation of persons was first scheduled (for the year 1960) in the Tax Rate Extension Act of 1959.

The bill, in addition to postponing the excise tax rates referred to, also makes a number of technical changes, including the postponement for 1 more year of the floor stock refunds or credits presently effective with respect to stocks of various taxpaid products on hand on July 1, 1961. These floor stock refunds are available in the case of distilled spirits, wines and beer, cigarettes, and passenger cars.

### III. REVENUE EFFECT OF TAX RATE EXTENSIONS

Table 1 shows 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 1962. The full year effect of the bill will be to maintain receipts of almost \$3.7 billion which would otherwise be lost. In the fiscal year 1962, the receipts maintained by the rate extensions will amount to \$2.5 billion (taking into account the effect floor stock refunds otherwise would have). The difference between the full year effect and the effect in the fiscal year 1962 is primarily attributable to the postponement of the corporate rate reduction which is not fully reflected in receipts in the fiscal year 1962. There is also some lag in collections in the manufacturers excise taxes on passenger cars and auto parts and accessories, as well as in the case of the general telephone and transportation of persons taxes. In the case of excise taxes, however, the lag in collections is largely offset by the fact that the bill postpones for 1 more year any refunds which otherwise would have to be made with respect to certain taxpaid commodities in dealers' hands on June 30, 1961.

TABLE 1.—Corporation and excise taxes scheduled to be reduced July 1, 1961

	Unit of tax	Present law rate	Rate to become effective July 1, 1961	Revenue loss (millions)	
				Full year	Fiscal 1962
Corporations.....	Normal tax net income.	30 percent...	25 percent...	\$2,030	\$025
Excises:					
Liquor taxes:					
Distilled spirits .....	Per proof gallon...	\$10.50.....	\$9.....	158	155
Beer.....	Per barrel.....	\$9.....	\$8.....	80	87
Wine:					
Still wine:					
Containing less than 14 percent alcohol.	Per wine gallon...	17 cents.....	15 cents.....	11	11
Containing 14 to 21 percent alcohol.	.....do.....	67 cents.....	60 cents.....		
Containing 21 to 24 percent alcohol.	.....do.....	\$2.25.....	\$2.....		
Containing more than 25 percent alcohol.	.....do.....	\$10.50.....	\$9.....		
Sparkling wines, liqueurs, etc.:					
Champagne or sparkling wine.	.....do.....	\$3.40.....	\$3.....		
Liqueurs, cordials, etc.	.....do.....	\$1.02.....	\$1.60.....		
Artificially carbonated wine.	.....do.....	\$2.40.....	\$2.....		
Tobacco taxes: Cigarettes.....	Per thousand.....	\$4.....	\$3.50.....	244	244
Manufacturers excise taxes:					
Passenger cars.....	Manufacturers' sale price.	10 percent...	7 percent...	402	352
Auto parts and accessories.....	.....do.....	8 percent...	5 percent...	75	65
Miscellaneous taxes:					
General telephone.....	Amount charged..	10 percent...	0.....	500	375
Transportation of persons.....	Amount paid.....	10 percent...	5 percent...	150	110
Total excises.....				1,629	1,399
Grand total, corporate and excise taxes.....				3,659	2,324
Decrease in excess tax refunds.....					178
Total net revenue effect.....				3,659	2,502

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

As shown in table 1, slightly over \$2 billion of the \$3.7 billion revenue loss prevented by this bill is attributable to the corporate income tax. Of the remainder, \$258 million is attributable to the taxes on alcoholic beverages, \$244 million to the taxes on cigarettes, \$477 million to the automotive taxes, \$500 million to the general telephone tax, and \$150 million to the tax on the transportation of persons.

IV. EFFECT OF BILL ON THE BUDGET

The Secretary of the Treasury, appearing before the committee in executive session, estimated that there will be a deficit for the fiscal year 1962 of \$3.7 billion if the revenue and expenditure requests of the President are all enacted. This is based upon the following estimates of budgetary revenues and expenditures:

Expenditures.....	\$85.4
Revenues.....	81.4
Deficit.....	3.7

Table 2 shows the more detailed expenditure estimates on which the above expenditure total of \$85.1 billion is based. This table shows the estimates appearing in the budget presented on January 16

by the last administration, together with the two revisions made by the present administration in these estimates. The \$85 billion shown in table 2 as the current expenditure estimates excludes any amount for the expansion of the civil defense program as recommended by the President. Therefore, the administration representatives increased this \$85 billion by \$100 million to reflect the expenditure requirement of this program, as well as other contingencies. The expenditure figures presented above assume the enactment of the President's recommendations with respect to postal rates. If this is not done, it is estimated that the deficit will be \$741 million larger than that shown. These figures also assume the enactment of all of the President's revenue requests, including those relating to jet fuel and the highway program. These figures further assume the continuation of the tax rates provided by this bill. If these rates were not continued, the deficit shown for the fiscal year 1962 would have to be increased by about \$2½ billion. Thus without the continuation of these rates, even if all other revenue requests of the administration are enacted, there would be deficit for the fiscal year 1962 in excess of \$6 billion.

TABLE 2.—Budget expenditure summary, May 25, 1961

(Fiscal year 1962. In millions)

Department or agency	Jan. 16, 1961, estimate	Mar. 28, 1961, estimate	May 25, 1961, increases	Total
Legislative branch and the judiciary.....	\$203	\$207	-----	\$207
Executive Office of the President.....	92	92	-----	92
Funds appropriated to the President:				
Mutual security—economic and contingencies.....	1, 875	1, 875	\$75	1, 950
Other.....	75	175	-----	175
Independent offices:				
Atomic Energy Commission.....	2, 680	2, 670	-----	2, 670
Federal Aviation Agency.....	730	743	-----	743
National Aeronautics and Space Administration.....	965	1, 050	330	1, 390
Small Business Administration.....	98	98	88	186
U.S. Information Agency.....	138	146	2	148
Veterans' Administration.....	5, 369	5, 404	-----	5, 404
Other.....	436	456	-----	456
General Services Administration.....	496	498	-----	498
Housing and Home Finance Agency.....	728	942	-----	942
Department of Agriculture.....	5, 782	6, 440	-----	6, 440
Department of Commerce.....	506	614	19	633
Department of Defense (military):				
Military functions.....	42, 910	43, 800	100	43, 900
Military assistance.....	1, 750	1, 650	50	1, 700
Department of Defense (civil).....	984	1, 021	-----	1, 021
Department of Health, Education, and Welfare.....	4, 005	4, 798	-----	4, 798
Department of the Interior.....	873	906	-----	906
Department of Justice.....	294	296	-----	296
Department of Labor.....	223	654	60	714
Post Office Department.....	63	63	-----	63
Department of State.....	345	351	-----	351
Treasury Department:				
Interest.....	8, 693	8, 693	-----	8, 693
Other.....	1, 095	1, 120	-----	1, 120
District of Columbia.....	66	66	-----	66
Allowance for contingencies.....	100	100	-----	100
Subtotal.....	81, 532	84, 926	724	85, 650
Deduct Interfund transactions.....	667	667	-----	667
Total.....	80, 865	84, 259	724	84, 983

## NOTES

1. Mar. 28 figures include reestimates of expenditures under the Jan. 16 program as well as new proposals of this administration.
2. Excludes amount for expansion of civil defense program.
3. Excludes certain small modifications proposed by the President between Mar. 28 and May 25 which will affect 1962 expenditures by a smaller amount than the allowance for contingencies.
4. Detail may not add to totals because of rounding.

Source: Bureau of the Budget.

## V. REASONS FOR THE BILL

Your committee believes that the status of the budget as outlined above represents an impelling reason for the continuation of the present corporate and excise tax rates. In this respect, the President, in his tax message of April 20, said:

Such extension has been adopted by the Congress on a number of previous occasions, and our present revenue requirements make such extension absolutely necessary again this year. \* \* \* We cannot afford the loss of these revenues at this time.

In his special message of May 25, 1961, to the Congress on the role of the United States in promoting freedom, the President stated that—

if the budget deficit now increased by the needs of our security is to be held within manageable proportions, it will be necessary to hold tightly to prudent fiscal standards.

The Secretary of the Treasury, in his appearance before the Committee on Finance, said:

I believe it is essential that we conserve the revenue-producing capacity of our tax system. We must prevent an unnecessary increase in the fiscal 1962 budget deficit. Finally, if adjustments in the rates of certain of the taxes now before you for consideration, should prove to be desirable, it would be far more sensible to make such changes in the framework of the overall tax reform scheduled for next year.

In addition to recommending the continuation of the tax on the transportation of persons for another year, the administration recommended that a tax be imposed on aviation fuel. This tax was for the purpose of helping to defray the costs of operating and improving the Federal airways system and was somewhat similar to a recommendation of the previous administration.

In connection with this particular recommendation, the report of the House Committee on Ways and Means stated as follows:

Your committee's bill would continue for another year the tax on the transportation of persons. No action is taken in the bill on the proposal to tax aviation fuel. The public hearing conducted by the Committee on Ways and Means on these proposals developed information that indicated further study should be made of the impact of the transportation tax on the transportation industry and of the impact of the proposed aviation fuel tax on the airline segment of that industry. Therefore, the committee has directed such a study by the interested executive departments and agencies relative to the consequence of these taxing proposals on the transportation industry in general and the airlines industry in particular insofar as the aviation fuels tax is concerned. It is expected that in preparing this report representatives of the industry will be consulted and given ample opportunity to express their views and recommendations. In view of the recog-

nized importance of this problem and the administration's concern that the civil aviation industry be required to pay a fair share of the costs of operating and improving the Federal airways system, it is expected that every effort will be made to expedite this study and that a report will be made to your committee at the earliest possible date. The Secretary of the Treasury has assured your committee that such a report will be made and that, in fact, the necessary study has already begun.

#### 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, [1961] 1962.**—

In the case of a taxable year beginning before July 1, [1961] 1962, the normal tax is equal to 30 percent of the taxable income.

(2) **TAXABLE YEARS BEGINNING AFTER JUNE 30, [1961] 1962.**—

In the case of a taxable year beginning after June 30, [1961] 1962, 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, [1961] 1962.**—In the case of taxable years beginning before July 1, [1961] 1962, 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, [1961] 1962.—In the case of taxable years beginning after June 30, [1961] 1962, 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, [1961] 1962.—In the case of taxable years beginning before July 1, [1961] 1962, 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, [1961] 1962.—In the case of a taxable year beginning after June 30, [1961] 1962, 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, [1961] 1962, 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, [1961] 1962, the rate shall be 5 percent.

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#### SEC. 4251. IMPOSITION OF TAX.

(a) IN GENERAL.—There is hereby imposed on amounts paid for the communication services enumerated in the following table a tax equal to the percent of the amount so paid as is specified in such table:

Taxable service	Rate of tax
	<i>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

The taxes imposed by this section shall be paid by the person paying for the services.

(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, [1961] 1962, 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, [1961] 1962.



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.

\* \* \* \* \*

**SEC. 4261. IMPOSITION OF TAX.**

(a) **AMOUNTS PAID WITHIN THE UNITED STATES.**—There is hereby imposed upon the amount paid within the United States for taxable transportation (as defined in section 4262) of any person by rail, motor vehicle, water, or air a tax equal to—

(1) 10 percent of the amount so paid before July 1, [1961] 1962; or

(2) 5 percent of the amount so paid on or after July 1, [1961] 1962.

(b) **AMOUNTS PAID OUTSIDE THE UNITED STATES.**—There is hereby imposed upon the amount paid without the United States for taxable transportation (as defined in section 4262) of any person by rail, motor vehicle, water, or air, but only if such transportation begins and ends in the United States, a tax equal to—

(1) 10 percent of the amount so paid before July 1, [1961] 1962; or

(2) 5 percent of the amount so paid on or after July 1, [1961] 1962.

(c) **SEATS, BERTHS, ETC.**—There is hereby imposed upon the amount paid for seating or sleeping accommodations in connection with transportation with respect to which a tax is imposed by subsection (a) or (b) a tax equivalent to—

(1) 10 percent of the amount so paid before July 1, [1961] 1962; or

(2) 5 percent of the amount so paid on or after July 1, [1961] 1962.

(d) **BY WHOM PAID.**—Except as provided in section 4264, the taxes imposed by this section shall be paid by the person making the payment subject to the tax.

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

(a) **RATE OF TAX.**—

(1) **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, [1961] 1962, 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, 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, [1961] 1962, 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 produced for sale as wine, wine specialties, or cocktails, which contain more than 2½ percent by volume of wine of an alcoholic content in excess of 14 percent by volume, 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, [1961] 1962, and on or after July 1, [1961] 1962, 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. The last sentence of section 5021 shall not be construed to limit the imposition of tax under this section. 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 imitation, 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. Still wines shall include those wines containing not more than 0.256 gram of carbon dioxide per hundred milliliters of wine; except that the Secretary or his delegate may by regulations prescribe such tolerances to this maximum limitation as may be reasonably necessary in good commercial practice.

(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, [1961] 1962, 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, [1961] 1962, 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, [1961] 1962, 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, [1961] 1962, 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, [1961] 1962, the rate shall be \$2.00 per wine gallon.

\* \* \* \* \*

**SEC. 5051. IMPOSITION AND RATE OF TAX.**

(a) **RATE OF TAX.**—There is hereby imposed on all beer, brewed or produced, and 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 fractional parts of a barrel. On and after July 1, [1961] 1962, the tax imposed by this subsection shall be at the rate of \$8 in lieu of \$9. Where the Secretary or his delegate finds that the revenue will not be endangered thereby, he may by regulations prescribe tolerances for barrels and fractional parts of barrels, and, if such tolerances are prescribed, no assessment shall be made and no tax shall be collected for any excess in any case where the contents of a barrel or a fractional part of a barrel are within the limit of the applicable tolerance prescribed.

\* \* \* \* \*

**SEC. 5063. FLOOR STOCKS 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 or determined, and which, on July 1, [1961] 1962, 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 or determined and the rate made applicable to such articles on and after July 1, [1961] 1962, if claim for such credit or refund is filed with the Secretary or his delegate prior to October 1, [1961] 1962, or within 30 days from the promulgation of such regulations, whichever is later.

(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, [1961] 1962 (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 regulation.

**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, [1961] 1962, 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, [1961] 1962, if claim for such credit or refund is filed with the Secretary or his delegate before October 1, [1961] 1962.

(b) **LIMITATIONS ON ELIGIBILITY FOR CREDIT OR REFUND.**—No person shall be entitled to credit or refund under subsection (a) un-

less such person, for such period or periods both before and after July 1, [1961] 1962 (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 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.

\* \* \* \* \*

**SEC. 5701. RATE OF TAX.**

\* \* \* \* \*

(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 pounds per thousand, \$4 per thousand until July 1, [1961] 1962, and \$3.50 per thousand on and after July 1, [1961] 1962;

(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 2¼ inches, or fraction thereof, of the length of each as one cigarette.

\* \* \* \* \*

**SEC. 6412. FLOOR STOCKS REFUNDS.**

(a) IN GENERAL.—

(1) PASSENGER AUTOMOBILES, ETC.—Where before July 1, [1961] 1962, 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, [1961] 1962, if claim for such credit or refund is filed with the Secretary or his delegate on or before November 10, [1961] 1962, based upon a request submitted to the manufacturer, producer or importer before October 1, [1961] 1962, by the dealer who held the article in respect of which the credit or refund is claimed, and, on or before November 10, [1961] 1962, 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, [1961] 1962, 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, [1961] 1962, 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) at 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, [1961] 1962, 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, [1961] 1962, if claim for such credit or refund is filed with the Secretary within thirty days after the return of the article to customs territory.

