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93D CONGRESS
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SENATE

REPORT
No. 93—986

EXTENDING THE TEMPORARY SUSPENSION OF DUTY ON CERTAIN BICYCLE PARTS AND ACCESSORIES

JULY 8, 1974.—Ordered to be printed

Mr. LONG of Louisiana, from the Committee on Finance, submitted the following

REPORT

[To accompany H.R. 6642]

The Committee on Finance, to which was referred the bill (H.R. 6642) to suspend the duties of certain bicycle parts and accessories until the close of December 31, 1976, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

38-010—74——1

I. SUMMARY

House bill.—The House-passed bill would continue from January 1, 1974, through December 31, 1976, the suspension of duties on certain bicycle parts and accessories. The committee bill does not substantively modify the House bill, but includes a number of additional provisions.

Committee amendment.—The first provision added by the committee deals with the application of the moving expense provisions to members of the armed services. The Tax Reform Act of 1969 made certain revisions with respect to the deduction for moving expenses. Several of the changes made in the 1969 Act present significant problems with respect to their application to members of the armed services. In addition, changes dealing with reporting and withholding would improve administrative burdens on the Department of Defense. Since the enactment of the 1969 changes, the Internal Revenue Service has, by administrative determination, provided a moratorium with respect to the application of the new moving expense rules to members of the armed services and to the Department of Defense. The most recent extension of this moratorium expired at the end of 1973. The committee has by legislation extended this moratorium one more year until January 1, 1975, pending the development of a legislative solution.

The second committee provision repeals the tax and other regulatory provisions on filled cheese in the Internal Revenue Code. These provisions, which were originally enacted to regulate the wholesomeness and purity of cheese products, presently serve no internal revenue purposes. Regulations as to the wholesomeness and purity of filled cheese products are now enforced by the Food and Drug Administration outside of the provisions of the Internal Revenue Code.

The third committee provision permits certain private foundations whose assets are largely invested in the stock of a multi-state regulated company (described in section 101(l)(4) of the Tax Reform Act of 1969) to exclude the value of this stock in computing the amount of their required charitable distributions under the private foundation provisions. This amendment is designed to effectuate the intent of Congress in the 1969 Act by preventing the charitable distribution provisions from resulting in a forced divestiture of stock that Congress determined certain types of foundations should be permitted to retain.

The fourth committee provision is designed to reduce the tax reporting burden of the Nation's employers by making it possible to change social security tax reporting from a quarterly basis to an annual basis.

The fifth committee provision increases the amount of carbon dioxide that may be contained in still wines from 0.277 to 0.392 gram per 100 milliliters of wine. This increase is intended to improve the shelf life of wines with low alcoholic content. This is because as the alcoholic content of a wine decreases, the wine tends to deteriorate more quickly since there is less alcohol to act as a preservative. This amendment does not change the tax rates of these wines nor is it expected to result in reduced sales in carbonated and sparkling wines or champagne.

II. GENERAL EXPLANATION

A. Bicycle Parts

H.R. 6642 would continue the suspension of column 1 duties on certain bicycle parts, including generators, derailleurs (derailers), and caliper brakes, which terminated as of December 31, 1973. The duty suspensions on these bicycle parts were first enacted in 1971 in order to improve the ability of domestic producers of bicycles to compete with foreign manufacturers of bicycles. The bicycle parts covered by the bill are not generally available from domestic sources. Such parts would normally be subject to rates of duty ranging from 15 to 19 percent. Accordingly, the bill would help to reduce the landed cost of certain imported bicycle parts and accessories necessary for the manufacture of certain types of bicycles.

The domestic bicycle producers are strongly in favor of this legislation. There is no domestic production of the parts covered by the bill, except in the case of stick shift levers. And in this latter case, the firm manufacturing this item is not opposed to the enactment of the temporary duty suspension.

The Committee has received favorable reports on this bill from the Department of Commerce and the Office of the Special Representative for Trade Negotiations. Furthermore, no objection on H.R. 6642 has been received by the Committee from domestic producers of bicycle parts or any other interests.

B. Application of Moving Expense Provisions to Members of U.S. Military Services

The Tax Reform Act of 1969 made a series of revisions in the tax treatment of moving expenses. Some of these allowed more generous treatment than prior law and some were more restrictive. In the first category the Act broadened the categories of deductible moving expenses to include three new categories of deductible moving expenses (under sec. 217): (1) pre-move househunting trip expenses; (2) temporary living expenses for up to 30 days at the new job location; and (3) qualified expenses of selling, purchasing or leasing a residence. These additional deductions were limited to an overall limit of $2,500, with a $1,000 limit on the first two categories. Prior law already allowed deductions for the moving of household goods to the new location and the traveling expenses for the family (including meals and lodging) to the new location.

On the other hand, however, the 1969 Act in certain respects restricted the tax treatment of moving expenses. First, it provided that all reimbursements of moving from one residence to another were to be included in the taxpayer's adjusted gross income as compensation for services (under sec. 82) but with offsetting deductions allowed to the extent they were the type of moving expenses deductible under section 217. Second, the 1969 Act increased the minimum 20-mile test

to 50 miles for a move to qualify for the deduction and third it modified the existing 39-week rule, the rule requiring a taxpayer to be employed full time for 39 weeks out of the year following the relocation in order to be eligible for the moving expense deduction.[1]

According to the Department of Defense, the restrictive changes made in the 1969 Act present significant problems with respect to their application to members of the military services. It is reported that this is especially the case with the requirement (under sec. 82 and the regulations thereunder) that all moving expense reimbursements, whether in-kind or cash, be included in gross income as compensation and reported both to the individual and the Internal Revenue Service for withholding tax purposes. The Department of Defense has indicated that identification of in-kind "reimbursements" for each serviceman where the Department of Defense pays for the moving expense to the mover, or does the moving itself, would involve substantial administrative burdens for the department as well as increasing their costs at no revenue gain to the Treasury.

The Department of Defense also has indicated that the requirements that the new place of work be at least a 50-mile move and that the individual work for at least 39 weeks at the new location represented hardships for military personnel since many mandatory personnel moves are made for less than 39 weeks and for less than 50 miles. As a result, the servicemen involved would not be allowed any deduction for their moving expenses, but still would be required to report the moving expense "reimbursement," whether paid by the Government or paid directly to them as a cash reimbursement.

Since the enactment of the 1969 changes, the Internal Revenue Service has by administrative determination provided a moratorium on withholding and reporting with respect to the application of the new moving expense rules to members of the military services.[2] The most recent extension of this Internal Revenue Service moratorium expires at the end of 1973. The moratorium does not apply to cash reimbursements of moving expenses, which are still required to be reported. In addition, where the moving expenses paid by a serviceman exceeds his reimbursements for his expenses, the excess amounts may be allowable as a deduction if they are otherwise deductible under section 217.

The Department of Defense submitted legislative proposals to Congress in 1973 dealing with the application of the deduction for moving expenses to the military. Since the moratorium expired at the end of 1973, there was not sufficient time in this session of Congress to analyze these proposals. As a result, the committee by legislative action is extending this moratorium as to the application of the 1969 changes in the moving expense rules to members of the military services for one more year, or until January 1, 1975. In the meantime, the committee has instructed the staff of the Joint Committee on Internal Revenue Taxation to review the proposed legislation and present an analysis to the committee for its consideration.

This provision will not have any effect on revenues since it continues existing administrative rules.

[1] The 39-week test is waived if the employee is unable to satisfy it as a result of death, disability, or involuntary separation (other than for willful misconduct). The Act also made the moving expense deduction available to the self-employed. Self-employed individuals have a 78-week rule, instead of the 39-week rule.

[2] Internal Revenue Service, Public Information, Fact Sheet, November 30, 1970 (letter to Secretary of Defense).

C. Taxation and Regulation on the Manufacture and Sale of Filled Cheese

Under present law an excise tax is imposed on the sale of filled cheese at a rate of one cent per pound for domestically manufactured cheese and at a rate of eight cents per pound on imported cheese. In addition, an occupational tax of $400 per year is imposed on each factory of a manufacturer of filled cheese, a $250 annual tax is imposed on each wholesale distributor and a $12 annual tax is imposed on each retail dealer. The code also provides certain other requirements as to the packaging, labeling and the posting of signs with respect to the marketing of filled cheese. Criminal penalties are provided for failure to pay these taxes or for violation of the stamping and labeling requirements.

Filled cheese is defined in the Internal Revenue Code (sec. 4846) to include "all substances made of milk or skimmed milk, with the admixture of butter, animal oils or fats, vegetable or any other oils, or compounds foreign to such milk, and made in imitation or semblance of cheese."

The filled cheese taxes and regulatory requirements were originally enacted in 1896. That legislation was one of a number of provisions enacted to insure purity and to inhibit the sale of factory-prepared foods in competition with natural foods.

Since the taxes imposed on filled cheese are relatively low, the taxes alone have not inhibited the production of filled cheese. It is the packaging and labeling requirements which have had the effect of preventing all but a small amount of filled cheese from being sold, although there is presently an increasing interest in its marketability.

The committee believes that one of the original purposes of the filled cheese laws—to inhibit competition of factory-prepared foods with natural foods—is no longer appropriate. The second of the original purposes—to insure food purity—is no longer an appropriate activity to be carried on by the Internal Revenue Service. Any requirements as to the quality and labeling of cheese products fall clearly within the jurisdiction of the Food and Drug Administration and can be administered by that agency separate from the tax laws. Furthermore, the committee understands that the Food and Drug Administration presently has the authority to regulate the marketability of filled cheese. Since the provisions in the Internal Revenue Code serve no internal revenue purposes and since appropriate regulation as to the wholesomeness and purity of products falling in the filled cheese category are enforced by the Food and Drug Administration outside of the provisions of the Internal Revenue Code, the committee believes that these provisions are no longer needed as part of the Internal Revenue Code and should be repealed.

This provision is to become effective after the date of enactment.

Since the filled cheese provisions were not intended for revenue raising purposes and actually only resulted in approximately $10,000 in revenues in fiscal year 1973, the enactment of this provison will result in a negligible effect on revenues.

D. Exception to the Charitable Distribution Requirements for Certain Private Foundations

Present law limits the involvement of private foundations in business enterprises by requiring divestiture of business holdings in excess of certain prescribed percentages. An exception to this rule was provided in the Tax Reform Act of 1969 (sec. 101(1) (4)). That exception permitted the retention of 51 percent of a business' stock in the case of any foundation incorporated before January 1, 1951, where substantially all of its assets on May 26, 1969, consisted of more than 90 percent of the stock of an incorporated business enterprise which is licensed and regulated, the sales and contracts of which are regulated, and professional representatives of which are licensed, by State regulatory agencies in at least 10 States. In addition, in order to qualify for the provision the foundation must have received its stock solely by gift, devise or bequest.[1]

Under this exception, the Herndon Foundation is permitted to retain up to 51 percent of the stock in the Atlanta Life Insurance Company. However, it has come to the committee's attention that the charitable distribution provisions, which require a private foundation to distribute currently the greater of its adjusted net income or a stated percentage of its investment assets (the minimum investment return), are forcing divestiture of the stock that Congress determined the Herndon Foundation should be permitted to keep.

As a result, the intent of Congress in 1969, that foundations like the Herndon Foundation should be able to retain 51 percent of the stock of a company, is being frustrated because of the operation of the minimum investment return provision. To overcome this result, the committee has provided that in the case of a private foundation of the type referred to above (described in sec. 101(1)(4) of the Tax Reform Act of 1969) the minimum investment return and the adjusted net income are to be determined without regard to the foundation's stock holdings (or divided income on such holdings) in the company in question. The dividend income derived from such stock, however, is to be added to the amount that the private foundation is otherwise required to distribute currently.

This provision shall apply with respect to taxable years beginning after December 31, 1971.

This provision will not have any effect on the revenues to the Treasury.

E. Annual Wage Reporting for Social Security

The Committee added a provision to the House-passed bill which is designed to reduce the tax reporting burden of the Nation's employers. Under the Committee provision, the Secretaries of the Treasury and of Health, Education, and Welfare would be provided with the authority they need to exchange information on a basis which would make it possible to change social security tax reporting from a quarterly basis to an annual basis. The Committee provision

[1] Stock of a company placed in trust before May 27, 1969, with provision for the remainder to go to the foundation also is treated as coming under this provision if the foundation held on May 26, 1969, without regard to such trust, more than 20 percent of the stock of enterprise.

originated in the recommendations of several Governmental study groups and its adoption would conclude approximately two decades of study and negotiation between the two departments involved.

Under existing Treasury department regulations, employers are required to submit quarterly reports of the wages paid to their employees which are subject to social security taxes. These reports, on Treasury Form 941–A, must list each employee by name, social security account number, and total wages paid to the employee with respect to which social security taxes are payable. The preparation and filing of this quarterly report involves considerable effort and expense on the part of employers particularly in the case of small and medium-sized companies which do not have the advantage of computerized payroll systems. An April 17, 1973 report issued by the Select Committee on Small Business stated that its Subcommittee on Government Regulation had found studies indicating that the annual cost to small employers of submitting this form might total as much as $235 million (Senate Report No. 93–125, p. 49).

The Committee provision would make possible the elimination of this report by changing certain technical requirements of the social security program which currently depend on data from the Form 941–A and by providing the Internal Revenue Service and the Social Security Administration authority which would enable them to enter into an agreement for cooperative processing of a revised annual wage reporting form (i.e. Form W–2) in a manner which will most effectively and efficiently provide each agency with the information it requires. Thus, in place of the present requirement that each employer submit 5 reports per year with respect to each employee (4 quarterly reports on Form 941–A and 1 annual report on Form W–2), the Committee provision makes possible a revision in Treasury Department regulations to permit employers to file a single consolidated annual wage report for each employee which will show both his total earnings for the year and the quarterly breakdown of his social security earnings.

The present Form 941–A provides for wage information used by the Social Security Administration as the source of data for computing the automatic increases in the amount of annual earnings subject to social security taxes (the social security "wage base") and in the amount of annual earnings which a beneficiary may have without any reduction in his social security benefits (the "exempt amount.") Under existing law, whenever an increase in the cost of living triggers an automatic social security benefit increase, the Secretary of Health, Education, and Welfare is required to promulgate regulations increasing the wage base and the exempt amount.

Under current law these increases are based on the percentage rise in the average amount of taxable wages up to the first quarter of the year in which the determination of the amount of the increase is made, and the increases become effective as of the start of the following year. If employee wages are reported annually rather than quarterly, however, the necessary data to compute the increase in wage base and exempt amount would not be available until well after the beginning of the year in which the increases are to be effective. The Committee provision, therefore, moves back by one year the base period to be

used for determining the amount of increases in taxable wages so that the Secretary of Health, Education, and Welfare will have sufficient time to make his determinations on the basis of an annual wage report. (However, no change is made in the benefit increase provisions of present law.) Thus, for example, the increase in the wage base and exempt amount which is to be effective as of January 1, 1975 would be computed according to the growth rate in average taxable wages from the first quarter of 1972 to the first quarter of 1973 rather than according to the growth rate from the first quarter of 1973 to the first quarter of 1974.

Current law bases the automatic increases in the wage base and exempt amount on the rise in average taxable wages from the first quarter of one year to the first quarter of the next year rather than on the annual increase in wage levels generally because the Social Security Administration does not now receive the information necessary to make a determination based on average annual wages in all employment. When the revised reporting regulations made possible by the Committee provision are implemented, this information will become available. Accordingly, the Committee bill provides that, starting in 1978, determinations as to the amount of future automatic increases in the annual amount of earnings subject to social security taxes and in the amount of annual earnings a beneficiary can have without reduction in benefits will be based on the growth from year to year in average annual wages in all employment rather than on the growth of the amount of wages subject to social security taxes in the first quarter of each year. As a practical matter, it is estimated that there will be negligible impact on the way in which the automatic increase provisions will operate, since the annual rate of growth is approximately the same for average first quarter taxable wages, average annual wages in employment covered by social security, and average annual wages in the national economy.

The Committee provision would not affect the responsibility of employers for the collection and payment of social security taxes nor would it alter in any way the requirements as to the dates on which payments of these taxes are due. The provision would make no change in the amount of work required in order to qualify for social security benefits and no change would be made in the way benefits are computed. Moreover, it would not have any impact on the financial status of the social security program.

In addition, the Committee notes that the amendment would have no effect on the way in which State and local governments report earnings to the Social Security Administration. The situation with respect to State and local government employment covered by social security is different than the situation with respect to private employment, and the procedures for reporting wages are governed by agreements between the States and the Secretary of Health, Education, and Welfare. A wide variety of patterns exists with respect to the types of State and local employment which are or are not covered under a multiplicity of agreements between the States and the Federal government and, in turn, between the States and local governmental entities. The existing reporting procedures, therefore, serve not only the requirements of the Social Security Administration but also the requirements of the State social security agencies which are responsible for coordinating the activities with respect to social security of the various governmental employers within each State. Accordingly, the

Committee expects that the Secretary of Health, Education, and Welfare will not modify the regulations and procedures with respect to the reporting of social security wages in the case of State and local employees except to the extent that modifications may be agreed upon between him and the States involved.

F. Increase in Amount of Carbon Dioxide That May Be Contained in Still Wines

Present law imposes a tax on wines at different rates depending on the alcoholic content of the wine and whether it is a still wine or a sparkling wine. Still wines are defined as those which contain not more than 0.277 gram of carbon dioxide per 100 milliliters of wine. Still wine is taxed at 17 cents a gallon if it contains not more than 14 percent of alcohol, 67 cents a gallon if it contains more than 14 percent but not more than 21 percent of alcohol, and $2.25 a gallon if it contains more than 21 percent but not more than 24 percent of alcohol. Champagnes and other sparkling wines are taxed at $3.40 a gallon and artificially carbonated wines are taxed at $2.40 a gallon.

Prior to the Excise Tax Technical Changes Act of 1958, there was no tolerance as to the carbon dioxide content of still wines. This resulted in compliance and administrative difficulties because a certain amount of carbonation is a normal consequence of the fermentation process by which wine is produced. The 1958 Act provided that still wines could contain not more than 0.256 gram carbon dioxide per 100 milliliters of wine. In the Excise Tax Reduction Act of 1965, this permissible carbon dioxide content of still wine was increased to 0.277 gram per 100 milliliters of wine. The committee stated at that time (Senate Report No. 324, 89th Cong., 1st Sess., p. 52) that "the existing definition of still wines was adopted to clarify the distinction between still wines and effervescent wines and to make it clear that some carbon dioxide can be added to, or retained in, still wines to improve its character and flavor without changing its tax status." The increase in the carbon dioxide content in 1965 was made because it was believed that the level then was too restrictive to serve adequately the purpose intended.

The committee provision increases the amount of carbon dioxide that may be contained in still wines from the present 0.277 level to 0.392 gram per 100 milliliters of wine. This increase is intended to improve the shelf life of wines with low alcoholic content by permitting the addition of a little more carbon dioxide. The committee understands that wine tends to deteriorate more quickly as the alcoholic content decreases because there is less alcohol to act as a preservative. If still wines with low-alcoholic content were produced with a greater volume of carbon dioxide than now is permitted, this would help preserve the color and flavor by displacing some of the oxygen which reacts with the bacteria in the product.

This provision is to become effective on the first day of the first calendar month which begins more than 90 days after the date of enactment of this Act.

The committee provision does not change the tax rate of these wines nor is it expected to result in reduced sales in carbonated and sparkling wines. It is expected that this provision will have no revenue effect.

III. COSTS OF CARRYING OUT THE BILL AND EFFECT ON THE REVENUES OF THE BILL

In compliance with section 252(a) of the Legislative Reorganization Act of 1970, the following statement is made relative to the costs to be incurred in carrying out this bill and the effect of the revenues of the bill. The Committee estimates that the extension of the existing suspensions of duties on bicycle parts provided by the bill will not result in any additional revenue loss or administrative costs. The committee estimates that the provisions of the committee amendment involve a negligible revenue effect.

IV. VOTE OF COMMITTEE ON REPORTING THE BILL

In compliance with section 133 of the Legislative Reorganization Act, as amended, the following statement is made relative to the vote of the committee on reporting the bill. This bill was ordered favorably reported by the committee without a roll call vote and without objection.

V. 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, as reported, are shown as follows (existing law proposed to be omitted in enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TARIFF SCHEDULES OF THE UNITED STATES

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APPENDIX TO THE TARIFF SCHEDULES

PART 1.—TEMPORARY LEGISLATION

Item	Articles	Rates of duty		Effective period
		1	2	
*	* *	*	*	* *
	Subpart B.—Temporary Provisions Amending the Tariff Schedules			
*	* *	*	*	* *
912.05	Generator lighting sets for bicycles (providing for in item 653.39, part 3F, schedule 6).	Free	No change	On or before [12/31/73] *12/31/76.*
912.10	Derailleurs, caliper brakes, drum brakes, three-speed hubs incorporating coaster brakes, three-speed hubs not incorporating coaster brakes, click twist grips, click stick levers, multiple freewheel sprockets (provided for in item 732.36, part 5G, schedule 7).	Free	No change	On or before [12/31/73] *12/31/76.*
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SOCIAL SECURITY ACT

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TITLE II—FEDERAL OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND AND FEDERAL DISABILITY INSURANCE TRUST FUND

SEC. 201. (a) * * *

* * * * * * *

(g)(1)(A) [There are authorized to be made available for expenditure, out of any or all of the Trust Funds (which for purposes of this paragraph shall include also the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund established by title XVIII), such amounts as the Congress may deem appropriate to pay the costs of the part of the administration of this title, title XVI[1] and title XVIII for which the Secretary of Health, Education, and Welfare is responsible. During each fiscal year or after the close of such fiscal year (or at both times), the Secretary of Health, Education, and Welfare shall analyze the costs of administration of this title, title XVI and title XVIII during the appropriate part or all of such fiscal year in order to determine the portion of such costs which should be borne by each of the Trust Funds and (with respect to title XVI) by the general revenues of the United States and shall certify to the Managing Trustee the amount, if any, which should be transferred among such Trust Funds in order to assure that (after appropriations made pursuant to section 1601, and repayment to the Trust Funds from amounts so appropriated) each of the Trust Funds and the general revenues of the United States bears its proper share of the costs incurred during such fiscal year for the part of the administration of this title, title XVI, and title XVIII for which the Secretary of Health, Education, and Welfare is responsible. The Managing Trustee is authorized and directed to transfer any such amount (determined under the preceding sentence) among such Trust Funds in accordance with any certification so made.

[(B) The Managing Trustee is directed to pay from the Trust Funds into the Treasury the amounts estimated by him which will be expended, out of moneys appropriated from the general funds in the Treasury, during each calendar quarter by the Treasury Department for the part of the administration of this title and title XVIII for which the Treasury Department is responsible and for the administration of chapters 2 and 21 of the Internal Revenue Code of 1954. Such payments shall be covered into the Treasury as repayment to the account for reimbursement of expenses incurred in connection with such administration of this title and title XVIII and chapters 2 and 21 of the Internal Revenue Code of 1954.]

The Managing Trustee of the Trust Funds (which for purposes of this paragraph shall include also the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund established by title XVIII) is directed to pay from the Trust Funds into the Treasury—

(i) the amounts estimated by him and the Secretary of Health, Education, and Welfare which will be expended, out of moneys appropriated from the general fund in the Treasury, during a three-month period by the Department of Health, Education, and Welfare

and the Treasury Department for the administration of titles II, XVI and XVIII of this Act and subchapter E of chapter 1 and subchapter A of chapter 9 of the Internal Revenue Code of 1939, and chapters 2 and 21 of the Internal Revenue Code of 1954, less.

(ii) the amounts estimated (pursuant to the method prescribed by the Board of Trustees under paragraph (4) of this subsection) by the Secretary of Health, Education, and Welfare which will be expended, out of moneys made available for expenditures from the Trust Funds, during such three-month period to cover the cost of carrying out the functions of the Department of Health, Education, and Welfare specified in section 232, which relate to the administration of provisions of the Internal Revenue Code of 1954 other than those referred to in clause (i).

Such payments shall be carried into the Treasury as the net amount of repayments due the general fund account for reimbursement of expenses incurred in connection with the administration of titles II, XVI, and XVIII of this Act and subchapter E of chapter 1 and subchapter A of chapter 9 of the Internal Revenue Code of 1939, and chapters 2 and 21 of the Internal Revenue Code of 1954. A final accounting of such payments for any fiscal year shall be made at the earliest practicable date after the close thereof. There are hereby authorized to be made available for expenditure, out of any or all of the Trust Funds, such amounts as the Congress may deem appropriate to pay the costs of the part of the administration of this title, title XVI, and title XVIII for which the Secretary of Health, Education, and Welfare is responsible and of carrying out the functions of the Department of Health, Education, and Welfare, specified in section 232, which relate to the administration of provisions of the Internal Revenue Code of 1954 other than those referred to in clause (i) of the first sentence of this subparagraph.

(B) After the close of each fiscal year the Secretary of Health, Education, and Welfare shall determine the portion of the costs, incurred during such fiscal year, of administration of this title, title XVI, and title XVIII and of carrying out the functions of the Department of Health, Education, and Welfare, specified in section 232, which relate to the administration of provisions of the Internal Revenue Code of 1954 (other than those referred to in clauses (i) of the first sentence of subparagraph (A)), which should have been borne by the general fund in the Treasury and the portion of such costs which should have been borne by each of the Trust Funds; except that the determination of the amounts to be borne by the general fund in the Treasury with respect to expenditures incurred in carrying out such functions specified in section 232 shall be made pursuant to the method prescribed by the Board of Trustees under paragraph (4) of this subsection. After such determination has been made, the Secretary of Health, Education, and Welfare shall certify to the Managing Trustee the amounts, if any, which should be transferred from one to any of the other of such Trust Funds, and the amounts, if any, which should be transferred between the Trust Funds (or one of the Trust Funds) and the general fund in the Treasury, in order to insure that each of the Trust Funds and the general fund in the Treasury have borne their proper share of the costs, incurred during such fiscal year, for the part of the administration of this title, title XVI, and title XVIII for which the Secretary of Health, Education, and Welfare is responsible and of carrying out the functions of the Department of Health, Education, and Welfare, specified in section 232, which relate to the administration of provisions of the Internal Revenue Code of 1954 (other than those referred to in clause (i)

of the first sentence of subparagraph (A)). The Managing Trustee is authorized and directed to transfer any such amounts in accordance with any certification so made.".

(2) The Managing Trustee is directed to pay from time to time from the Trust Funds into the Treasury the amount estimated by him as taxes imposed under section 3101(a) which are subject to refund under section 6413(c) of the Internal Revenue Code of 1954 with respect to wages (as defined in section 1426 of the Internal Revenue Code of 1939 and section 3121 of the Internal Revenue Code of 1954) paid after December 31, 1950. Such taxes shall be determined on the basis of the records of wages established and maintained by the Secretary of Health, Education, and Welfare in accordance with the wages reported to the Commissioner of Internal Revenue pursuant to section 1420(c) of the Internal Revenue Code of 1939 and to the Secretary of the Treasury or his delegate pursuant to subtitle F of the Internal Revenue Code of 1954, and the Secretary shall furnish the Managing Trustee such information as may be required by the Trustee for such purpose. The payments by the Managing Trustee shall be covered into the Treasury as repayments to the account for refunding internal revenue collections. Payments pursuant to the first sentence of this paragraph shall be made from the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund in the ratio in which amounts were appropriated to such Trust Funds under clause (3) of subsection (a) of this section and clause (1) of subsection (b) of this section.

(3) Repayments made under paragraph (1) or (2) shall not be available for expenditures but shall be carried to the surplus fund of the Treasury. If it subsequently appears that the estimates under either such paragraph in any particular period were too high or too low, appropriate adjustments shall be made by the Managing Trustee in future payments.

(4) The Board of Trustees shall prescribe before January 1, 1977, the method of determining the costs which should be borne by the general fund in the Treasury of carrying out the functions of the Department of Health, Education, and Welfare, specified in section 232, which relate to the administration of provisions of the Internal Revenue Code of 1954 (other than those referred to in clause (i) of the first sentence of paragraph (1)(A)). If at any time or times thereafter the Boards of Trustees of such Trust Funds deem such action advisable they may modify the method so determined.

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REDUCTION OF INSURANCE BENEFITS

MAXIMUM BENEFITS

SEC. 203. (a) * * *

* * * * * * *

(f) For purposes of subsection (b)—

(1) * * *

* * * * * * *

(8)(A) Whenever the Secretary pursuant to section 215(i) increases benefits effective with the month of June following a cost-of-living computation quarter he shall also determine and

publish in the Federal Register on or before November 1 of the calendar year in which such quarter occurs a new exempt amount which shall be effective (unless such new exempt amount is prevented from becoming effective by subparagraph (C) of this paragraph) with respect to any individual's taxable year which ends after the calendar year in which such benefit increase is effective (or, in the case of an individual who dies during the calendar year after the calendar year in which the benefit increase is effective, with respect to such individual's taxable year which ends, upon his death, during such year).

(B) The exempt amount for each month of a particular taxable year shall be whichever of the following is the larger—

(i) the exempt amount which was in effect with respect to months in the taxable year in which the determination under subparagraph (A) was made, or

(ii) the product of the exempt amount described in clause (i) and the ratio of (I) the average of the [taxable] wages of all employees as reported to the Secretary *of the Treasury* for [the first calendar quarter of] the calendar year *preceding the calendar year* in which the determination under subparagraph (A) was made to (II) the average of the [taxable] wages of all employees as reported to the Secretary *of the Treasury* for the [first calendar quarter of 1973] *calendar year 1972*, or, if later, the [first calendar quarter of] *calendar year preceding* the most recent calendar year in which an increase in the contribution and benefit base was enacted or a determination resulting in such an increase was made under section 230(a), with such product, if not a multiple of $10, being rounded to the next higher multiple of $10 where such product is a multiple of $5 but not of $10 and to the nearest multiple of $10 in any other case.

For purpose of this clause (ii), the average of the wages for the calendar year 1976 (or any prior calendar year) shall, in the case of determinations made under subparagraph (A) prior to December 31, 1977, be deemed to be an amount equal to 400 per centum of the amount of the average of the taxable wages of all employees as reported to the Secretary for the first calendar quarter of such calendar year.

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ADJUSTMENT OF THE CONTRIBUTION AND BENEFIT BASE

SEC. 230. (a) Whenever the Secretary pursuant to section 215(i) increases benefits effective with the June following a cost-of-living computation quarter, he shall also determine and publish in the Federal Register on or before November 1 of the calendar year in which such quarter occurs the contribution and benefit base determined under subsection (b) which shall be effective with respect to remuneration paid after the calendar year in which such quarter occurs and taxable years beginning after such year.

(b) The amount of such contribution and benefit base shall be the amount of the contribution and benefit base in effect in the year in which the determination is made or, if larger, the product of—

(1) the contribution and benefit base which was in effect with respect to remuneration paid in (and taxable years beginning in) the calendar year in which the determination under subsection (a) with respect to such particular calendar year was made, and

(2) the ratio of (A) the average of the [taxable] wages of all employees as reported to the Secretary *of the Treasury* for the [first calendar quarter of the] calendar year *preceding the calendar year* in which the determination under subsection (a) with respect to such particular calendar year was made to [the latest of] (B) the average of the [taxable] wages of all employees as reported to the Secretary *of the Treasury* [for the first calendar quarter of 1973 or the first calendar quarter of] *for the calendar year 1972 or, if later, the calendar year preceding* the most recent calendar year in which an increase in the contribution and benefit base was enacted or a determination resulting in such an increase was made under subsection (a).

with such product, if not a multiple of $300, being rounded to the next higher multiple of $300 where such product is a multiple of $150 but not of $300 and to the nearest multiple of $300 in any other case.

For purposes of this subsection, the average of the wages for the calendar year 1976 (or any prior calendar year) shall in the case of determinations made under subsection (a) prior to December 31, 1977, be deemed to be an amount equal to 400 per centum of the amount of the average of the taxable wages of all employees as reported to the Secretary for the first calendar quarter of such calendar year.

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PROCESSING OF TAX DATA

SEC. 232. The Secretary of the Treasury shall make available information returns filed pursuant to part III of subchapter A of chapter 61 of subtitle F of the Internal Revenue Code of 1954, to the Secretary for the purposes of this title and title XI. The Secretary and the Secretary of the Treasury are authorized to enter into an agreement for the processing by the Secretary of information contained in returns filed pursuant to part III of subchapter A of chapter 61 of subtitle F of the Internal Revenue Code of 1954. Notwithstanding the provisions of section 6103(a) of the Internal Revenue Code of 1954, the Secretary of the Treasury shall make available to the Secretary such documents as may be agreed upon as being necessary for purposes of such processing. The Secretary shall process any withholding tax statements or other documents made available to him by the Secretary of the Treasury pursuant to this section. Any agreement made pursuant to this section shall remain in full force and effect until modified or otherwise changed by mutual agreement of the Secretary and the Secretary of the Treasury.

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INTERNAL REVENUE CODE OF 1954

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SUBTITLE D—MISCELLANEOUS EXCISE TAXES

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CHAPTER 39—REGULATORY TAXES

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SUBCHAPTER C—ADULTERATED BUTTER AND FILLED CHEESE

Part I. Adulterated and process or renovated butter.
Part II. [Filled cheese.]

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[Part II—Filled Cheese

[Subpart A. Tax on products.
[Subpart B. Occupational tax.
[Subpart C. Definitions.

[Subpart A—Tax on Products

[Sec. 4831. Imposition of tax.
[Sec. 4832. Stamps.
[Sec. 4833. Requirements applicable to manufacturers.
[Sec. 4834. Requirements applicable to wholesale and retail dealers.
[Sec. 4835. [Repealed]
[Sec. 4836. Cross references.

[SEC. 4831. IMPOSITION OF TAX.

[(a) DOMESTIC.—There shall be imposed upon all filled cheese which shall be manufactured a tax of 1 cent per pound payable by the manufacturer thereof; and any fractional part of a pound in a package shall be taxed as a pound.

[(b) IMPORTED.—There shall be imposed upon all filled cheese imported from a foreign country, in addition to any import duty imposed on the same, an internal revenue tax of 8 cents per pound; and such imported filled cheese and the packages containing the same shall be stamped, marked, and branded, as in the case of filled cheese manufactured in the United States.

[SEC. 4832. STAMPS.

[(a) METHOD OF PAYMENT.—

[(1) STAMPS.—The taxes imposed by section 4831 shall be represented by coupon stamps.

[(2) ASSESSMENT.—

For assessment in case of omitted taxes, see subtitle F.

[(b) EMPTIED PACKAGES.—Whenever any stamped package containing filled cheese is emptied, it shall be the duty of the person in whose hands the same is to destroy the stamps thereon.

[(c) OTHER STAMP PROVISIONS.—The provisions of law governing the engraving, issue, sale, accountability, effacement, and destruction of stamps relating to tobacco and snuff, as far as applicable, shall apply to stamps provided for by paragraph (1) of subsection (a).

[SEC. 4833. REQUIREMENTS APPLICABLE TO MANUFACTURERS.

[(a) PACKING REQUIREMENTS.—

[(1) MARKS, STAMPS, AND PACKAGES.—Filled cheese shall be packed by the manufacturers in wooden packages only, not before used for that purpose, and marked, stamped, and branded with the words "filled cheese" in black-faced letters not less than two inches in length, in a circle in the center of the top and bottom of the cheese; and in black-faced letters not less than two inches in length in line from the top to the bottom of the cheese, on the side in four places equidistant from each other; and the package containing such cheese shall be marked in the same manner, and in the same number of places, and in the same description of letters as above provided for the marking of the cheese; and all sales or consignments made by manufacturers of filled cheese to wholesale dealers in filled cheese or to exporters of filled cheese shall be in original stamped packages.

[(2) LABEL.—Every manufacturer of filled cheese shall securely affix, by pasting on each package containing filled cheese manufactured by him, a label on which shall be printed, besides the number of the manufactory and the district and State in which it is situated, these words: "Notice.—The manufacturer of the filled cheese herein contained has complied with all the requirements of the law. Every person is cautioned not to use either this package again or the stamp thereon again, nor to remove the contents of this package without destroying said stamp, under the penalty provided by law in such cases."

[(b) FACTORY NUMBER AND SIGNS.—Every manufacturer of filled cheese shall put up such signs and affix such number to his factory as the Secretary or his delegate may by regulation require.

[(c) BONDS.—Every manufacturer of filled cheese shall file with the official in charge of the internal revenue district in which his manufactory is located such bonds as the Secretary or his delegate may by regulation require. The bond required of such manufacturer shall be in a penal sum of not less than $5,000; and the amount of said bond may be increased from time to time, and additional sureties required, at the discretion of the Secretary or his delegate.

[SEC. 4834. REQUIREMENTS APPLICABLE TO WHOLESALE AND RETAIL DEALERS.

[(a) SIGNS.—Every wholesale dealer and every retail dealer in filled cheese shall display in a conspicuous place in his salesroom a sign bearing the words "Filled cheese sold here" in black-faced letters not less than six inches in length, upon a white ground, with the name and number of the revenue district in which his business is conducted.

[(b) SELLING REQUIREMENTS.—Retail dealers in filled cheese shall sell only from original stamped packages, and shall pack the filled cheese when sold in suitable wooden or paper packages, which shall be marked and branded in accordance with rules and regulations to be prescribed by the Secretary or his delegate.

[SEC. 4835. REPEALED.

[SEC. 4836. CROSS REFERENCES.

[For definitions, penalties, and other general and administrative provisions, see section 4846 and subtitle F.

[Subpart B—Occupational Tax

[Sec. 4841. Imposition of tax.

[Sec. 4842. Cross references.

[SEC. 4841. IMPOSITION OF TAX.

[(a) MANUFACTURERS.—Manufacturers of filled cheese shall pay a special tax of $400 a year for each and every factory.

[(b) WHOLESALE DEALERS.—

[(1) IN GENERAL.—Wholesale dealers in filled cheese shall pay a special tax of $250 a year.

[(2) MANUFACTURERS SELLING AT WHOLESALE.—Any manufacturer of filled cheese who has given the required bond and paid the required special tax, and who sells only filled cheese of his own production, at the place of manufacture, in the original packages, to which the tax-paid stamps are affixed, shall not be required to pay the special tax of a wholesale dealer in filled cheese on account of such sales.

[(c) RETAIL DEALERS.—Retail dealers in filled cheese shall pay a special tax of $12 a year.

[SEC. 4842. CROSS REFERENCES.

[(a) DEFINITIONS.—

[For definitions applicable to this subpart, see section 4846.

[(b) OTHER PROVISIONS.—

[For penalities and other general and administrative provisions applicable to this subpart, see chapter 40 and subtitle F.

[Subpart C—Definitions

[Sec. 4846. Definitions.

[SEC. 4846. DEFINITIONS.

[For the purposes of this part—

[(1) CHEESE.—The word "cheese" shall be understood to mean the food product known as cheese, and made from milk or cream and without the addition of butter, or any animal, vegetable, or other oils or fats foreign to such milk or cream, with or without additional coloring matter.

[(2) FILLED CHEESE.—Certain substances and compounds shall be known and designated as "filled cheese", namely: All substances made of milk or skimmed milk, with the admixture of butter, animal oils or fats, vegetable or any other oils, or compounds foreign to such milk, and made in imitation or semblance of cheese. Substances and compounds, consisting principally of cheese with added edible oils, which are not sold as cheese or as substitutes for cheese but are primarily useful for imparting a natural cheese flavor to other foods shall not be considered "filled cheese" within the meaning of this part.

[(3) MANUFACTURER.—Every person, firm, or corporation who manufactures filled cheese for sale shall be deemed a manufacturer of filled cheese.

[(4) WHOLESALE DEALER.—Every person, firm, or corporation who sells or offers for sale filled cheese, in the original manufacturer's packages for resale, or to retail dealers as defined in paragraph (5) shall be deemed a wholesale dealer in filled cheese.

[(5) RETAIL DEALER.—Every person who sells filled cheese at retail, not for resale, and for actual consumption, shall be regarded as a retail dealer in filled cheese.]

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SUBTITLE E—ALCOHOL, TOBACCO, AND CERTAIN OTHER EXCISE TAXES

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CHAPTER 51—DISTILLED SPIRITS, WINES, AND BEER

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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 [0.277] *0.392* 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.

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SUBTITLE F—PROCEDURE AND ADMINISTRATION

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CHAPTER 61—INFORMATION AND RETURNS

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SUBCHAPTER B—MISCELLANEOUS PROVISIONS

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SEC. 6103. PUBLICITY OF RETURNS AND DISCLOSURE OF INFORMATION AS TO PERSONS FILING INCOME TAX RETURNS.

(a) * * *

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(f) * * *

(g) *DISCLOSURE OF INFORMATION TO SECRETARY OF HEALTH, EDUCATION, AND WELFARE.—The Secretary or his delegate is authorized to make available to the Secretary of Health, Education, and Welfare information returns filed pursuant to part III of subchapter A of chapter 61 of subtitle F for the purpose of carrying out, in accordance with an agreement entered into pursuant to section 232 of the Social Security Act, an effective information return processing program.*

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CHAPTER 69—GENERAL PROVISIONS RELATING TO STAMPS

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SEC. 6808. SPECIAL PROVISIONS RELATING TO STAMPS.

For special provisions on stamps relating to—

(1) [Repealed]
(2) Cotton futures, see subchapter D of chapter 39.
(3) Distilled spirits and fermented liquors, see chapter 51.
(4) Documents and other instruments, see chapter 34.
(5) [Filled cheese, see subchapter C of chapter 39.]
(6) Machine guns and short-barrelled firearms, see chapter 53.
(7) Oleomargarine, see subchapter F of chapter 38.
(8) [Repealed]
(9) [Repealed]
(10) Process, renovated, or adulterated butter, see subchapter C of chapter 39.
(11) Tobacco, snuff, cigars and cigarettes, see chapter 52.
(12) White phosphorous matches, see subchapter B of chapter 39.

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CHAPTER 73—BONDS

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SEC. 7103. CROSS REFERENCES—OTHER PROVISIONS FOR BONDS.

(a) EXTENSIONS OF TIME.—

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(d) BONDS REQUIRED WITH RESPECT TO CERTAIN PRODUCTS.—

(1) For bond in case of articles taxable under subchapter B of chapter 37 processed for exportation without payment of the tax provided therein, see section 4513(c).

(2) For bond in case of oleomargarine removed from the place of manufacture for exportation to a foreign country, see section 4593(b).

(3) For requirement of bonds with respect to certain industries see—

(A) section 4596 relating to a manufacturer of oleomargarine;

(B) section 4814(c) relating to a manufacturer of process or renovated butter or adulterated butter;

(C) [section 4833(c) relating to a manufacturer of filled cheese;]

(D) [Repealed]

(E) section 4804(c) relating to a manufacturer of white phosphorus matches.

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CHAPTER 75—CRIMES, OTHER OFFENSES, AND FORFEITURES

Subchapter A. Crimes.
Subchapter B. Other offenses.
Subchapter C. Forfeitures.
Subchapter D. Miscellaneous penalty and forfeiture provisions.

SUBCHAPTER A—CRIMES

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Part II—Penalties Applicable to Certain Taxes

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[SEC. 7236. VIOLATION OF LAWS RELATING TO FILLED CHEESE.

[FALSE BRANDING, SALE, PACKING, OR STAMPING IN VIOLATION OF LAW.—Every person who knowingly sells or offers to sell, or delivers or offers to deliver, filled cheese in any other form than in new wooden or paper packages, marked and branded as provided for and described in section 4834(b), or who packs in any package or packages filled cheese in any manner contrary to law, or who falsely brands any package or affixes a stamp on any package denoting a less amount of tax than that required by law, shall upon conviction thereof be fined for each and every offense not less than $50 and not more than $500, or be imprisoned not less than 30 days nor more than 1 year.]

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SUBCHAPTER B—OTHER OFFENSES

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[SEC. 7266. OFFENSES RELATING TO FILLED CHEESE.

[(a) FAILURE TO PAY SPECIAL TAX.—Every person, firm, or corporation—

[(1) MANUFACTURERS.—Who carries on the business of a manufacturer of filled cheese without having paid the special tax therefor, as required by law, shall, besides being liable to the payment of the tax, be fined not less than $400 nor more than $3,000; and

[(2) WHOLESALE DEALERS.—Who carries on the business of a wholesale dealer in filled cheese without having paid the special tax therefor, as required by law, shall, besides being liable to the payment of the tax, be fined not less than $250 nor more than $1,000; and

[(3) RETAIL DEALERS.—Who carries on the business of a retail dealer in filled cheese without having paid the special tax therefor, as required by law, shall, besides being liable for the payment of the tax, be fined not less than $40 nor more than $500 for each and every offense.

[(b) OTHER OFFENSES.—Any manufacturer of filled cheese who fails to comply with the provisions of section 4833(b) and (c), or with the regulations therein authorized, shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined not less than $500 nor more than $1,000.

[(c) FAILURE OF WHOLESALE AND RETAIL DEALERS TO DISPLAY SIGNS.—Any wholesale or retail dealer in filled cheese who fails or neglects to comply with the provisions of section 4834(a) shall be deemed guilty of a misdemeanor, and shall on conviction thereof be fined for each and every offense not less than $50 and not more than $200.

[(d) OMISSION OR REMOVAL OF LABEL.—Every manufacturer of filled cheese who neglects to affix the label provided for in section 4833(a)(2) to any package containing filled cheese made by him or sold or offered for sale by or for him, and every person who removes any such label so affixed from any such package, shall be fined $50 for each package in respect to which such offense is committeed.

[(e) PURCHASING WHEN SPECIAL TAX NOT PAID.—Every person who knowingly purchases or receives for sale any filled cheese from any manufacturer or importer who has not paid the special tax provided for in section 4841 shall be liable, for each offense, to a penalty of $100.

[(f) PURCHASING WHEN NOT STAMPED, BRANDED, OR MARKED ACCORDING TO LAW.—Any person who knowingly purchases or receives for sale any filled cheese which has not been branded or stamped according to law, or which is contained in packages not branded or marked according to law, shall be liable to a penalty of $50 for each such offense.]

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SUBCHAPTER C—FORFEITURES

Part I. Property subject to forfeiture.
Part II. Provisions common to forfeitures.

Part I—Property Subject to Forfeiture

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SEC. 7303. OTHER PROPERTY SUBJECT TO FORFEITURE.

There may be seized and forfeited to the United States the following:

(1) COUNTERFEIT STAMPS.—Every stamp involved in the offense, described in section 7208 (relating to counterfeit, reused, cancelled, etc., stamps), and the vellum, parchment, document, paper, package, or article upon which such stamp was placed or impressed in connection with such offense.

(2) REPEALED.

(3) OFFENSES BY MANUFACTURER OR IMPORTER OF OR WHOLESALE DEALER IN OLEOMARGARINE OR ADULTERATED BUTTER.—All oleomargarine or adulterated butter owned by any manufacturer or importer of or wholesale dealer in oleomargarine or adulterated butter, or in which he has any interest as owner, if he shall knowingly or willfully omit, neglect, or refuse to do, or cause to be done, any of the things required by law in the carrying on or conducting of his business, or if he shall do anything prohibited by subchapter F of chapter 38, or subchapter C of chapter 39.

(4) PURCHASE OR RECEIPT OF [FILLED CHEESE OR] ADULTERATED BUTTER.—All articles of [filled cheese or] adulterated butter (or the full value thereof) knowingly purchased or received by any person from any manufacturer or importer who has not paid the special tax provided in section 4821 [or 4841].

(5) PACKAGES OF OLEOMARGARINE [OR FILLED CHEESE].—All packages of oleomargarine [or filled cheese] subject to the tax under subchapter F of chapter 38 [, or part II of subchapter C of chapter 39, whichever is applicable,] that shall be found without the stamps or marks provided for in [the applicable subchapter or part thereof.] *that chapter.*

(6) WHITE PHOSPHORUS MATCHES.—

(A) All packages of white phosphorus matches subject to tax under subchapter B of chapter 39 and found without the stamps required by subchapter B of chapter 39.

(B) All the white phosphorus matches owned by any manufacturer of white phosphorus matches, or any importer or exporter of matches, or in which he has any interest as owner if he shall omit, neglect, or refuse to do or cause to be done any of the things required by law in carrying on or conducting his business, or shall do anything prohibited by subchpater B of chapter 39, if there be no specfic penalty or punishment imposed by any other provision of subchapter B of chapter 39 for the neglecting, omitting, or refusing to do, or for the doing or causing to be done, the thing required or prohibited.

(7) FALSE STAMPING OF PACKAGES.—Any container involved in the offense described in section 7271 (relating to disposal of stamped packages), and of the contents of such container.

(8) FRAUDULENT BONDS, PERMITS, AND ENTRIES.—All property to which any false or fraudulent instrument involved in the offense described in section 7207 relates.

TAX REFORM ACT OF 1969

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SEC. 101. PRIVATE FOUNDATIONS

(a) * * *

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(l) SAVINGS PROVISIONS.—

(1) * * *

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(3) SECTION 4942.—In the case of organizations organized before May 27, 1969, section 4942 shall—

(A) for all purposes other than the determination of the minimum investment return under section 4942(j)(3)(B)(ii), for taxable years beginning before January 1, 1972, apply without regard to section 4942(e) (relating to minimum investment return), and for taxable years beginning in 1972, 1973, and 1974, apply with an applicable percentage (as prescribed in section 4942(e)(3)) which does not exceed 4½ percent, 5 percent, and 5½ percent, respectively;

(B) not apply to an organization to the extent its income is required to be accumulated pursuant to the mandatory terms (as in effect on May 26, 1969, and at all times thereafter) of an instrument executed before May 27, 1969, with respect to the transfer of income producing property to such organization, except that section 4942 shall apply to such organization if the organization would have been denied exemption if section 504(a) had not been repealed by this Act, or would have had its deductions under section 642(c) limited if section 681(c) had not been repealed by this Act. In applying the preceding sentence, in addition to the limitations contained in section 504(a) or 681(c) before its repeal, section 504(a)(1) or 681(c)(1) shall be treated as not applying to an organization to the extent its income is required to be accumulated pursuant to the mandatory terms (as in effect on January 1, 1951, and at all times thereafter) of an instrument executed before January 1, 1951, with respect to the transfer of income producing property to such organization before such date, if such transfer was irrevocable on such date;

(C) apply to a grant to a private foundation described in section 4942(g)(1)(A)(ii) which is not described in section 4942(g)(1)(A)(i), pursuant to a written commitment which was binding on May 26, 1969, and at all times thereafter, as if such grant is a grant to an operating foundation (as defined in section 4942(j)(3)), if such grant is made for one or more of the purposes described in section 170(c)(2)(B) and is to be paid out to such private foundation on or before December 31, 1974;

(D) apply, for purposes of section 4942(f), in such a manner as to treat any distribution made to a private foundation in redemption of stock held by such private foundation in a business enterprise as not essentially equivalent to a dividend under section 302(b)(1) if such redemption is described in paragraph (2)(B) of this subsection; [and]

(E) not apply to an organization which is prohibited by its governing instrument or other instrument from distributing capital or corpus to the extent the requirements of section 4942 are inconsistent with such prohibition.

With respect to taxable years beginning after December 31, 1971, subparagraphs (B) and (E) shall apply only during the pendency of any judicial proceeding by the private foundation which is necessary to reform, or to excuse such foundation from compliance with, its governing instrument or any other instrument (as in effect on May 26, 1969) in order to comply with the provisions of section 4942, and in the case of subparagraph (B) for all periods after the termination of such judicial proceeding during which the governing instrument or any other instrument does not permit compliance with such provisions[.]; *and*

(F) apply, in the case of an organization described in paragraph (4)(A) of this subsection,

(i) by applying section 4942(e) without regard to the stock to which paragraph (4)(A)(ii) of this subsection applies,

(ii) by applying section 4942(f) without regard to dividend income for such stock, and

(iii) by defining the distributable amount as the sum of the amount determined under section 4942(d) (after application of clauses (i) and (ii)), and the amount of the dividend income from such stock.

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