

INTEREST EQUALIZATION TAX EXTENSION ACT OF 1969

NOVEMBER 18, 1939.—Ordered to be printed

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

CONFERENCE REPORT

[To accompany H. R. 12829]

The committee of conference on the disagreeing-votes of the two Houses on the amendments of the Senate to the bill (H. R. 12829) to provide an extension of the interest equalization tax, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendments of the Senate numbered 2, 3, 4, 5, 6, and 7; and agree to the same.

Amendment numbered 1:

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

Strike out the matter proposed to be stricken out by the Senate amendment, insert the matter proposed to be inserted by the Senate amendment, and on page 2, line 2, of the House engrossed bill, after "amended" insert the following: , *effective with respect to acquisitions made after September 30, 1969* ; and the Senate agree to the same.

WILBUR D. MILLS,
HALE BOGGS,
JOHN C. WATTS,
JOHN W. BYRNES,
JAMES B. UTT,

Managers on the Part of the House.

RUSSELL LONG,
CLINTON P. ANDERSON,
ALBERT GORE,
JOHN J. WILLIAMS,
WALLACE F. BENNETT,

Managers on the Part of the Senate.

STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 12829) to provide an extension of the interest equalization tax, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

Amendment No. 1: Section 2 of the House bill amended section 4911(d) of the Internal Revenue Code of 1954 to extend the expiration date of the interest equalization tax from August 31, 1969, to March 31, 1971. The Senate amendment extended the expiration date of the tax from September 30, 1969, to March 31, 1971, reflecting the temporary extension of the tax which had occurred since House passage of the bill. The House recedes with a clarifying amendment.

Amendments Nos. 2 and 3: Section 4(e)(2) of the House bill added to section 4920 of the Code a new subsection (d), permitting a domestic financing company to elect to be treated as a foreign issuer or obligor for purposes of the interest equalization tax if it satisfies certain conditions; among other things the trade or business in which it is exclusively engaged must involve one or more specified types of debt obligations arising out of sales of tangible personal property. The Senate amendments added language permitting this election in a case where the debt obligations involved arise wholly or partly out of the lease of tangible personal property if at least 85 percent of the value of the property subject to the lease is attributable to the use of property manufactured, produced, grown, or extracted in the United States or to the performance of services by a U.S. person or to both. The House recedes.

Amendment No. 4: Section 4(e) of the House bill, in its amendment to section 4920 of the Code permitting a domestic financing company to elect to be treated as a foreign issuer or obligor for purposes of the interest equalization tax, required that such company own only certain specified types of debt obligations arising out of sales of tangible personal property. The Senate amendment added a provision allowing a financing company to own other debt obligations acquired in the course of, and incidental to carrying on, its financing company business, without losing its right to make such election. The House recedes.

Amendment No. 5: Section 4(e) of the House bill, in its amendment to section 4920 of the Code permitting a domestic financing company to elect to be treated as a foreign issuer or obligor for purposes of the interest equalization tax, allowed such company to treat its trade accounts and accrued liabilities as foreign funds out of which debt obligations may be acquired only in the case of accounts and liabilities which are payable within a period of 1 year of the date they were incurred or accrued. The Senate amendment added language extending this period from 1 to 3 years in the case of accrued foreign tax liabilities. The House recedes.

Amendment No. 6: The Senate amendment added to section 4 of the House bill a new subsection (i), amending section 4914(c)(6) of the Code to provide an exemption from the interest equalization tax (similar to the exemption presently provided in the case of export sales involving nonproducing exporters) where a U.S. person acquires a debt obligation of a foreign person which arises out of a lease of tangible personal property to such foreign person, if either (i) such debt obligation (or any related obligation arising out of the lease) is guaranteed or insured by a U.S. agency or instrumentality, or (ii) at least 85 percent of the value of the property is attributable to the use of tangible personal property which was manufactured or produced in the United States or to the performance of services with respect to the leased property under the terms of the lease by the U.S. person (or an affiliated corporation) or to both. Thus, a U.S. person either could directly make such an export lease free of tax or could make a tax-free direct investment in a foreign corporation which engaged in such export leasing transactions. The new subsection (i) also amends section 4920(a)(1) of the Code to make it clear that an obligation arising under a lease entered into principally as a financing transaction is to be considered a debt obligation for interest equalization tax purposes; this provision would, of course, have no effect on the treatment or characterization of such a lease for income tax purposes. The House recedes.

Amendment No. 7: The Senate amendment added to the House bill a new section 5, adding to section 4182 of the Internal Revenue Code of 1954 a new subsection (c) relating to ammunition record-keeping requirements. Under the Gun Control Act of 1968 and regulations issued thereunder, a person selling ammunition is required to obtain the purchaser's name, address, date of birth, and some form of identification, and to note certain additional information in his records. The new section 4182(c) in effect repeals these requirements in the case of sales of shotgun ammunition, ammunition suitable for use only in rifles generally available in commerce, or component parts therefor; purchases of ammunition presently interchangeable between rifles and handguns, such as .22 caliber rimfire ammunition, would continue to be subject to the recordkeeping requirements. The House recedes.

WILBUR D. MILLS,
 HALE BOGGS,
 JOHN C. WATTS,
 JOHN W. BYRNES,
 JAMES B. UTT,

Managers on the Part of the House.

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