71st Congress, 1st Session } HOUSE OF REPRESENTATIVES { Report No. 17

ISSUANCE OF TREASURY BILLS

June 6, 1929.—Ordered to be printed

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

CONFERENCE REPORT

[To accompany H. R. 1648]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 1648) to amend section 5 of the second Liberty bond act, as amended, 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 amendment of the Senate, and agree to the same with amendment as follows:

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

(b) All certificates of indebtedness and Treasury bills issued hereunder (after the date upon which this subdivision becomes law) shall be exempt, both as to principal and interest, from all taxation (except estate and inheritance taxes) now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority; and the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest within the meaning of this subdivision.

And the Senate agree to the same.

W. C. Hawley,
Allen T. Treadway,
Isaac Bacharach,
Jno. N. Garner,
J. W. Collier,
Managers on the part of the House.

Reed Smoot,
James E. Watson,
David A. Reed,
F. M. Simmons,
Pat Harrison,
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. 1648) to amend section 5 of the second Liberty bond act, as amended, submit the following written statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The House bill increased the tax exemptions of the present law so as to exempt any gain from the sale or other disposition of certificates of indebtedness or Treasury bills, and also denied any loss. The Senate amendment strikes out this provision of the House bill and grants an exemption only as to principal and interest, as under the present law, and adds a provision that the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest within the meaning of the subdivision. Although the House bill would result in considerable simplification, would result in interest rates more favorable to the United States, and in the end would very likely not affect the revenues, the Senate took the position that the provision was an entering wedge toward the exemption of capital gains.

Under the present law, when tax-exempt securities are sold at a discount in lieu of interest, any increase in value realized by the original purchaser is tax exempt; but no exemption is granted a subsequent holder. In order to prevent the application of this rule, the Senate amendment provides for the computation of interest at the original discount rate for the period during which the security is held, whether by the original purchaser or any subsequent holder. In other words, the original discount rate at which the security is sold is substituted for the interest rate fixed by the security itself in the case of an interest-bearing obligation. The amount of tax-exempt interest is apportioned among the holders according to the periods of their holdings. Any gain in excess of this amount is taxable and any loss resulting from a sale or other disposition is allowed as a deduction.

The House recedes with an amendment correcting a typographical omission.

W. C. Hawley.
Allen T. Treadway.
Isaac Bacharach.
Jno. N. Garner.
J. W. Collier.

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