

EXCISE TAX REDUCTION ACT OF 1954

MARCH 19 (legislative day, MARCH 1), 1954.—Ordered to be printed

Mr. MILLIKIN, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 8224]

The Committee on Finance, to whom was referred the bill (H. R. 8224) to reduce excise taxes, and for other purposes, having considered the same, report favorably thereon, with amendments, and recommend that the bill do pass.

I. GENERAL STATEMENT

The bill as passed by the House provides that all ad valorem excise taxes (i. e., tax expressed as a percent of the price at which articles or services are sold) which are now above 10 percent are to be reduced to 10 percent. The House bill also extended for 1 more year the rates scheduled for reduction on April 1, 1954, by present law (except the tax on sporting goods).

The report of the House committee with respect to the rate reductions suggests that these reductions will stimulate business and employment, not only in those industries directly affected by these taxes, but also in other industries, since consumers will pay less for many of these taxed items and have more money available for other purchases. It was also suggested that some of these taxes enter directly into business costs and that a reduction in such costs is desirable. Furthermore, it is suggested that these changes provide a more equitable tax system by leveling down those rates which are now excessively high and thus discriminatory.

In general your committee agrees with the reasons presented in the House report for making excise reductions at this time. However, it does not believe that a certain few of the present tax rates above 10 percent constitute a hardship either to the person supplying the article or service or to the person purchasing it. It is believed that this is true with respect to the tax on admissions to racetracks for horse and dog racing; the tax on club dues and initiation fees; and the

tax on safe deposit boxes. As a result your committee continues the 20-percent tax rates in these cases.

Your committee also believes that the admissions tax constitutes a special hardship in certain cases. It is believed that this is true in the case of small theaters and others where the charge is 60 cents or less; in the case of college athletic events (not including postseason games such as bowl games); in the case of museums of history, art, or science operated by a governmental unit or nonprofit organization; and in the case of athletic events between students of several elementary or secondary schools where the proceeds inure to the benefit of a hospital for crippled children. As a result your committee exempts admissions charged in such cases from the 10-percent admissions tax.

Your committee's attention has also been called to certain manufacturers' excise taxes not levied on the basis of price where the tax is equal to more than 10 percent of the manufacturer's price. The tax on ordinary matches which is 2 cents per 1,000 usually represents something like 17 percent of the retail price for matches and cutting oil which is subjected to the 6 cents per gallon tax on lubricating oil is substantially above 10 percent of the manufacturer's price. Your committee in these cases provided that in no event is the tax to exceed 10 percent of the manufacturer's price. This will give these excises equal treatment with those levied on an ad valorem basis which were reduced to 10 percent by the House bill.

Your committee has added another amendment to the bill which does not affect the payment of taxes in any way but does have the effect of eliminating the unnecessary collection and subsequent refund of the 2 cents per gallon tax on gasoline substitutes. In the case of benzol, benzene, naphtha, or other liquids (not including gasoline), present law requires that this tax be paid by the producer and then if this liquid is used, or sold for use, in farm tractors or other than for use in motor vehicles, motorboats, or airplanes, a refund or credit of the tax is provided. This unnecessary tax collecting and refunding is avoided under the amended bill by collecting the tax at the retail level in the case of these fuels where they are used for a motor vehicle, motorboat or airplane and by collecting no tax at all where they are used for other purposes.

Several technical amendments have also been made by your committee. Most of these deal with the transition to the new reduced rates. In the case of the retail and manufacturers excises, an amendment has been adopted to provide that an article is not to be considered as sold prior to April 1, 1954, unless possession, or right to possession, of the article has passed before such date. This makes the reduced rates applicable in the case of "lay-aways" where possession passes after April 1, 1954.

For both the admissions tax and the transportation-of-persons tax an amendment was adopted providing that where tickets were purchased prior to April 1, 1954, for admissions or transportation on or after that date, the purchasers of the tickets are to be eligible for refunds (to be obtained through the issuer of the ticket) equal to the tax reduction provided in the bill.

The floor stock refund provision for electric light bulbs was modified by your committee to provide that the manufacturer is to have 4 rather than 3 months after the reduction date in which to file his claim for refund or credit. However, those to whom the manufacturer sold

the bulbs must still submit their requests for refunds to the manufacturer within 3 months of this date.

A technical change was also made in the manner in which the admissions tax is to be applied. Your committee's bill provides that this tax is to be 1 cent for each 10 cents or "major" fraction thereof. This is the rule under existing law. The House bill provided that the tax was to be 1 cent for each 10 cents or fraction thereof. This was the rule in effect prior to the enactment of the Revenue Act of 1943.

Your committee made no change in the House provision extending until April 1, 1955, the rate reductions (other than the reduction in the tax on sporting goods) scheduled under present law to take effect April 1, 1954. Nor did it make any changes in the floor-stock refunds provided for automobiles and trucks, gasoline, cigarettes, and alcoholic beverages. Many requests were received to provide expiration or reduction dates for excises not so provided for by the House bill. Your committee did not believe it was desirable to do so because of the adverse effect such dates are likely to have on sales and because of the time limitations at present if this bill is to take effect as of April 1, 1954.

A start has been made in this bill toward reducing excise taxes by bringing down to 10 percent oppressive and discriminatory rates above the 10-percent level. Your committee would have liked to have made reductions in excise tax rates which were at or below the 10-percent level. This was not possible because of the present state of the budget. As soon as the budget will permit, it is the intention of the committee to make a comprehensive revision of the entire excise tax system. Many of the excise taxes now in effect were imposed during World War II or at the outbreak of the Korean war and need to be completely overhauled or eliminated. Among the taxes which are particularly troublesome and which will receive attention as soon as the state of the budget will permit are those relating to home appliances and the tax on transportation of property.

II. RATE CHANGES AND EXEMPTIONS

The following table lists the taxes which are reduced under this bill, showing the rates under present law, and the estimated reductions in excise tax collections.

EXCISE TAX REDUCTION ACT OF 1954

TABLE 1.—Excise rate reductions effective Apr. 1, 1954, H. R. 8224 as passed by the House, and as reported by Senate Committee on Finance

	Rates under present law	House bill		Finance Committee bill	
		Rates	Reduction in excise tax collections (full-year effect)	Rates	Reduction in excise tax collections (full-year effect)
			<i>Millions of dollars</i>		<i>Millions of dollars</i>
Retailers' excises:					
Furs.....	20 percent...	10 percent...	20	10 percent...	*20
Jewelry.....	do.....	do.....	100	do.....	*100
Luggage.....	do.....	do.....	40	do.....	*40
Toilet preparations.....	do.....	do.....	55	do.....	*55
Manufacturers' excises:					
Sporting goods.....	15 percent ¹ ...	do.....	3	do.....	*3
Mechanical pencils and pens, and lighters.....	do.....	do.....	4	do.....	*4
Electro light bulbs and tubes.....	20 percent...	do.....	20	do.....	*20
Pistols and revolvers.....	11 percent...	do.....	neg.	do.....	*neg.
Firearms, shells and cartridges.....	do.....	do.....	1	do.....	*1
Cameras, lenses, and film.....	20 percent...	do.....	15	do.....	*15
Matches.....	2 cents per thousand.	No change.....		Not to exceed 10 percent.	4
Lubricating oil.....	6 cents per gallon.	do.....			
Cutting oil.....	do.....	do.....		Not to exceed 10 percent.	1
Miscellaneous excises:					
Long distance telephone, telegraph, etc.....	(²)	10 percent...	235	10 percent...	*235
Local telephone.....	15 percent...	do.....	125	do.....	*125
Transportation of persons.....	do.....	do.....	95	do.....	*95
Leases of safe-deposit boxes.....	20 percent...	do.....	5	20 percent...	
Admissions:					
General.....	do ³	do.....	152	10 percent if price exceeds 60 cents, ⁴	*217
Cabarets.....	do.....	do.....	23	10 percent...	*23
Club dues and initiation fees.....	do.....	do.....	19	20 percent...	
Total.....			912		958

¹ Under present law this rate is scheduled for reduction to 10 percent on Apr. 1, 1954.

² Telephone or radio-telephone messages, toll charges over 24 cents, 25 percent; domestic telegraph, cable, and radio dispatches, 15 percent; international telegraph, cable and radio dispatches, 10 percent; leased wire service, teletypewriter, or talking circuit special service, 25 percent.

³ Under present law a penalty tax of 60 percent is imposed on sales by proprietors in excess of the established tax; this rate is not reduced.

⁴ The rate on all admissions to horse and dog races remains at 20 percent with no 60-cent exemption. Admissions to college athletics (excluding postseason games) and to museums are exempt from tax.

*No change from House bill.

TABLE 2.—Excise tax rates extended to Apr. 1, 1955

	Unit of tax	Present rate continued under bill	Rate after Apr. 1, 1955	Increased collections due to continuation (full year effect)
				<i>Million</i>
Liquor taxes:				
Distilled spirits.....	Per proof gallon.....	\$10.50.....	\$6.....	\$150
Fermented malt liquors.....	Per barrel.....	\$9.....	\$8.....	87
Wine:				
Still wine:				
Containing less than 14 percent alcohol.....	Per wine gallon.....	17 cents.....	15 cents.....	8
Containing 14 to 21 percent alcohol.....	do.....	67 cents.....	60 cents.....	
Containing 21 to 24 percent alcohol.....	do.....	\$2.25.....	\$2.....	
Containing more than 24 percent alcohol.....	do.....	\$10.50.....	\$9.....	
Sparkling wines, liqueurs, cordials, etc.:				
Champagne or sparkling wine.....	Per ½ pint.....	17 cents.....	15 cents.....	
Liqueurs, cordials, etc., and artificially carbonated wines.....	do.....	12 cents.....	10 cents.....	
Tobacco taxes: Cigarettes.....	Per 1,000.....	\$4.....	\$3.50.....	191
Manufacturers' excises:				
Gasoline.....	Per gallon.....	2 cents.....	1½ cents.....	225
Passenger cars and motorcycles.....	Manufacturers' sale price.....	10 percent.....	7 percent.....	276
Trucks, buses, truck trailers.....	do.....	8 percent.....	5 percent.....	75
Parts and accessories.....	do.....	do.....	do.....	60
Miscellaneous excises: Diesel fuel used for highway vehicles.....	Per gallon.....	2 cents.....	1½ cents.....	5
Total.....				1,077

III. HOT TRACTOR FUEL AND OTHER GASOLINE SUBSTITUTES

Under existing law, gasoline is defined for purposes of the manufacturers' excise tax to mean: (A) All products commonly or commercially known or sold as gasoline (including casinghead and natural gasoline); and (B) benzol, benzene, or naphtha, and any other liquid of a kind prepared, advertised, offered for sale or sold for use as, or used as, a fuel for the propulsion of motor vehicles, motorboats, or airplanes. The second group of products are referred to in the regulations (regulations 44 relating to the taxes on gasoline, lubricating oil, and matches), as "class B products," and it is these class B products with which your committee's amendment bill is concerned.

Class B products are subject to tax only if offered for sale, sold as, or used as fuel for the propulsion of motor vehicles, motorboats, or airplanes. An important proportion of these products is not used for such purposes, however, but for such exempt uses as solvents and tractor fuel. The manufacturer may sell these products free of tax if he obtains a certificate prior to or at the time of sale from the purchaser who certifies that he is going to use them for a nontaxable purpose. However, manufacturers generally have to sell the products on a tax-paid basis because the purchasers usually are distributors or dealers who buy the products for resale and not for use. In this situation, a class B product may be sold free of tax by the dealer to the ultimate consumer if the latter certifies that he is going to use it for a nontaxable purpose. The exemption certificate signed by the consumer must then be sent by the dealer to the manufacturer so that the latter may take a credit or obtain a refund for the tax originally paid. The manufacturer can then adjust the dealer's account. Since

there are a considerable number of consumers who buy class B products for nontaxable purposes, this procedure is cumbersome and costly.

Your committee's amendment rectifies this problem by changing the method of taxation of class B motor fuels. It eliminates the tax on those products at the manufacturers' level and imposes it at the retail dealers' level. It also provides that if the tax is not collected at the time of retail sale, and the consumer made a taxable use of the product, liability for tax then is to be incurred by the consumer. This is the system which now is used for the tax on diesel fuel.

Liquid fuels, which have been subject to tax when used for the propulsion of a motor vehicle, motorboat, or airplane under existing law because they are within the distillation range of class B products (as provided in sec. 314.30 of regulations 44), remain subject to tax under your committee's bill. Liquid fuels which presently are nontaxable as being within the distillation range of kerosene, gas oil, or fuel oil continue their nontaxable status under the bill. The taxes on diesel fuel and products commonly or commercially known or sold as gasoline will continue to be taxed as under existing law.

IV. EFFECTIVE DATE

For the retail and manufacturers' taxes the new tax rates are to apply to sales on or after April 1, 1954. Articles are not to be considered as sold prior to April 1, 1954, unless possession, or right to possession, of the article passes before that date. However, in the case of (1) leases, (2) installment sales, (3) conditional sales, or (4) chattel mortgage installment arrangements, entered into before April 1, 1954, payments made after April 1, 1954, are to be subject to the new rates.

For admissions the new tax rates apply to amounts paid for admissions on or after April 1, 1954. Amounts collected before that date for admission on or after that date, to the extent of the rate reduction, are to be allowed as a credit or refund to the person who collected the tax if prior to the time of the admission he has repaid this amount to the person who bought the ticket. For the cabaret tax, the new rates apply with respect to periods after 10 a. m. on April 1, 1954.

The new communications tax rates will apply with respect to amounts paid pursuant to bills rendered on and after April 1, 1954, for services rendered on and after such date, and for any services rendered in February and March for which no previous bill was rendered.

The new rate of tax on transportation of persons applies with respect to amounts paid on and after April 1, 1954, for or in connection with transportation which begins on or after such date. A refund or credit provision similar to that described above in the case of the admissions tax is applicable with respect to transportation tickets purchased before April 1, 1954, for use on or after that date. However, in this case the bill also provides that transportation is not to be considered as having begun on or after April 1, 1954, if any part of the transportation paid for (or for which payment has become obligated for) commenced before April 1, 1954.

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 italics; existing law in which no change is proposed is shown in roman):

INTERNAL REVENUE CODE

CHAPTER 9A—WAR TAXES AND WAR TAX RATES

SEC. 1650. WAR TAX RATES OF CERTAIN MISCELLANEOUS TAXES

In lieu of the rates of tax specified in such of the sections of this title as are set forth in the following table, the rates applicable with respect to the period beginning with the effective date of title III of the Revenue Act of 1943 and ending March 31, 1954, shall be the rates set forth under the heading "War Tax Rate":

Section	Description of Tax	Old Rate	War Tax Rate
1700 (a)	Admissions	1 cent for each 10 cents or fraction thereof.	1 cent for each 5 cents or major fraction thereof.
1700 (b)	Permanent Use or Lease of Boxes or Seats.	11 per centum	20 per centum.
1700 (c)	Sales of Tickets Outside Box Office.	11 per centum	20 per centum.
1700 (e)	Cabarets, Roof Gardens, Etc.	5 per centum	20 per centum.
1710 (a) (1)	Dues or Membership Fees	11 per centum	20 per centum.
1710 (a) (2)	Inflation Fees	11 per centum	20 per centum.
2400 (except as respects watches selling at retail for not more than \$65 and alarm clocks selling at retail for not more than \$5).	Jewelry	10 per centum	20 per centum.
2401	Furs	10 per centum	20 per centum.
2402	Toilet Preparations	10 per centum	20 per centum.
3268	Billiard and Pool Tables; and Bowling Alleys.	\$10 per year per table; \$10 per year per alley.	\$20 per year per table; \$20 per year per alley.
3406 (a) (10)	Electric Light Bulbs and Tubes.	5 per centum	20 per centum.
3465 (a) (1) (A)	Telephone, Long Distance	20 per centum	25 per centum.
3465 (a) (2) (A)	Leased Wires, Etc.	15 per centum	25 per centum.
3465 (a) (2) (B)	Wire and Equipment Service.	5 per centum	8 per centum.
3465 (a) (3)	Local Telephone Service	10 per centum	15 per centum.
3469 (a)	Transportation of Persons	10 per centum	15 per centum.
3469 (c)	Seats, Berths, Etc.	10 per centum	15 per centum.

SEC. 1651. RETAILERS' EXCISE TAX ON LUGGAGE, ETC.

(a) Tax.—There is hereby imposed upon the following articles (including in each case fittings or accessories therefor sold on or in connection with the sale thereof) sold at retail a tax equivalent to [20] 10 per centum of the price for which sold:

- (1) Trunks, valises, traveling bags, suitcases, satchels, overnight bags, hat boxes for use by travelers, beach bags, bathing suit bags, brief cases made of leather or imitation leather, and salesmen's sample and display cases.
- (2) Purses, handbags, pocketbooks, wallets, billfolds, and card, pass, and key cases.
- (3) Toilet cases and other cases, bags, and kits (without regard to size, shape, construction, or material from which made) for use in carrying toilet articles or articles of wearing apparel.

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SEC. 1656. FLOOR STOCKS REFUNDS ON DISTILLED SPIRITS, WINES AND CORDIALS, AND FERMENTED MALT LIQUORS.

(a) **IN GENERAL.**—With respect to any article upon which tax is imposed under section 2800 (a), 3030 (a), or 3150 (a), upon which internal revenue tax (including floor stocks tax) at the applicable rate prescribed by such section has been paid, and which, on April 1, [1954] 1955, 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, an amount equal to the difference between the tax so paid and the rate made applicable to such articles on and after April 1, [1954] 1955, by such section, if claim for such credit or refund is filed with the Secretary prior to May 1, [1954] 1955.

(b) **LIMITATIONS ON ELIGIBILITY FOR CREDIT OR REFUND.**—No person shall be entitled to credit or refund under subsection (a) unless (1) such person, for such period or periods both before and after April 1, [1954] 1955 (but not extending beyond one year thereafter), as the Commissioner with the approval of the Secretary shall by regulations prescribe, makes and keeps, and files with the Commissioner, such records of inventories, sales, and purchases as may be prescribed in such regulations; and (2) such person establishes to the satisfaction of the Commissioner, with respect to each kind of article for which refund is claimed by him under this section, that on and after April 1, [1954] 1955 and until the expiration of three months thereafter, the price at which articles of such kind were sold (until a number equal at least to the number on hand on April 1, [1954] 1955 were sold) reflected, in such manner as the Commissioner may by regulations prescribe with the approval of the Secretary, the amount of the tax reduction.

(c) 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 fermented malt liquors 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.

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SEC. 1657. FLOOR STOCKS REFUNDS ON ELECTRIC LIGHT BULBS

(a) **IN GENERAL.**—With respect to any article upon which tax is imposed under section 3406 (a) (10), upon which internal revenue tax at the rate prescribed in section 1650 has been paid, and which, on the rate reduction date 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 the manufacturer or producer of such article (without interest), subject to such regulations as may be prescribed by the Commissioner with the approval of the Secretary, an amount equal to so much of the difference between the tax so paid and the tax that would have been paid if [section 1650 had not been applicable] *the applicable rate had been 10 per centum*, as has been paid by such manufacturer or producer to such person as reimbursement for the tax reduction on such articles, if claim for such credit or refund is filed with the Commissioner [prior to the expiration of three months after the rate reduction date] *prior to August 1, 1954, based upon a request for reimbursement submitted by such person to the manufacturer or producer of such article prior to July 1, 1954.*

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[SEC. 1658. TELEGRAPH, TELEPHONE, RADIO, AND CABLE FACILITIES

[Notwithstanding section 1650, the rates therein prescribed with respect to the taxes imposed by section 3465 (a) (1), (2), and (3) shall continue to apply with respect to amounts paid pursuant to bills rendered prior to the rate reduction date; and, in the case of amounts paid pursuant to bills rendered on or after the rate reduction date for services for which no previous bill was rendered, the decreased rates shall apply except with respect to such services as were rendered more than two months before such date; and, in the case of services rendered more than two months before such date, the provisions of sections 1650 and 3465 in effect at the time such services were rendered shall be applicable to the amounts paid for such services.]

SEC. 1659. DEFINITION OF "RATE REDUCTION DATE"

For the purposes of this chapter the term "rate reduction date" means [such date as the Congress shall by law prescribe] *April 1, 1954.*

CHAPTER 10—ADMISSIONS AND DUES

SUBCHAPTER A—ADMISSIONS

SEC. 1700. TAX

There shall be levied, assessed, collected, and paid—

(a) SINGLE OR SEASON TICKET; SUBSCRIPTION—

(1) RATE.—A tax of 1 cent for each 10 cents or major fraction thereof of the amount paid for admission to any place, including admission by season ticket or subscription. [No tax shall be imposed on the amount paid for admission of a child under 12 years of age if the amount paid is less than 10 cents.] No tax shall be imposed under this paragraph on the amount paid for admission—

(A) if the amount paid for admission is 60 cents or less, or

(B) in the case of a season ticket or subscription, if the amount which would be charged to the holder or subscriber for a single admission is 60 cents or less.

Note. The rate of tax presently in effect for admission, including admission by season ticket or subscription, is the temporary war rate of 1 cent for each 5 cents or major fraction thereof as provided in section 1650 of the Internal Revenue Code, which under the bill expires March 31, 1954.

(2) BY WHOM PAID.—The tax imposed under paragraph (1) shall be paid by the person paying for such admission.

(3) CERTAIN RACE TRACKS.—In lieu of the tax imposed under paragraph (1), a tax of 1 cent for each 5 cents or major fraction thereof of the amount paid for admission to any place (including admission by season ticket or subscription) if the principal amusement or recreation offered with respect to such admission is horse or dog racing at a race track. The tax imposed under this paragraph shall be paid by the person paying for such admission.

(b) PERMANENT USE OR LEASE OF BOXES OR SEATS.—

(1) RATE.—In the case of persons having the permanent use of boxes or seats in an opera house or any place of amusement or a lease for the use of such box or seat in such opera house or place of amusement (in lieu of the tax imposed under paragraph (1) or (3) of subsection (a)), a tax equivalent to [11] 10 per centum (20 per centum if paragraph (3) of subsection (a) would otherwise apply) of the amount for which a similar box or seat is sold for each performance or exhibition at which the box or seat is used or reserved by or for the lessee or holder.

Note. The rate of tax presently in effect on permanent use or lease of boxes or seats is the temporary war rate of 20 per centum as provided in section 1650 of the Internal Revenue Code, which under the bill expires March 31, 1954.

(c) SALES OUTSIDE BOX OFFICE.—

(1) RATE.—Upon tickets or cards of admission to theaters, operas, and other places of amusement, sold at news stands, hotels, and places other than the ticket offices of such theaters, operas, or other places of amusement, at a price in excess of the sum of the established price therefor at such ticket offices plus the amount of any tax imposed under paragraph (1) or (3) of subsection (a), a tax equivalent to [11] 10 per centum (20 per centum if paragraph (3) of subsection (a) would otherwise apply) of the amount of such excess.

Note. The rate of tax presently in effect on sales outside box office is the temporary war rate of 20 per centum as provided in section 1650 of the Internal Revenue Code, which under the bill expires March 31, 1954.

(e) TAX ON CABARETS, ROOF GARDENS, ETC.—

(1) RATE.—A tax equivalent to [5] 10 per centum of all amounts paid for admission, refreshment, service, or merchandise, at any roof garden, cabaret, or other similar place furnishing a public performance for profit, by or for any patron or guest who is entitled to be present during any portion of such performance. No tax shall be applicable under this paragraph on account of an amount paid for an admission with respect to which tax is imposed under subsection (a) (3).

Note. The rate of tax presently in effect on cabarets, roof gardens, etc., is the temporary war rate of 20 per centum as provided in section 1650 of the Internal Revenue Code, which under the bill expires March 31, 1954.

SEC. 1701. EXEMPTIONS FROM TAX

No tax shall be levied under this subchapter in respect of—

(a) CERTAIN RELIGIOUS, EDUCATIONAL, OR CHARITABLE ENTERTAINMENTS, ETC.—

(1) **IN GENERAL.**—Except as provided in paragraph (2), any admissions all the proceeds of which inure—

(A) exclusively to the benefit of—

(i) a church or a convention or association of churches;

(ii) an educational institution which is exempt under section 101 (6) or which is an educational institution of a government or political subdivision thereof, if such organization normally maintains a regular faculty and curriculum and normally has a regularly organized body of pupils or students in attendance at the place where its educational activities are regularly carried on;

(iii) a corporation or any community chest, fund, or foundation organized and operated exclusively for charitable purposes, exempt under section 101 (6), if such corporation or organization is supported, in whole or in part, by funds contributed by the United States or any State or political subdivision thereof, or is primarily supported by contributions from the general public;

(iv) a society or organization conducted for the sole purpose of maintaining symphony orchestras or operas and receiving substantial support from voluntary contributions;

(v) an organization (organized prior to October 1, 1951) which is exempt under section 101 (6) and which is operated for the purpose of conducting an annual chautauqua program of educational, cultural, and religious activities at a permanent location—

if no part of the net earnings thereof inures to the benefit of any private stockholder or individual;

(B) exclusively to the benefit of National Guard organizations, Reserve officers' associations or organizations, posts or organizations of war veterans, or auxiliary units or societies of any such posts or organizations, if such posts, organizations, units, or societies are organized in the United States or any of its possessions, and if no part of their net earnings inures to the benefit of any private stockholder or individual; or

(C) exclusively to the benefit of a police or fire department of any city, town, village, or any municipality or exclusively to a retirement, pension, or disability fund for the sole benefit of members of such a police or fire department or to a fund for the heirs of such members.

(2) **NONEXEMPT ADMISSIONS.**—The exemption provided under paragraph (1) shall not apply in the case of admissions to (A) any athletic game or exhibition unless the proceeds inure exclusively to the benefit of an elementary or secondary school or unless in the case of an athletic game [between two elementary or secondary schools] *between teams composed of students from elementary or secondary schools*, the entire gross proceeds from such game inure to the benefit of a hospital for crippled children, (B) wrestling matches, prize fights, or boxing, sparring, or other pugilistic matches or exhibitions, (C) carnivals, rodeos, or circuses in which any professional performer or operator participates for compensation, or (D) any motion picture exhibition. *Clauses (A) and (B) shall not apply in the case of any athletic event between educational institutions held during the regular athletic season for such event, if the proceeds therefrom inure exclusively to the benefit of such institutions.*

(e) (1) **HOME AND GARDEN TOURS.**—Any admission to a home or garden which is temporarily opened to the general public as part of a program conducted by a society or organization to permit the inspection of historical homes and gardens—if no part of the net earnings thereof inures to the benefit of any private stockholder or individual.

[(2) **HISTORIC SITES.**—Any admissions to historic sites, houses, and shrines, and museums conducted in connection therewith, maintained and operated by a society or organization devoted to the preservation and maintenance of such historic sites, houses, shrines, and museums—if no part of the net earnings thereof inures to the benefit of any private stockholder or individual.]

(2) **HISTORIC SITES, MUSEUMS, AND PLANETARIUMS.**—Any admission to an historic site, house, or shrine, to a museum of history, art, or science, to a planetarium, or to any exhibition in connection with any of the foregoing, operated—

(A) by any State or political subdivision thereof or by the United States or any agency or instrumentality thereof—if the proceeds therefrom inure exclusively to the benefit of the State, political subdivision, United States, agency, or instrumentality, or

(B) by any society or organization not organized for profit—if no part of the net earnings thereof inures to the benefit of any private stockholder or individual.

For the purposes of subparagraph (A), the term "State" includes Alaska, Hawaii, and the District of Columbia.

SUBCHAPTER B—DUES

SEC. 1710. TAX

(a) RATE.—There shall be levied, assessed, collected, and paid—

(1) DUES OR MEMBERSHIP FEES.—A tax equivalent to [11] 20 per centum of any amount paid as dues or membership fees to any social, athletic, or sporting club or organization, if the dues or fees of an active resident annual member are in excess of \$10 per year.

Note.—The rate of tax presently in effect on dues or membership fees is the temporary war rate of 20 per centum as provided in section 1650 of the Internal Revenue Code, which under the bill expires March 31, 1954.

(2) INITIATION FEES.—A tax equivalent to [11] 20 per centum of any amount paid as initiation fees to such a club or organization, if such fees amount to more than \$10, or if the dues or membership fees, not including initiation fees, of an active resident annual member are in excess of \$10 per year.

Note.—The rate of tax presently in effect on initiation fees is the temporary war rate of 20 per centum as provided in section 1650 of the Internal Revenue Code, which under the bill expires March 31, 1954.

CHAPTER 15—TOBACCO, SNUFF, CIGARS, AND CIGARETTES

SUBCHAPTER A—RATE AND PAYMENT OF TAX

SEC. 2000. RATE OF TAX

(c) CIGARS AND CIGARETTES.—Upon cigars and cigarettes manufactured in or imported into the United States, which are sold by the manufacturer or importer, or removed for consumption or sale, there shall be levied, collected, and paid the following taxes:

(2) CIGARETTES.—On cigarettes made of tobacco, or any substitute therefor, and weighing not more than three pounds per thousand, \$4 per thousand until April 1, [1954] 1955, and \$3.50 per thousand on and after April 1, [1954] 1955;

Weighing more than three pounds per thousand, \$8.40 per thousand; except that if more than 6½ inches in length they shall be taxable at the rate provided in the preceding paragraph, counting each 2¼ inches (or fraction thereof) of the length of each as one cigarette.

The tax imposed by this subsection shall be in addition to any import duties imposed upon imported cigars and cigarettes.

(g) FLOOR STOCKS REFUNDS ON CIGARETTES.—

(1) IN GENERAL.—With respect to cigarettes, weighing not more than three pounds per thousand, upon which the tax imposed by subsection (c) (2), or upon which floor stocks tax imposed by subsection (f), has been paid, and which, on April 1, [1954] 1955, 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 may be prescribed by the Secretary, an amount equal to the difference between the tax paid on such cigarette and the tax made applicable to such articles on April 1, [1954] 1955, if claim for such credit or refund is filed with the Secretary prior to July 1, [1954] 1955.

(2) **LIMITATIONS ON ELIGIBILITY FOR CREDIT OR REFUND.**—No person shall be entitled to credit or refund under paragraph (1) unless (A) such person, for such period or periods both before and after April 1, [1954] 1955 (but not extending beyond one year thereafter), as the Secretary shall by regulations prescribe, makes and keeps, and files with the Secretary such records of inventories, sales, and purchases as may be prescribed in such regulations; and (B) such person establishes to the satisfaction of the Secretary, with respect to the cigarettes for which credit or refund is claimed by him under this section, that on and after April 1, [1954] 1955, and until the expiration of three months thereafter, the price at which cigarettes of such class were sold (until a number equal at least to the number on hand on April 1, [1954] 1955, were sold) reflected, in such manner as the Secretary may by regulations prescribe, the amount of the tax reduction.

(3) **PENALTY AND ADMINISTRATIVE PROCEDURES.**—All provisions of law, including penalties, applicable in respect of internal revenue taxes on cigarettes shall, insofar as applicable and not inconsistent with this subsection, be applicable in respect of the credits and refunds provided for in this subsection to the same extent as if such credits or refunds constituted credits or refunds of such taxes.

* * * * *

CHAPTER 20—[DIESEL FUEL] SPECIAL FUELS

SEC. 2450. TAX ON DIESEL FUEL

[There is hereby imposed a tax of 2 cents a gallon upon any liquid (other than any product taxable under section 3412)—

[(1) sold by any person to an owner, lessee, or other operator of a diesel-powered highway vehicle, for use as a fuel in such vehicle, or

[(2) used by any person as a fuel in a diesel-powered highway vehicle unless there was a taxable sale of such liquid under clause (1).

On and after April 1, 1954, the tax imposed by this section shall be 1½ cents a gallon in lieu of 2 cents a gallon.]

(a) **DIESEL FUEL.**—There is hereby imposed a tax of 2 cents a gallon upon any liquid (other than any product taxable under section 3412)—

(1) sold by any person to an owner, lessee, or other operator of a diesel-powered highway vehicle, for use as a fuel in such vehicle; or

(2) used by any person as a fuel in a diesel-powered highway vehicle unless there was a taxable sale of such liquid under paragraph (1).

(b) **SPECIAL MOTOR FUELS.**—There is hereby imposed a tax of 2 cents a gallon upon benzol, benzene, naphtha, liquefied petroleum gas, or any other liquid (other than kerosene, gas oil, or fuel oil, or any product taxable under section 3412 or subsection (a) of this section)—

(1) sold by any person to an owner, lessee, or other operator of a motor vehicle, motorboat, or airplane for use as a fuel for the propulsion of such motor vehicle, motorboat, or airplane; or

(2) used by any person as a fuel for the propulsion of a motor vehicle, motorboat, or airplane unless there was a taxable sale of such liquid under paragraph (1).

(c) **RATE REDUCTION.**—On and after April 1, 1955, the taxes imposed by this section shall be 1½ cents a gallon in lieu of 2 cents a gallon.

* * * * *

SEC. 2452. CREDITS AND REFUNDS

[(a) **NON-TAXABLE USE OR SALE BY VENDEE.**—A credit against tax under this chapter, or a refund, may be allowed or made to a person in the amount of tax paid by him under this chapter with respect to his sale of any liquid to a vendee for use as fuel in a diesel-powered highway vehicle, if such person establishes, in accordance with regulations prescribed by the Secretary, that—

[(1) the vendee used such liquid otherwise than as fuel in such a vehicle or resold such liquid, and

[(2) such person has repaid or agreed to repay the amount of such tax to such vendee, or has obtained the consent of the vendee to the allowance of the credit or refund.

No interest shall be allowed with respect to any amount of tax credited or refunded under the provisions of this subsection.]

(a) **NON-TAXABLE USE OR SALE BY VENDEE.**—A credit against tax under this chapter, or a refund, may be allowed or made to a person in the amount of tax paid by him under this chapter with respect to his sale of any liquid to a vendee for use as fuel

in a diesel-powered highway vehicle, or with respect to his sale of benzol, benzene, naphtha, liquefied petroleum gas, or any other liquid to a vendee for use as fuel for the propulsion of a motor vehicle, motorboat, or airplane, if such person establishes, in accordance with regulations prescribed by the Secretary, that—

(1) either—

(A) the vendee used such liquid otherwise than as fuel in such a vehicle, motorboat, or airplane or resold such liquid; or

(B) such liquid was used or was resold for use for any of the purposes, but subject to the conditions, provided in section 3451; and

(2) such person has repaid or agreed to repay the amount of such tax to such vendee, or has obtained the consent of the vendee to the allowance of the credit or refund.

No interest shall be allowed with respect to any amount of tax credited or refunded under the provisions of this subsection.

SEC. 2453. TAX-FREE SALES

Under regulations prescribed by the Secretary, no tax under this chapter shall be imposed with respect to the sale of any liquid for the exclusive use of any State, Territory of the United States, or any political subdivision of the foregoing, or the District of Columbia, or with respect to the use by any of the foregoing of any liquid [as fuel in a diesel-powered highway vehicle.] covered by this chapter.

SEC. 2456. EXEMPTION OF SPECIAL MOTOR FUELS USED FOR CERTAIN VESSELS.

The exemption from tax under chapter 29 provided in section 3451 shall also apply to the tax imposed under section 2450 (b).

CHAPTER 25—FIREARMS

SUBCHAPTER A—PISTOLS AND REVOLVERS

SEC. 2703. TAX

(a) **RATE.**—There shall be levied, assessed, collected, and paid upon pistols and revolvers sold or leased by the manufacturer, producer, or importer, a tax equivalent to [11] 10 per centum of the price for which so sold or leased.

CHAPTER 26—LIQUOR

SUBCHAPTER A—DISTILLED SPIRITS

PART I—PROVISIONS RELATING TO TAX

SEC. 2803. TAX

(a) **RATE.**—

(1) **DISTILLED SPIRITS GENERALLY.**—There shall be levied and collected 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, to be paid by the distiller or importer when withdrawn from bond. On and after April 1, [1954] 1955, the rate of tax imposed by this paragraph shall be \$9 in lieu of \$10.50.

(3) **IMPORTED PERFUMES CONTAINING DISTILLED SPIRITS.**—There shall be levied and collected upon 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. Such tax shall be collected by the collector of customs and deposited as internal revenue collections, under such rules and regulations as the Commissioner, with the approval of the Secretary, may prescribe. On and after April 1, [1954] 1955, the rate of tax imposed by this paragraph shall be \$9 in lieu of \$10.50.

SUBCHAPTER B—WINES

SEC. 3030. TAX

(a) RATE.—

(1) STILL WINES.—

(A) Imposition.—Upon all still wines, including vermouth, and all artificial or imitation wines or compounds sold as still wine, produced in or imported into the United States on or after the effective date of section 452 (a) of the Revenue Act of 1951, or which on such date were on any winery premises or other bonded premises or in transit thereto or at any customhouse, there shall be levied, collected, and paid taxes at rates as follows, when sold, or removed for consumption or sale:

On wines containing not more than 14 per centum of absolute alcohol, 14 cents per wine-gallon, the per centum of alcohol under this section to be reckoned by volume and not by weight, except that on and after April 1, [1954] 1955, the rate shall be 15 cents per wine-gallon;

On wines containing more than 14 per centum and not exceeding 21 per centum of absolute alcohol, 67 cents per wine-gallon, except that on and after April 1, [1954] 1955, the rate shall be 60 cents per wine-gallon;

On wines containing more than 21 per centum and not exceeding 24 per centum of absolute alcohol, \$2.25 per wine-gallon, except that on and after April 1, [1954] 1955, the rate shall be \$2 per wine-gallon;

All such wines containing more than 24 per centum of absolute alcohol by volume shall be classed as distilled spirits and shall pay tax accordingly.

Any such wines may, under such regulations as the Commissioner may prescribe, with the approval of the Secretary, be sold or removed tax-free for the manufacture of vinegar, or for the production of dealcoholized wines containing less than one-half of 1 per centum of alcohol by volume.

The taxes imposed by this subparagraph (A) of this paragraph shall not apply to dealcoholized wines containing less than one-half of 1 per centum of alcohol by volume; nor, subject to regulations prescribed by the Commissioner, with the approval of the Secretary, to wines produced for the family use of the duly registered producer thereof and not sold or otherwise removed from the place of manufacture and not exceeding in any case two hundred gallons per year.

* * * * *

(2) SPARKLING WINES, LIQUEURS, AND CORDIALS.—Upon the following articles which are produced in or imported into the United States, on or after the effective date of section 452 (a) of the Revenue Act of 1951, or which on such date are on any winery premises or other bonded premises or in transit thereto or at any customhouse, there shall be levied, collected, and paid, in lieu of the internal-revenue taxes imposed thereon by law prior to such date, taxes at rates as follows, when sold, or removed for consumption or sale:

On each bottle or other container of champagne or sparkling wine, 17 cents on each one-half pint or fraction thereof, except that on and after April 1, [1954] 1955, the rate shall be 15 cents on each one-half pint or fraction thereof;

On each bottle or other container of artificially carbonated wine, 12 cents on each one-half pint or fraction thereof, except that on and after April 1, [1954] 1955, the rate shall be 10 cents on each one-half pint or fraction thereof;

On each bottle or other container of liqueurs, cordials, or similar compounds, by whatever name sold or offered for sale, containing sweet wine, citrus-fruit wine, peach wine, cherry wine, berry wine, apricot wine, prune wine, plum wine, pear wine, pawpaw wines, papaya wines, pineapple wines, cantaloup wines, or apple wine, fortified, respectively, with grape brandy, citrus-fruit brandy, peach brandy, cherry brandy, berry brandy, apricot brandy, prune brandy, plum brandy, pear brandy, pawpaw brandy, papaya brandy, pineapple brandy, cantaloup brandy, or apple brandy, 12 cents on each one-half pint or fraction thereof, except that on and after April 1, [1954] 1955, the rate shall be 10 cents on each one-half pint or fraction thereof;

Any of the foregoing articles containing more than 24 per centum of absolute alcohol by volume (except vermouth, liqueurs, cordials, and similar compounds made in rectifying plants and containing tax-paid sweet wine,

citrus-fruit wine, peach wine, cherry wine, berry wine, apricot wine, prune wine, plum wine, pear wine, pawpaw wines, papaya wines, pineapple wines, cantaloup wines, or apple wine, fortified, respectively with grape brandy, citrus-fruit brandy, peach brandy, cherry brandy, berry brandy, apricot brandy, prune brandy, plum brandy, pear brandy, pawpaw brandy, papaya brandy, pineapple brandy, cantaloup brandy, or apple brandy) shall be classed as distilled spirits and shall be taxed accordingly.

The Commissioner, under regulations prescribed by him, with the approval of the Secretary, is authorized to remit, refund, and pay back the amount of all taxes on such liqueurs, cordials, and similar compounds paid by or assessed against rectifiers at the distilled spirits rate prior to June 26, 1936.

* * * * *

SUBCHAPTER D—FERMENTED LIQUORS

SEC. 3150. TAX

(a) RATE.—There shall be levied and collected on all beer, lager beer, ale, porter, and other similar fermented liquor, containing one-half of 1 per centum, or more, of alcohol, brewed or manufactured and sold, or removed for consumption or sale, within the United States, or imported into the United States, by whatever name such liquors may be called, a tax of \$9 for every barrel containing not more than thirty-one gallons, and at a like rate for any other quantity or for the fractional parts of a barrel authorized and defined by law. On and after April 1, [1954] 1955, the tax imposed by the preceding sentence shall be at the rate of \$8 in lieu of \$9. In estimating and computing such tax, the fractional parts of a barrel shall be halves, thirds, quarters, sixths, and eighths; and any fractional part of a barrel, containing less than one-eighth, shall be accounted one-eighth; more than one-eighth, and not more than one-sixth, shall be accounted one-sixth; more than one-sixth, and not more than one-fourth, shall be accounted one-fourth; more than one-fourth, and not more than one-third, shall be accounted one-third; more than one-third, and not more than one-half, shall be accounted one-half; more than one-half, and not more than one barrel, shall be accounted one barrel; and more than one barrel, and not more than sixty-three gallons, shall be accounted two barrels, or a hogshead.

The provisions of this section requiring the accounting of hogsheads, barrels, and fractional parts of barrels at the next higher quantity shall not apply where the contents of such hogsheads, barrels, or fractional parts of barrels are within the limits of tolerance established by the Commissioner by regulations which he is hereby authorized to prescribe with the approval of the Secretary; and no assessment shall be made and no tax shall be collected for any excess in any case where the contents of the hogsheads, barrels, or fractional parts of barrels heretofore or hereafter used are within the limits of the tolerance so prescribed.

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CHAPTER 27—OCCUPATIONAL TAXES

SUBCHAPTER A—SPECIAL PROVISIONS

* * * * *

PART VII—LIQUOR

SEC. 3250. TAX

(1) MANUFACTURERS OR PRODUCERS OF DESIGNATED NONBEVERAGE PRODUCTS.—

(5) DRAWBACK.—In the case of distilled spirits tax-paid and used as provided in this subsection, a drawback shall be allowed—

(A) at the rate of \$6 on each proof gallon upon which tax is paid at a rate of \$9 per proof gallon prior to the effective date of section 462 of the Revenue Act of 1951,

(B) at the rate of \$9.50 on each proof gallon upon which tax is paid at a rate of \$10.50 per proof gallon on and after the effective date of section 462 of the Revenue Act of 1951, and

(C) at the rate of \$8 on each proof gallon upon which tax is paid at a rate of \$9 per proof gallon after March 31, [1954] 1955.

Such drawback shall be due and payable quarterly upon filing of a proper claim with the Secretary. No claim under this subsection shall be allowed unless filed with the Secretary within the three months next succeeding the quarter for which the drawback is claimed.

* * * * *

PART X—BOWLING ALLEYS, AND BILLIARD AND POOL TABLES

SEC. 3268. TAX ON BOWLING ALLEYS, AND BILLIARD AND POOL TABLES

(a) RATE.—Every person who operates a bowling alley, billiard room, or pool room shall pay a special tax of ~~[\$10]~~ \$20 per year for each bowling alley, billiard table, or pool table. Every building or place where bowls are thrown or where games of billiards or pool are played, except in private homes, shall be regarded as a bowling alley, billiard room, or pool room, respectively. No tax shall be imposed under this section with respect to a billiard table or pool table in a hospital if no charge is made for the use of such table. The tax imposed under this section shall not apply for any period beginning after June 30, 1952, with respect to any bowling alley, billiard table, or pool table maintained exclusively for the use of members of the Armed Forces on any property owned, reserved, or used by, or otherwise acquired for the use of, the United States if no charge is made for their use.

Note.—The rate of tax presently in effect on bowling alleys and billiard and pool tables is the temporary war rate of \$20 as provided in section 1650 of the Internal Revenue Code, which under the bill expires March 31, 1954.

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CHAPTER 29—MANUFACTURERS' EXCISE AND IMPORT TAXES

SUBCHAPTER A—MANUFACTURERS' EXCISE TAXES

* * * * *

SEC. 3403. TAX ON AUTOMOBILES, ETC.

There shall be imposed upon the following articles sold by the manufacturer, producer, or importer, a tax equivalent to the following percentages of the price for which so sold:

(a) 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 (including in each of the above cases parts or accessories therefor sold on or in connection therewith or with the sale thereof), 8 per centum, except that on and after April 1, ~~[1954]~~ 1955, the rate shall be 5 per centum. A sale of an automobile truck, bus, truck or bus trailer or semitrailer shall, for the purposes of this subsection, be considered to be a sale of the chassis and of the body.

(b) OTHER CHASSIS AND BODIES, ETC.—Other automobile chassis and bodies, chassis and bodies for trailers and semitrailers (other than house trailers) suitable for use in connection with passenger automobiles, and motorcycles (including in each case parts or accessories therefor sold on or in connection therewith or with the sale thereof), except tractors, 10 per centum, except that on and after April 1, ~~[1954]~~ 1955, the rate shall be 7 per centum. A sale of an automobile, trailer, or semitrailer shall, for the purposes of this subsection, be considered to be a sale of the chassis and of the body.

(c) Parts or accessories (other than tires and inner tubes and other than radio and television receiving sets) for any of the articles enumerated in subsection (a) or (b), 8 per centum, except that on and after April 1, ~~[1954]~~ 1955, the rate shall be 5 per centum. For the purposes of this subsection and subsections (a) and (b), spark plugs, storage batteries, leaf springs, coils, timers, and tire chains, which are suitable for use on or in connection with, or as component parts of, any of the articles enumerated in subsection (a) or (b), shall be considered parts or accessories for such articles, whether or not primarily adapted for such use. This subsection shall not apply to chassis or bodies for automobile trucks or other automobiles. Under regulations prescribed by the Commissioner, with the approval of the Secretary, the tax under this subsection shall not apply in the case of sales of parts or accessories by the manufacturer, producer, or importer to a manufacturer or producer of any of the articles enumerated in

subsection (a) or (b). If any such parts or accessories are resold by such vendee otherwise than on or in connection with, or with the sale of, an article enumerated in subsection (a) or (b) and manufactured or produced by such vendee, then for the purposes of this section the vendee shall be considered the manufacturer or producer of the parts or accessories so resold. In determining the sale price of a rebuilt automobile part or accessory there shall be excluded from the price, in accordance with regulations prescribed by the Secretary, the value of a like part or accessory accepted in exchange.

* * * * *

(f) **FLOOR STOCKS REFUNDS.**—

(1) Where before April 1, 1955, any article subject to the tax imposed by subsection (a) or (b) has been sold by the manufacturer, producer, or importer, and is on such date 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 April 1, 1955.

(2) As used in this subsection, the term "dealer" includes a wholesaler, jobber, distributor, or retailer. For the purposes of this subsection, an article shall be considered as "held by a dealer" if title thereto has passed to such dealer (whether or not delivery to him has been made), and if for purposes of consumption title to such article or possession thereof has not at any time been transferred to any person other than a dealer.

(3) Under regulations prescribed by the Secretary, the refund provided by this subsection may be made to the dealer instead of the manufacturer, producer, or importer, if the manufacturer, producer, or importer waives any claim for the amount so to be refunded.

(4) When the credit or refund provided for in this subsection has been allowed to the manufacturer, producer, or importer, he shall remit to the dealer to whom was sold the article in respect of which the credit or refund was allowed so much of that amount of the tax corresponding to the credit or refund as was included in or added to the price paid or agreed to be paid by the dealer.

(5) No person shall be entitled to credit or refund under this subsection unless (A) he has in his possession such evidence of the inventories with respect to which the credit or refund is claimed as may be required by regulations prescribed under this subsection, and (B) claim for such credit or refund is filed with the Secretary before July 1, 1955.

(6) All provisions of law, including penalties, applicable in respect of the tax imposed under subsections (a) and (b) shall, insofar as applicable and not inconsistent with this subsection, be applicable in respect of the credits and refunds provided for in this subsection.

* * * * *

SEC. 3406. EXCISE TAXES IMPOSED BY THE REVENUE ACT OF 1941

(a) **IMPOSITION.**—There shall be imposed on the following articles, sold by the manufacturer, producer, or importer, a tax equivalent to the rate, on the price for which sold, set forth in the following paragraphs (including in each case parts or accessories of such articles sold on or in connection therewith, or with the sale thereof):

(1) **SPORTING GOODS.**—Badminton nets; badminton rackets (measuring 22 inches over all or more in length); badminton racket frames (measuring 22 inches over all or more in length); badminton racket string; badminton shuttlecocks; badminton standards; billiard and pool tables (measuring 45 inches over all or more in length); billiard and pool balls and cues for such tables; bowling balls and pins; clay pigeons and traps for throwing clay pigeons; cricket balls; cricket bats; croquet balls and mallets; curling stones; deck tennis rings, nets, and posts; golf bags (measuring 26 inches or more in length); golf balls; golf clubs (measuring 30 inches or more in length); lacrosse balls; lacrosse sticks; polo balls; polo mallets; skis; ski poles; snow shoes; snow toboggans and sleds (measuring more than 60 inches over all in length); squash balls; squash rackets (measuring 22 inches over all or more in length); squash racket frames (measuring 22 inches over all or more in length); squash racket string; table tennis tables, balls, nets, and paddles; tennis balls; tennis nets; tennis rackets (measuring 22 inches over all or more in length); tennis racket frames (measuring 22 inches over all or more in length); tennis racket

string; [15 per centum, except that on and after April 1, 1954, the rate shall be 10 per centum;] fishing rods, creels, reels, and artificial lures, baits, and flies; 10 per centum.

* * * * *

(4) PHOTOGRAPHIC APPARATUS.—Cameras and camera lenses, and unexposed photographic film in rolls (including motion picture film), [20] 10 per centum. The tax imposed under this paragraph shall not apply to X-ray cameras, to cameras weighing more than four pounds exclusive of lens and accessories, to still camera lenses having a focal length of more than one hundred and twenty millimeters, to motion picture camera lenses having a focal length of more than thirty millimeters, to X-ray film, to unperforated microfilm, to film more than one hundred and fifty feet in length, or to film more than twenty-five feet in length and more than thirty millimeters in width. Any person who acquires unexposed photographic film not subject to tax under this paragraph and sells such unexposed film in form and dimensions subject to tax hereunder (or in connection with a sale cuts such film to form and dimensions subject to tax hereunder) shall for the purposes of this subsection be considered the manufacturer of the film so sold by him.

* * * * *

(10) ELECTRIC LIGHT BULBS AND TUBES.—Electric light bulbs and tubes, not including articles taxable under any other provision of this subchapter, [5] 10 per centum.

Note.—The rate of tax presently in effect on electric light bulbs and tubes is the temporary war rate of 20 per centum as provided in section 1650 of the Internal Revenue Code, which under the bill expires March 31, 1954.

SEC. 3407. TAX ON FIREARMS, SHELLS, AND CARTRIDGES

There shall be imposed upon firearms, shells, and cartridges, sold by the manufacturer, producer, or importer, a tax equivalent to [11] 10 per centum of the price for which so sold. The tax imposed by this section shall not apply (1) to articles sold for the use of any State, Territory of the United States, or political subdivision thereof, or the District of Columbia, or (2) to pistols and revolvers.

The taxes imposed by this section shall not apply to any firearm on which the tax provided by section 2720 has been paid.

The provisions of section 3452 (relating to expiration of taxes) shall not apply to the tax imposed by this section.

SEC. 3408. TAX ON MECHANICAL PENCILS, FOUNTAIN AND BALL-POINT PENS, AND MECHANICAL LIGHTERS FOR CIGARETTES, CIGARS, AND PIPES

(a) IMPOSITION OF TAX.—There shall be imposed on the following articles, sold by the manufacturer, producer, or importer, a tax equal to [15] 10 per centum of the price for which so sold: Mechanical pencils, fountain pens, and ball-point pens; mechanical lighters for cigarettes, cigars, and pipes.

SEC. 3409. TAX ON MATCHES

(a) MANUFACTURERS' TAX.—There shall be imposed upon matches sold by the manufacturer, producer, or importer, a tax of 2 cents per 1,000 matches but not more than 10 per centum of the price for which so sold, except that in the case of fancy wooden matches and wooden matches having a stained, dyed, or colored stick or stem, packed in boxes or in bulk, the tax shall be 5½ cents per 1,000 matches.

SEC. 3412. TAX ON GASOLINE

(a) There shall be imposed on gasoline sold by the producer or importer thereof, or by any producer of gasoline, a tax of 2 cents a gallon, except that under regulations prescribed by the Commissioner with the approval of the Secretary the tax shall not apply in the case of sales to a producer of gasoline. On and after April 1, [1954] 1955, the tax imposed by this section shall be 1½ cents a gallon in lieu of 2 cents a gallon.

(b) If a producer or importer uses (otherwise than in the production of gasoline) gasoline sold to him free of tax, or produced or imported by him, such use shall for the purposes of this chapter be considered a sale. Any person to whom

gasoline is sold tax-free under this section shall be considered the producer of such gasoline.

(c) As used in this section—

(1) the term "producer" includes a refiner, compounder, or blender, and a dealer selling gasoline exclusively to producers of gasoline, as well as a producer.

(2) the term gasoline means [(A)] all products commonly or commercially known or sold as gasoline (including casinghead and natural gasoline) [L benzol, benzene, or naphtha, regardless of their classifications or uses; and (B) any other liquid of a kind prepared, advertised, offered for sale or sold for use as, or used as, a fuel for the propulsion of motor vehicles, motorboats, or airplanes; except that it does not include any of the foregoing (other than products commonly or commercially known or sold as gasoline) sold for use otherwise than as a fuel for the propulsion of motor vehicles, motorboats, or airplanes, and otherwise than in the manufacture or production of such fuel, and does not include kerosene, gas oil, or fuel oil].

(d) Every person subject to tax under this section or section 3413 shall, before incurring any liability for tax under such sections register with the collector for the district in which is located his principal place of business (or, if he has no principal place of business in the United States, with the collector at Baltimore, Maryland) and shall give a bond, to be approved by such collector, conditioned that he shall not engage in any attempt, by himself or by collusion with others, to defraud the United States of any tax under such sections; that he shall render truly and completely all returns, statements, and inventories required by law or regulations in pursuance thereof and shall pay all taxes due under such sections; and that he shall comply with all requirements of law and regulations in pursuance thereof with respect to tax under such sections. Such bond shall be in such sum as the collector may require in accordance with regulations prescribed by the Commissioner with the approval of the Secretary, but not less than \$2,000. The collector may from time to time require new or additional bond in accordance with this subsection. Every person who fails to register or give bond as required by this subsection, or who in connection with any purchase of gasoline or lubricating oil falsely represents himself to be registered and bonded as provided by this subsection, or who willfully makes any false statement in an application for registration under this subsection, shall upon conviction thereof be fined not more than \$5,000 or imprisoned not more than five years, or both, together with the costs of prosecution. If the Commissioner finds that any manufacturer or producer has at any time evaded any Federal tax on gasoline or lubricating oil, he may revoke the registration of such manufacturer or producer, and no sale to, or for resale to, such manufacturer or producer thereafter shall be tax-free under section 3413, this section, or section 3442, but such manufacturer or producer shall not be relieved of the requirement of giving bond under this subsection.

(e) Under regulations prescribed by the Commissioner with the approval of the Secretary, records required to be kept with respect to taxes under section 3413, or this section, and returns, reports, and statements with respect to such taxes filed with the Commissioner or a collector, shall be open to inspection by such officers of any State or Territory or political subdivision thereof or the District of Columbia as shall be charged with the enforcement or collection of any tax on gasoline or lubricating oils. The Commissioner and each collector shall furnish to any of such officers, upon written request, certified copies of any such statements, reports, or returns filed in his office upon the payment of a fee of \$1 for each one hundred words or fraction thereof in the copy or copies requested.

(f) 1951 FLOOR STOCKS TAX.—On gasoline subject to tax under this section which, on the effective date of section 489 (a) of the Revenue Act of 1951, is held and intended for sale, there shall be levied, assessed, collected, and paid a floor stocks tax at the rate of $\frac{1}{2}$ cent per gallon. The tax shall not apply to gasoline in retail stocks held at the place where intended to be sold at retail, nor to gasoline held for sale by a producer or importer of gasoline. The provisions of section 3443 shall be applicable to the floor stocks tax imposed by this subsection so as to entitle, subject to all the provisions of such section, (1) any manufacturer or producer to a refund or credit of such tax under subsection (a) (1) of such section, and (2) any person paying such floor stocks tax to a refund or credit thereof where gasoline is by such person or any other person used or resold for any of the purposes specified in subparagraphs (A) (i), (ii), and (iii) of subsection (a) (3) of such section.

(g) FLOOR STOCKS REFUNDS ON GASOLINE.—

(1) IN GENERAL.—With respect to any gasoline taxable under this section, upon which tax (including floor stocks tax) at the applicable rate has been paid, and which, on April 1, [1954] 1955, is held and intended for sale by any person, there shall be credited or refunded (without interest) to the producer or importer who paid the tax, subject to such regulations as may be prescribed by the Secretary, an amount equal to so much of the difference between the tax so paid and the amount of tax made applicable to such gasoline on and after April 1, [1954] 1955, as has been paid by such producer or importer to such person as reimbursement for the tax reduction on such gasoline, if claim for such credit or refund is filed with the Secretary prior to July 1, [1954] 1955. No credit or refund shall be allowable under this subsection with respect to gasoline in retail stocks held at the place where intended to be sold at retail, nor with respect to gasoline held for sale by a producer or importer of gasoline.

(2) LIMITATION ON ELIGIBILITY FOR CREDIT OR REFUND.—No producer or importer shall be entitled to a credit or refund under paragraph (1) unless he has in his possession satisfactory evidence of the inventories with respect to which he has made the reimbursements described in such paragraph, and establishes to the satisfaction of the Secretary with respect to the quantity of gasoline as to which credit or refund is claimed under such paragraph, that on or after April 1, [1954] 1955, such quantity of gasoline was sold to the ultimate consumer at a price which reflected the amount of the tax reduction.

(3) PENALTY AND ADMINISTRATIVE PROCEDURES.—All provisions of law, including penalties, applicable in respect of the tax imposed under this section shall, insofar as applicable and not inconsistent with this subsection, be applicable in respect of the credits and refunds provided for in this subsection to the same extent as if such credits or refunds constituted credits or refunds of such taxes.

SEC. 3413. TAX ON LUBRICATING OILS

There shall be imposed upon lubricating oils sold in the United States by the manufacturer or producer a tax at the rate of 6 cents a gallon (*except that, in the case of cutting oils, the tax shall not exceed 10 per centum of the price for which so sold*), to be paid by the manufacturer or producer. Every person liable for tax under this section shall register and file bond as provided in section 3412 (d). Under regulations prescribed by the Commissioner with the approval of the Secretary, no tax shall be imposed under this section upon lubricating oils sold to a manufacturer or producer of lubricating oils for resale by him, but for the purposes of this chapter such vendee shall be considered the manufacturer or producer of such lubricating oils. *For the purposes of this section, the term "cutting oils" means oils used primarily in cutting and machining operations on metals and known commercially as cutting oils.*

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SUBCHAPTER C—GENERAL ADMINISTRATIVE PROVISIONS

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SEC. 3443. CREDITS AND REFUNDS

(a) A credit against tax under this chapter, or a refund, may be allowed or made—

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(3) to a manufacturer, producer, or importer, in the amount of tax paid by him under this chapter with respect to the sale of any article to any vendee, if the manufacturer, producer, or importer has in his possession such evidence as the regulations may prescribe that—

(A) such article was, by any person—

(i) resold for the exclusive use of any State, Territory of the United States, or any political subdivision of the foregoing, or the District of Columbia, or, in the case of musical instruments embraced in section 3404 (d), resold for the use of any religious or nonprofit educational institution for exclusively religious or educational purposes;

(ii) used or resold for use for any of the purposes, but subject to the conditions, provided in section 3451;

[(iii) in the case of products embraced in paragraph (2) of section 3412 (c) used or resold for use otherwise than as fuel for

the propulsion of motor vehicles, motor boats, or airplanes, and otherwise than in the production of such fuel: *Provided, however*, That no credit or refund shall be allowed or made under this paragraph in the case of sales or uses of products commonly or commercially known or sold as gasoline, including casinghead and natural gasoline;]

[(iv)] (iii) in the case of lubricating oils, used or resold for nonlubricating purposes.

[(v)] (iv) in the case of unexposed motion picture films, used or resold for use in the making of news reel motion picture films;

[(vi)] (v) in the case of articles taxable under section 3403 (c) (other than spark plugs, storage batteries, leaf springs, coils, timers, and tire chains), used or resold for use as repair or replacement parts or accessories for farm equipment (other than equipment taxable under subsection (a) or (b) of section 3403);

[(vii)] (vi) in the case of a communication, detection, or navigation receiver of the type used in commercial, military, or marine installations, resold to the United States for its exclusive use.

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CHAPTER 30—TRANSPORTATION AND COMMUNICATION

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SUBCHAPTER B—TELEGRAPH, TELEPHONE, RADIO, AND CABLE FACILITIES

SEC. 3465. IMPOSITION AND RATE OF TAX

(a) There shall be imposed:

(1) TELEPHONE AND TELEGRAPH, ETC.—

(A) On the amount paid within the United States for each telephone or radio telephone message or conversation for which the toll charge is more than 24 cents, a tax equal to [20] 10 per centum of the amount so paid. If a bill is rendered the taxpayer for the services described in this subparagraph, the amount upon which the tax shall be based shall be the sum of all such charges included in the bill, and the tax shall not be based upon the charge for each item, separately, included in the bill.

Note.—The rate of tax presently in effect on long distance telephone messages is the temporary war rate of 25 per centum as provided in section 1650 of the Internal Revenue Code, which under the bill expires March 31, 1954.

(B) On the amount paid within the United States for each telegraph, cable, or radio dispatch or message a tax equal to [15] per centum of the amount so paid, except that in the case of each international telegraph, cable, or radio dispatch or message the rate shall be 10 per centum [10] per centum of the amount so paid. If a bill is rendered the taxpayer for the services described in this subparagraph, the amount upon which the tax at each of the rates in this subparagraph shall be based shall be the sum of all such charges at that rate included in the bill, and the tax shall not be based upon the charge for each item, separately, included in the bill.

If the tax under subparagraph (A) or (B) is paid by inserting coins in coin-operated telephones, the tax shall be computed to the nearest multiple of 5 cents, except that where the tax is midway between multiples of 5 cents, the next higher multiple shall apply. Only one payment of a tax imposed by subparagraph (A) or (B) shall be required notwithstanding the lines or stations of one or more persons are used in the transmission of such dispatch, message, or conversation.

(2) LEASED WIRES, ETC.—

(A) A tax equivalent to [15] 10 per centum of the amount paid for leased wire, teletypewriter, or talking circuit special service, but not including an amount paid for leased wire, teletypewriter, or talking circuit special service used exclusively in rendering a service taxable under subparagraph (B).

Note.—The rate of tax presently in effect on leased wires, etc., is the temporary war rate of 25 per centum as provided in section 1650 of the Internal Revenue Code, which under the bill expires March 31, 1954.

(B) A tax equivalent to [5] 8 per centum of the amount paid for any wire and equipment service (including stock quotation and information services, burglar alarm or fire alarm service, and all other similar services, but not including service described in subparagraph (A)).

The tax shall apply under this paragraph whether or not the wires or services are within a local exchange area.

Note.—The rate of tax presently in effect on wire and equipment service is the temporary war rate of 8 per centum as provided in section 1650 of the Internal Revenue Code, which under the bill expires March 31, 1954.

