

# HIGHWAY FINANCING

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HEARINGS  
BEFORE THE  
COMMITTEE ON FINANCE  
UNITED STATES SENATE  
EIGHTY-SEVENTH CONGRESS  
FIRST SESSION

ON

Title II of

**H.R. 6713**

AN ACT TO AMEND CERTAIN LAWS RELATING TO  
FEDERAL-AID HIGHWAYS, TO MAKE CERTAIN ADJUST-  
MENTS IN THE FEDERAL-AID HIGHWAY PROGRAM, AND  
FOR OTHER PURPOSES

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JUNE 6 AND 7, 1961

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Printed for the use of the Committee on Finance



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# TITLE II OF H.R. 6713 RELATING TO HIGHWAY FINANCING

TUESDAY, JUNE 6, 1961

U.S. SENATE,  
COMMITTEE ON FINANCE,  
Washington, D.C.

The committee met, pursuant to notice, at 10:10 a.m., in room 2221, Senate Office Building, Senator Harry F. Byrd (the chairman) presiding.

Present: Senators Byrd (presiding), Kerr, Anderson, Gore, Hartke, Williams, Bennett, and Morton.

Also present: Elizabeth Springer, chief clerk, and Lawrence Woodworth, Joint Committee on Internal Revenue Taxation.

The CHAIRMAN. The committee will come to order. The hearing today is on title II of H.R. 6713, which relates to financing of the Federal-aid highway program.

The Chair inserts in the record a copy of the pending bill, as well as a brief analysis of the provisions contained therein.

(The brief analysis and bill follow:)

## BRIEF ANALYSIS OF TITLE II OF H.R. 6713

Provides following excise tax rates effective until October 1, 1972: continues 4-cent a gallon rate on gasoline, special motor fuel, and diesel fuel; increases from 8 to 10 cents a pound rate on tires, from 9 to 10 cents a pound the rate on inner tubes, and from 8 to 5 cents a pound the rate on tread rubber; such increases becoming effective July 1, 1961; exempts gasoline from tax where it is sold for nonfuel purposes in manufacture of another article.

Increases tax on highway vehicles weighing over 26,000 pounds from \$1.50 to \$3 per 1,000 pounds and provides for payment of such tax on quarterly basis.

Extends for 8 months beyond June 30, 1972, to October 1, 1972, the life of the highway trust fund.

Repeals existing law provision which would for 8 fiscal years, 1962-69, divert 5 percentage points of manufacturer's excise tax on passenger cars, etc., and automobile parts and accessories to the highway fund, such taxes in their entirety to remain general fund revenues.

Dedicates the remaining 5 percentage points of the manufacturer's excise tax on trucks, buses, and trailers to the highway trust fund.

(H.R. 6713, 87th Cong., 1st sess.)

AN ACT To amend certain laws relating to Federal-aid highways, to make certain adjustments in the Federal-aid highway program, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

## TITLE I—FEDERAL-AID HIGHWAY PROGRAM

### SEC. 101. SHORT TITLE.

This Act may be cited as the "Federal-Aid Highway Act of 1961".

## SEC. 102. APPROVAL OF ESTIMATE OF COST OF COMPLETING THE INTERSTATE SYSTEM.

The estimate of cost of completing the Interstate System in each State, transmitted to the Congress on January 11, 1961, by the Secretary of Commerce pursuant to the provisions of section 104(b) (5) of title 23, United States Code, and published as House Document Numbered 49, Eighty-seventh Congress, first session, is hereby approved as the basis for making the apportionment of the funds authorized for the Interstate System for the fiscal years ending June 30, 1963, 1964, 1965, and 1966.

## SEC. 103. REVISION OF AUTHORIZATION OF APPROPRIATIONS FOR INTERSTATE SYSTEM.

Subsection (b) of section 108 of the Federal-Aid Highway Act of 1956, as amended, is amended to read as follows:

"(b) AUTHORIZATION OF APPROPRIATIONS.—For the purpose of expediting the construction, reconstruction, or improvement, inclusive of necessary bridges and tunnels, of the Interstate System, including extensions thereof through urban areas, designated in accordance with the provisions of subsection (d) of section 108 of title 23, United States Code, there is hereby authorized to be appropriated the additional sum of \$1,000,000,000 for the fiscal year ending June 30, 1957, which sum shall be in addition to the authorization heretofore made for that year, the additional sum of \$1,700,000,000 for the fiscal year ending June 30, 1958, the additional sum of \$2,200,000,000 for the fiscal year ending June 30, 1959, the additional sum of \$2,500,000,000 for the fiscal year ending June 30, 1960, the additional sum of \$1,800,000,000, for the fiscal year ending June 30, 1961, the additional sum of \$2,200,000,000 for the fiscal year ending June 30, 1962, the additional sum of \$2,400,000,000 for the fiscal year ending June 30, 1963, the additional sum of \$2,600,000,000 for the fiscal year ending June 30, 1964, the additional sum of \$2,700,000,000 for the fiscal year ending June 30, 1965, the additional sum of \$2,800,000,000 for the fiscal year ending June 30, 1966, the additional sum of \$2,900,000,000 for the fiscal year ending June 30, 1967, the additional sum of \$3,000,000,000 for the fiscal year ending June 30, 1968, the additional sum of \$3,000,000,000 for the fiscal year ending June 30, 1969, the additional sum of \$3,000,000,000 for the fiscal year ending June 30, 1970, and the additional sum of \$2,885,000,000 for the fiscal year ending June 30, 1971."

## SEC. 104. AGREEMENTS RELATING TO USE OF AIRSPACE ON INTERSTATE SYSTEM.

(a) The last sentence of section 111 of title 23 of the United States Code is amended to read as follows: "Such agreements may, however, authorize a State or political subdivision thereof to use or permit the use of the airspace above and below the established grade line of the highway pavement for such purposes as will not impair the full use and safety of the highway, as will not require or permit vehicular access to such space directly from such established grade line of the highway, or otherwise interfere in any way with the free flow of traffic on the Interstate System."

(b) Upon application, the Secretary of Commerce is authorized to revise any agreement made prior to the date of enactment of this Act to the extent that such agreement relates to the utilization of space on rights-of-way on the National System of Interstate and Defense Highways to conform to section 111 of title 23 of the United States Code as amended by subsection (a).

## TITLE II—INTERNAL REVENUE CODE AND HIGHWAY TRUST FUND AMENDMENTS

### SEC. 201. CONTINUATION OF MOTOR FUEL TAX RATES.

(a) **DIESEL FUEL AND SPECIAL MOTOR FUELS.**—Subsections (a) and (b) of section 4041 of the Internal Revenue Code of 1954 (relating to taxes on diesel fuel and special motor fuels) are each amended—

(1) by striking out "3 cents a gallon" and inserting in lieu thereof "4 cents a gallon"; and

(2) by striking out "1 cent a gallon" and inserting in lieu thereof "2 cents a gallon".

(b) **GASOLINE.**—Section 4081(a) of such Code (relating to tax on gasoline) is amended by striking out "3 cents a gallon" and inserting in lieu thereof "4 cents a gallon".

(c) **RATE REDUCTION IN 1972.**—Sections 4041(c) and 4081(b) of such Code (providing a reduction to a  $1\frac{1}{2}$ -cent a gallon rate on July 1, 1972) are each amended by striking out "July 1, 1972" and inserting in lieu thereof "October 1, 1972".

(d) **REPEAL OF TEMPORARY PROVISIONS.**—Sections 4041(f) and 4081(c) of such Code (relating to rates of tax for the period beginning October 1, 1959, and ending June 30, 1961) are hereby repealed.

(e) **CONFORMING AMENDMENT.**—Section 6421(h) of such Code (relating to nonhighway or local transit use of gasoline) is amended by striking out "July 1, 1972" and inserting in lieu thereof "October 1, 1972".

## SEC. 202. INCREASE IN TAXES ON CERTAIN TIRES, TUBES, AND TREAD RUBBER.

(a) **TIRES.**—Paragraph (1) of section 4071(a) of the Internal Revenue Code of 1954 (relating to tax on tires used on highway vehicles) is amended by striking out "8 cents a pound" and inserting in lieu thereof "10 cents a pound".

(b) **INNER TUBES.**—Paragraph (8) of section 4071(a) of such Code (relating to tax on inner tubes for tires) is amended by striking out "9 cents a pound" and inserting in lieu thereof "10 cents a pound".

(c) **TREAD RUBBER.**—Paragraph (4) of section 4071 (a) of such Code (relating to tax on tread rubber) is amended by striking out "3 cents a pound" and inserting in lieu thereof "5 cents a pound".

(d) **RATE REDUCTION IN 1972.**—Subsection (c) of section 4071 of such Code (relating to rate reduction on July 1, 1972) is amended to read as follows:

"(c) **RATE REDUCTION.**—On and after October 1, 1972—

"(1) the tax imposed by paragraph (1) of subsection (a) shall be 5 cents a pound;

"(2) the tax imposed by paragraph (3) of subsection (a) shall be 9 cents a pound; and

"(3) paragraph (4) of subsection (a) shall not apply."

## SEC. 203. TAX ON USE OF CERTAIN VEHICLES.

(a) **INCREASE IN TAX.**—Subsection (a) of section 4481 of the Internal Revenue Code of 1954 (relating to tax on use of certain vehicles) is amended by striking out "\$1.50 a year" and inserting in lieu thereof "\$3.00 a year."

(b) **PERIOD TAX IN EFFECT.**—

(1) **EXTENSION FOR 3 MONTHS.**—Section 4481(e) of such Code (relating to period tax in effect) is amended by striking out "after June 30, 1966, and before July 1, 1972" and inserting in lieu thereof "before October 1, 1972".

(2) **CONFORMING AMENDMENTS.**—

(A) Section 4481(a) of such Code (relating to imposition of tax) is amended by adding at the end thereof the following new sentence: "In the case of the taxable period beginning on July 1, 1972, and ending on September 30, 1972, the tax shall be at the rate of 75 cents for such period for each 1,000 pounds of taxable gross weight or fraction thereof."

(B) Subsections (c) and (d) of section 4481 of such Code are amended to read as follows:

"(c) **PRORATION OF TAX.**—If in any taxable period the first use of the highway motor vehicle is after the first month in such period, the tax shall be reckoned proportionately from the first day of the month in which such use occurs to and including the last day in such taxable period.

"(d) **ONE TAX LIABILITY PER PERIOD.**—

"(1) **IN GENERAL.**—To the extent that the tax imposed by this section is paid with respect to any highway motor vehicle for any taxable period, no further tax shall be imposed by this section for such taxable period with respect to such vehicle.

"(2) **CROSS REFERENCE.**—

"For privilege of paying tax imposed by this section in installments, see section 6155."

(C) Subsection (c) of section 4482 of such Code is amended by adding at the end thereof the following new paragraph:

"(4) **TAXABLE PERIOD.**—The term 'taxable period' means any year beginning before July 1, 1972, and the period which begins on July 1, 1972, and ends at the close of September 30, 1972."

**(c) INSTALLMENT PAYMENTS OF TAX.—**

(1) Subchapter A of chapter 62 of such Code (relating to time and place for paying tax) is amended by renumbering section 6156 as 6157, and by inserting after section 6155 the following new section:

**"SEC. 6156. INSTALLMENT PAYMENTS OF TAX ON USE OF HIGHWAY MOTOR VEHICLES.**

"(a) **PRIVILEGE TO PAY TAX IN INSTALLMENTS.**—If the taxpayer files a return of the tax imposed by section 4481 on or before the date prescribed for the filing of such return, he may elect to pay the tax shown on such return in equal installments in accordance with the following table:

"If liability is incurred in—	The number of installments shall be—
July, August, or September.....	4
October, November, or December.....	3
January, February, or March.....	2

"(b) **DATES FOR PAYING INSTALLMENTS.**—In the case of any tax payable in installments by reason of an election under subsection (a)—

"(1) the first installment shall be paid on the date prescribed for payment of the tax,

"(2) the second installment shall be paid on or before the last day of the third month following the calendar quarter in which the liability was incurred,

"(3) the third installment (if any) shall be paid on or before the last day of the sixth month following the calendar quarter in which the liability was incurred, and

"(4) the fourth installment (if any) shall be paid on or before the last day of the ninth month following the calendar quarter in which the liability was incurred.

"(c) **PRORATION OF ADDITIONAL TAX TO INSTALLMENTS.**—If an election has been made under subsection (a) in respect of tax reported on a return filed by the taxpayer and tax required to be shown but not shown on such return is assessed before the date prescribed for payment of the last installment, the additional tax shall be prorated equally to the installments for which the election was made. That part of the additional tax so prorated to any installment the date for payment of which has not arrived shall be collected at the same time as and as part of such installment. That part of the additional tax so prorated to any installment the date for payment of which has arrived shall be paid upon notice and demand from the Secretary or his delegate.

"(d) **ACCELERATION OF PAYMENTS.**—If the taxpayer does not pay any installment under this section on or before the date prescribed for its payment, the whole of the unpaid tax shall be paid upon notice and demand from the Secretary or his delegate.

"(e) **SECTION INAPPLICABLE TO CERTAIN LIABILITIES.**—This section shall not apply to any liability for tax incurred in—

"(1) April, May, or June of any year, or

"(2) July, August, or September of 1972."

(2) Section 6601(c) (2) of such Code (relating to determination of last date prescribed for payment of tax) is amended by striking out "6152(a)" and inserting in lieu thereof "6152(a) or 6156(a)", and by striking out "6152(b)" and inserting in lieu thereof "6152(b) or 6156(b), as the case may be".

(2) The table of sections for subchapter A of chapter 62 of such Code is amended by striking out

"Sec. 6156. Payment of taxes under provisions of the Tariff Act."

and inserting in lieu thereof

"Sec. 6156. Installment payments of tax on use of highway motor vehicles.

"Sec. 6157. Payment of taxes under provisions of the Tariff Act."

**SEC. 204. EXTENSION OF PERIOD OF 10 PERCENT TAX ON TRUCKS AND BUSES.**

Section 4061(a) (1) of the Internal Revenue Code of 1954 (relating to tax on trucks and buses) is amended by striking out "July 1, 1972" and inserting in lieu thereof "October 1, 1972".

**SEC. 205. CERTAIN GASOLINE SOLD FOR FURTHER MANUFACTURE.**

(a) **EXEMPTION FROM TAX.**—Section 4221(d)(6) of the Internal Revenue Code of 1954 (relating to use in further manufacture) is amended—

- (1) by striking "or" at the end of subparagraph (A),
- (2) by striking the period at the end of subparagraph (B) and inserting in lieu thereof "; or", and
- (3) by adding at the end thereof the following new subparagraph:  
 "(C) in the case of gasoline taxable under section 4081, such gasoline is sold for use by the purchaser, for nonfuel purposes, as a material in the manufacture or production of another article to be manufactured or produced by him."

(b) **USE BY MANUFACTURER OR IMPORTER CONSIDERED SALE.**—Section 4218(a) of such Code (relating to use considered as sale) is amended by adding at the end thereof the following new sentence: "This subsection shall not apply in the case of gasoline used by any person, for nonfuel purposes, as a material in the manufacture or production of another article to be manufactured or produced by him."

(c) **CREDIT OR REFUND.**—Section 6416(b)(3) of such Code (relating to tax paid articles used for further manufacture) is amended—

- (1) by striking out "or" at the end of subparagraph (D),
- (2) by striking out the period at the end of subparagraph (E) and inserting in lieu thereof "; or", and
- (3) by inserting after subparagraph (E) the following new subparagraph:  
 "(F) in the case of gasoline taxable under section 4081, such gasoline is used by the second manufacturer or producer, for nonfuel purposes, as a material in the manufacture or production of any other article manufactured or produced by him."

(d) **CONFORMING AMENDMENT.**—Section 6416(b)(2)(E) of such Code is amended by striking out "or (E)" and inserting in lieu thereof "(E), or (F)".

**SEC. 206. FLOOR STOCKS TAXES AND REFUNDS.**

(a) **IMPOSITION ON CERTAIN TIRES, TUBES, AND TREAD RUBBER.**—Subsection (a) of section 4226 of the Internal Revenue Code of 1954 (relating to floor stocks taxes) is amended by adding at the end thereof the following new paragraphs:

"(6) **1961 TAXES ON CERTAIN TIRES AND INNER TUBES.**—On tires subject to tax under section 4071(a)(1), and on inner tubes subject to tax under section 4071(a)(3), which, on July 1, 1961, are held—

"(A) by a dealer for sale,

"(B) for sale on, or in connection with, other articles held by the manufacturer, producer, or importer of such other articles, or

"(C) for use in the manufacture or production of other articles, there is hereby imposed a floor stocks tax at the rate of 2 cents a pound in the case of such tires, and a floor stocks tax at the rate of 1 cent a pound in the case of such inner tubes. The taxes imposed by this paragraph shall not apply to any tire or inner tube which is held for sale by the manufacturer, producer, or importer of such tire or tube, or which will be subject under section 4218(b) or 4219 to the manufacturers excise tax on tires or inner tubes.

"(7) **1961 TAX ON TREAD RUBBER.**—On tread rubber subject to tax under section 4071(a)(4) which, on July 1, 1961, is held by a dealer, there is hereby imposed a floor stocks tax at the rate of 2 cents a pound. The tax imposed by this paragraph shall not apply in the case of any person if such person establishes, to the satisfaction of the Secretary or his delegate, that all tread rubber held by him on July 1, 1961, will be used otherwise than in the recapping or retreading of tires of the type used on highway vehicles (as defined in section 4072(c))."

(b) **DUE DATE OF TAXES.**—Subsection (d) of section 4226 of such Code is amended by striking out the period at the end thereof and inserting in lieu thereof a comma and "and except that the taxes imposed by paragraphs (6) and (7) shall be paid at such time after September 30, 1961, as may be prescribed by the Secretary or his delegate."

(c) **FLOOR STOCKS REFUNDS IN 1972.**—Paragraph (2) of section 6412(a) of such Code (relating to floor stock refunds on trucks and buses, tires, tread rubber, and gasoline) is amended—

- (1) by inserting "TUBES," after "TIRES," in the heading;

(2) by striking out "4071(a) (1) or (4)," and inserting in lieu thereof "4071(a) (1), (3), or (4),";

(3) by striking out "July 1, 1972" each place it appears and inserting in lieu thereof "October 1, 1972";

(4) by striking out "November 10, 1972" each place it appears and inserting in lieu thereof "February 10, 1973"; and

(5) by striking out "October 1, 1972" and inserting in lieu thereof "January 1, 1973".

(d) **REPEAL OF 1961 FLOOR STOCKS REFUND ON GASOLINE**.—Paragraph (3) of section 6412(a) (relating to 1961 floor stocks refund on gasoline) is hereby repealed.

## SEC. 207. HIGHWAY TRUST FUND.

(a) **TRANSFER OF AMOUNTS EQUIVALENT TO TAX ON TRUCKS, BUSES, ETC.**—Subparagraph (C) of section 209(c) (1) of the Highway Revenue Act of 1956 (relating to transfer to Highway Trust Fund of amounts equivalent to certain taxes) is amended to read as follows:

"(C) 50 percent of the tax received after June 30, 1957 and before July 1, 1961, under section 4061(a) (1) (tax on trucks, buses, etc.), and 100 percent of the tax received after June 30, 1961, under section 4061(a) (1);"

(b) **REPEAL OF TRANSFER TO TRUST FUND OF EXCISE TAXES ON AUTOMOBILES, PARTS AND ACCESSORIES, ETC.**—Paragraph (2) of section 209(c) of such Act (providing for the transfer to the Highway Trust Fund of amounts equivalent to a portion of the excise taxes on automobiles and parts and accessories received after June 30, 1961, and before July 1, 1964) is hereby repealed.

(c) **RECEIPTS IN FISCAL YEAR 1973.**—

(1) Paragraph (1) of section 209(c) of such Act (relating to transfer to Trust Fund of amounts equivalent to certain taxes) is amended by striking out "July 1, 1972" and inserting in lieu thereof "October 1, 1972".

(2) Paragraph (3) of such section 209(c) is amended—

(A) by striking out "JULY 1, 1972" in the heading and inserting in lieu thereof "OCTOBER 1, 1972";

(B) by striking out "after June 30, 1972, and before July 1, 1973, and which are attributable to liability for tax incurred before July 1, 1972," and inserting in lieu thereof "after September 30, 1972, and before July 1, 1973, and which are attributable to liability for tax incurred before October 1, 1972,";

(C) by striking out subparagraph (C) and inserting in lieu thereof the following:

"(C) 50 percent of the tax under section 4071(a) (1) (tax on tires of the type used on highway vehicles) and 10 percent of the tax under section 4071(a) (3) (tax on inner tubes for tires); and".

(d) **EXPENDITURES IN FISCAL YEAR 1973.**—

(1) Paragraph (1) of section 209(f) of such Act (relating to expenditures from Trust Fund for Federal-aid highway program) is amended by striking out "July 1, 1972" and inserting in lieu thereof "October 1, 1972".

(2) Paragraph (3) of such section 209(f) (relating to transfers from Trust Fund for gasoline used on farms and for certain other purposes) is amended by striking out "July 1, 1972" and inserting in lieu thereof "October 1, 1972".

(3) Subparagraphs (B) and (C) of section 209(f) (4) of such Act are amended to read as follows:

"(B) 100 percent of the refunds in respect of articles subject to tax under section 4071(a) (1), (3), or (4) of such Code (certain tires, tubes, and tread rubber); and

"(C) 80 percent of the refunds in respect of gasoline subject to tax under section 4031 of such Code."

(4) Paragraph (5) of such section 209(f) (relating to 1961 floor stocks refunds on gasoline) is hereby repealed.

## SEC. 208. EFFECTIVE DATES.

(a) Except as provided in subsection (b), the amendments made by this title shall take effect on the date of the enactment of this Act.

(b) (1) The amendments made by sections 201, 202, and 203 shall take effect on July 1, 1961.

(2) The amendments made by section 205 (a), (c), and (d) shall apply only in the case of gasoline sold on or after October 1, 1961.

(8) The amendment made by section 205(b) shall apply only in the case of gasoline used on or after October 1, 1961.

Passed the House of Representatives May 4, 1961.

Attest:

RALPH R. ROBERTS, *Clerk.*

The CHAIRMAN. The first witness is the Honorable Henry H. Fowler, Under Secretary of the Treasury.

### STATEMENT OF HON. HENRY H. FOWLER, UNDER SECRETARY OF THE TREASURY

Mr. FOWLER. Mr. Chairman, members of the committee, I appreciate this opportunity to appear before you to discuss the financing features of the Federal-Aid Highway Act of 1961. As passed by the House, this act goes a long way toward meeting the needs outlined by the President in his message of February 28, 1961, on a Federal pay-as-you-go highway program. I believe, however, that the bill should be modified to meet the financing requirements more fully and fairly.

I would like to discuss this morning the need for additional funds for a pay-as-you-go program as the present situation confronts us; also, the scheduled diversion from general funds; the President's recommendations; and finally, how they compare with the proposals in the legislation which passed the House.

First, as to the need for additional funds, the funds available to finance the Interstate Highway System have, until recently, been reasonably related to the costs of the scheduled construction program which is to be completed in 1972. This relationship has been maintained, despite increased costs, by a temporary increase of 1 cent a gallon in the motor fuels tax beginning in October 1959. It is now apparent, however, that unless revenues are increased above the amounts available under present law, the program must be substantially reduced or stretched out.

Highway aid involves planning and apportionments to States far in advance of the time the funds are actually spent. Thus, State apportionments will be made this summer for the fiscal year 1963. The authorizations for both fiscal 1963 and 1964 for the Interstate System were set at \$2.2 billion. However, the funds available under present law for the highway trust fund will decline with an abrupt drop of about \$800 million—almost 25 percent—in fiscal 1965 (see table 1).

Because of the estimated future shortages in the trust fund under present law, it now appears that apportionments to States for fiscal 1963 can only be \$2 billion, and for fiscal 1964 and 1965, \$1.5 billion each. Thereafter, revenues would permit apportionments to rise slowly to a maximum of \$1.9 billion in fiscal 1968 and 1969, compared to estimated requirements in those years of \$3 billion.

Moreover, even the reduced level of apportionments for fiscal years 1964 and 1965 is possible only because diversions from the general fund to the trust fund amounting to \$2,500 million are scheduled during the fiscal years 1962-64.

We think that a slowdown in the highway program would be undesirable. The supplies, machinery, and manpower for highway building are available. Highway construction is making a positive contri-

bution to employment. The finished construction itself is important to our safety, convenience, and economic growth.

The problem we face is to provide adequate financing to enable the pay-as-you-go program to advance systematically, in line with our needs and physical capabilities. Completion of the Interstate System as scheduled requires more funds—\$9,700 million more than available, under the law now on the books, and \$12,200 million if the scheduled diversion from the general fund is rescinded, as we will discuss later.

The additional money needed is largely the result of the changes in the estimated costs of the system beyond the estimates available in 1956. A tabulation of the reasons for the increase in the estimation is given in table 2, taken from the report of the House Committee on Public Works on H.R. 6713.

Now to discuss the topic which is of most concern to the Treasury Department in connection with this legislation, namely, the scheduled diversion from the general fund to the highway trust fund for fiscal 1962. In considering the needs for additional financing I wish first to discuss the funds that are now available for fiscal 1962-64 only because of the scheduled diversion from the general funds, which will begin to take place on July 1.

The Congress in 1956 decided to finance the expanded highway aid program by allocating receipts from the taxes on motor fuels and certain of the other existing taxes on motor vehicles, by tax rate increases, and by the addition of two new taxes. This original 1956 approach to financing highway aid thus involved a definite decision not to use all revenues from automotive items that were then a part of the general fund.

Present law, however, contains an undesirable deviation from this 1956 decision by providing for the diversion to the highway trust fund for 1962-64 of part of the revenues from the excise taxes on passenger automobiles and parts and accessories. President Kennedy—as President Eisenhower before him—has requested that this diversion from the general fund not be permitted to occur.

They both have thus supported the decision made by the Congress in 1956 in limiting such resort to the general fund. Use for highway purposes of funds not now dedicated to such use would merely shore up the highway program at the expense of the general budget. Equivalent funds would still have to be obtained by higher taxes for the general budget, lower expenditures elsewhere, or more debt financing. As a practical matter, the end result is likely to be more debt financing.

Senator GORE. Mr. Chairman, do you wish the witness to complete his statement before questioning him?

The CHAIRMAN. Yes, sir, I think you could probably question him afterwards.

Senator GORE. Well, Mr. Secretary, why do you use the term "diversion" to describe use of highway user taxes for the purpose of constructing highways? It seems to me that you are using the term exactly opposite to its normal usage. Under the law, highway user taxes are, I am sorry to say, diverted to other uses. Yet, when it is proposed to apply the revenue from highway user taxes to the construction of highways, you describe that as diversion. I do not quite understand.

Mr. FOWLER. I use the term "diversion," in the sense that in 1956, the Congress looked at the whole pattern of existing taxes that were related to highways, and it decided that certain of those taxes would

be dedicated to this highway program and certain of the taxes, such as that on passenger automobiles and parts and accessories, would be treated for the long-term future, insofar as Congress chose to extend those taxes, as general fund taxes.

Now, there is a perhaps, certain, amount of, if I may say so respectfully, basic illogic in the original decision Congress made on that score. However, I think it is a correct one, and that the earmarking of the original taxes which are dedicated to the highway trust fund is as far as we should go in diverting funds from the general fund into the highway trust fund. Because prior to this act all of the so-called highway user taxes were part of the general trust fund and the Federal aid to highway program was, of course, financed out of the general fund. Here a decision was taken to earmark certain of these taxes and from there on out, to maintain this improved program, either by use of those taxes or new taxes, or by increases in those taxes. This is what we urge, the policy that Congress maintain.

Senator GORE. Then you are calling a further use of revenue from highway user taxes for the purpose of highway construction diversion?

Mr. FOWLER. Yes, sir.

Senator GORE. Then you use the term not in its ordinary meaning but with a special meaning peculiar to the administration?

Mr. FOWLER. The meaning that the Congress, more or less, made upon it in 1956.

Senator GORE. Now, I have accused certain of our adversaries of distortions of the English language. I certainly would not want my friend, a personal friend and high official of the administration of my party, to be thus accused. But if you stand self-accused, I cannot help you.

Mr. FOWLER. I am afraid I shall have to stand in that light, Mr. Senator.

Senator GORE. All right.

Senator BENNETT. Mr. Chairman, may I come to Mr. Fowler's rescue?

Senator GORE. Well, now, I did not mean to put him quite in that light.

Senator KERR. That is not light, it is posture.

Senator BENNETT. What we are looking at here, Mr. Fowler, could it not be described this way, that prior to the determination to build an interstate highway system with earmarked funds, there were certain excise taxes—that applied to many industries and many services, and included among those were excise taxes that applied to new passenger automobiles, trucks, and some parts and accessories?

Mr. FOWLER. Yes, sir.

Senator BENNETT. This was a part of the basic general revenue of the Federal Treasury. Then, when, in 1956, we decided to develop the interstate system, and this committee decided to earmark the funds by which that system was to be built and to protect those funds, and this committee decided that there would be no system built if there were no earmarked funds to build it, we increased the taxes on the highway users, but we did not deprive the Treasury of the funds that had been coming to it as general revenue from these excise taxes on passenger cars and other parts.

Now, the quarrel over the word "diversion," it seems to me, is a little bit academic, because we established the pattern for the use of these particular excises long before the interstate system was even a gleam in the eye of the Bureau of Public Roads.

Mr. FOWLER. In 1941, I believe, prior to the war period.

Senator BENNETT. 1941. So, I think I agree with your definition of the word "diversion." Just because these happen to be taxes on vehicles that have used the highways and will use the highways is no logical basis for saying that they must be earmarked for the interstate trust fund, in my opinion.

Now, if Congress chooses to amend the act to earmark these funds, that is its responsibility. But as you said, Congress had that opportunity in 1956 and decided not to do it.

I enjoy exchanging word interpretations and definitions with my friend from Tennessee.

Senator ANDERSON. Mr. Chairman, could I try it, too?

What you are saying, Mr. Fowler, was that, having successfully diverted certain taxes from their proper highway use, you now resist their rededication to the highway program.

Senator BENNETT. Oh, now, that's not a fair interpretation.

Mr. FOWLER. Well, speaking in terms of Federal practice, Senator Anderson, I do not believe that historically, they had ever been used for highway purposes as such. Federal practice, as distinct from many of the State practices where this has been characteristic, to use all funds related to highway users for roads, this has never been our practice prior to 1956.

Senator GORE. Well, Mr. Chairman, the situation is further complicated by the fact that the Hayden-Cartwright Act requires the States to refrain from any further diversion of highway user taxes from highway purposes than prevailed in 1936 in order to be eligible for apportionment of Federal funds. So we have a law which would make States ineligible for an apportionment of Federal highway funds if the State diverts from highway uses more highway user revenues than prevailed in the 1930's. But we have the Under Secretary of the Treasury describing as diversion the use of highway user taxes for highway purposes, insofar as the Federal Government is concerned. So we do have the anomaly of the use of the term, "diversion." We have a legal definition of it, written into law by the Hayden-Cartwright Act; yet the Treasury Department uses the term in an entirely opposite manner.

Now, this is not to engage in semantics, it is just a misuse of the term.

Senator BENNETT. The Senator from Utah would like to remind the committee that the Federal Government is making contributions to the building of highways other than the Interstate System, and you can conceivably assume that the highway user taxes which were collected prior to 1956 and went into the general revenues made their contribution to the maintenance of the A-B-C systems, which still have to be paid for out of the general revenue. So I think it can be shown that the equivalent of all the taxes on highway users is being spent by the Federal Government on highways, even though, so far as the A-B-C systems are concerned, these funds are not specifically earmarked.

The CHAIRMAN. Proceed.

Mr. FOWLER. Congress examined a proposal for debt financing for the highway program in 1955. After considering the added interest costs from the above program, the Congress rejected this approach and adopted a pay-as-you-build policy. We think that policy should be continued, because interest costs build no roads.

To permit highway financing to result in, or add to, an imbalance in the budget would be unwise. As the President stated, "This is a decision which, if it is taken at all, should be taken on its merits, in relation to the state of the economy and the budget as a whole, not as an accidental byproduct of the highway program."

Now, the President made some recommendations dealing with this financing problem that I would like to briefly outline for the committee.

In addition to the funds required, if this scheduled "diversion," if I may now put that term in quotes with Senator Gore's permission, is repealed, further funds must also be provided to meet the increased costs of construction. The President has recommended raising all of the needed revenues from increasing excises previously earmarked to support the highway program. The previous administration had reached the same conclusion and suggested, as its approach to this problem, increasing the present 4 cents a gallon motor fuel taxes to 4½ cents a gallon. President Kennedy stated that this would be clearly acceptable and would have his support.

However, this approach would raise a very large proportion of the additional revenues from the drivers of passengers cars. We believe a fairer allocation of the tax burden among those who use the highways requires a greater contribution from large truck operators.

The President therefore proposed as a preferred alternative to a 4½-cent rate on motor fuels, the retention of the present rate of 4 cents a gallon on gasoline, and other tax increases as shown in the following table:

Summarizing them briefly, an increase in the tax on diesel fuel from the present rate of 4 cents a gallon, which would be reduced to 3 cents as of July 1, under the present law. The President proposes that that rate be fixed at 7 cents a gallon.

On the use tax on trucks and buses, whereas the present rate is \$1.50 a thousand pounds of gross weight on those that are in the over 26,000 pounds category, that that rate be increased to \$5.

On highway tires, the present rate of 8 cents a pound be increased to 10 cents a pound.

On inner tubes, from 9 cents a pound to 10 cents a pound, and on tread rubber, used for the retreading of tires, from 3 cents a pound to 10 cents a pound.

(The complete table is as follows:)

	Tax base	Present rate	Rate as of July 1 under present law	Rate proposed by President
Diesel fuel	gallon	\$0.04	\$0.03	\$0.07
Trucks and buses over 26,000 pounds	"	1.50	1.50	5.00
Highway tires	pound	.03	.03	.10
Inner tubes	do.	.09	.09	.10
Tread rubber	do.	.03	.03	.10

<sup>1</sup> 1,000 pounds of gross weight.

The attached table 3 shows how the highway trust fund is being financed under present law as compared with the taxes proposed by the President.

The President's preferred tax proposal stresses the desirability of greater tax contributions by truckers—especially those using diesel trucks—because the highway costs attributable to them are not now fully reflected in trust fund taxes paid by them. This will be explained more fully with considerable technical detail in the statement submitted by the Bureau of Public Roads.

I am sure that you will be told that the trucking industry is highly competitive, not very profitable, and cannot "bear" the taxes proposed. These additional taxes are not proposed because the industry can pay them out of profits. A more fundamental public policy question is involved. The trucking industry is a large industry. In fairness to the general taxpaying public and competing modes of transportation, we feel that the industry and its customers should now pay their allocable share of the cost of Federal-aid facilities used by it. These additional tax costs will be reflected in the industry's costs and rates.

The President recommends that the receipts from aviation gasoline—\$22 million for fiscal 1962—should be retained in the general fund rather than transferred to the highway trust fund. The hoped for development of an airway user charge program would heighten the inconsistency of using these tax revenues for highway financing.

I hope, Senator Gore, for reasons of logic that I previously referred to, that this tax on aviation gasoline can now go to the general fund and there be made available for airway users, rather than go to the benefit of those who use the highways. This change would reduce trust fund receipts over its remaining life by about \$160 million.

Senator GORE. Mr. Secretary, I shall be glad to swap with you; you take the aviation gasoline tax revenue and I shall take the automobile gasoline tax. Is that all right with you?

Mr. FOWLER. Not quite.

The second point in financing, the financing of forest and public land highways (now about \$36 million a year) should be transferred to the highway trust fund. Such roads primarily benefit automotive operators and logically should be paid for from automotive taxes devoted to highway financing. This change would add about \$400 million to trust fund expenditures over the rest of the fund's life.

Senator ANDERSON. Do I understand you to say that the forest access roads are primarily for automobile riding?

Mr. FOWLER. I think it is a different type of road, Senator Anderson, from the one perhaps you have in mind. These are the feeder roads that go right into the main highway system.

Senator ANDERSON. That is what I am trying to find out, what you are referring to. Is that what you are referring to?

Mr. FOWLER. Yes, sir.

Senator ANDERSON. Those are built in order to give an opportunity to market timber which is rapidly maturing, and they add to revenues of the Government, not subtract from it. Why did we get mixed up in that?

I can understand how forest highways in general, this might be applicable to, but are you referring to the access program?

Mr. FOWLER. No.

The third point to be noted in the President's recommendations has to do with funds for the A-B-C system of primary, secondary, and urban roads, which he feels should be gradually increase from the fixed annual level of \$925 million to \$1 billion by increasing authorizations \$25 million per year in 1964, 1966, and 1968. This is a staggered increase over this 6-year period offunds for the A-B-C system, and would add about \$400 million to the trust fund expenditures over the life of this program, to 1972.

The fourth point is that the Federal highway law should be amended to provide aid in finding reasonable housing at reasonable costs for those displaced from their homes by future Federal-aid highway projects. No cost estimate is placed on this proposal as it largely involves administrative costs. The Bureau of the Budget will develop this in some additional detail. It is not having in mind here that there will be no costs paid to the household, but that the costs that we refer to are the administrative costs of assisting them in finding suitable housing elsewhere.

The President also proposed strengthening the program designed to limit billboard advertising along the Interstate System. In this area he recommended that the present law should be amended to give the States additional time within which to take advantage of the incentive bonus program, and the incentive bonus should be increased from one-half to 1 percent of the Federal share of the cost of construction.

The status of the highway trust fund under the President's proposals is shown in detail in table 4. A breakdown of the revenue sources by types of taxes is given in table 5. These tables reflect, in figures, the President's proposals with respect to aviation gasoline, forest, and public land highways and the increase in funds for the A-B-C system.

Now, the House of Representatives approached this problem and enacted H.R. 6713. It went quite a long way toward meeting the President's recommendations, but there are some differences between his recommendations and the House bill that is before the committee, and I should like to pinpoint those differences in conclusion.

H.R. 6713 would repeal the scheduled 1962-64 diversion from the general fund with respect to the taxes on passenger automobiles and parts and accessories as proposed by the President. It would retain the tax on gasoline at 4 cents a gallon as proposed by the President. The taxes on tires and tubes would be increased as proposed by the President. And this is really the heart of the problem, I think, before the committee this morning. Lesser increases than those recommended by the President would be made in the taxes on diesel fuel, tread rubber, and truck weight tax. Finally, the highway trust fund and the taxes allocated thereto would be continued for 8 months beyond the now scheduled June 30, 1972, completion date. The effect of these increased rates and the time extension are shown in tables 6 and 7.

That is the proposal as enacted by the House.

The extension of the life of the trust fund is appropriate. The President's revenue proposals are about \$1 billion short of presently

estimated needs for a June 30, 1972, cutoff date. The correction of this shortfall of about 2 percent over the life of the fund could have been considered in future years since the fund has over a decade to go. However, the decision of the House to make a compensating adjustment in the program at this time is reasonable and helpful.

H.R. 6718 deviates in one major respect from the principle of paying the Federal highway aid from the motor vehicle taxes set aside in 1956 for that purpose. Under the House bill, the half of the receipts from the 10-percent excise tax on manufacturers sales of trucks now retained in the general fund would be transferred to the highway trust fund beginning in fiscal 1962. This diversion would total \$1.8 billion over the life of the program.

As the tables will indicate, 50 percent of this tax was originally diverted to the highway trust fund, leaving 50 percent in the general fund. The House bill would now take that 50 percent from the general fund and put it over in the trust fund. This would total \$1.8 billion over the life of the program.

Senator GORE. You are really convinced on this word "diversion."

Mr. FOWLER. I have to keep coming back to that bad word, Senator Gore. I hope you will see the quotes there in the statement.

Senator GORE. You understand, of course, your use of it is in direct contravention of its meaning in existing law.

Mr. FOWLER. The Hayden-Cartwright law, but consistent with the Highway Act of 1956.

Senator GORE. No; I cannot agree with you there.

Mr. FOWLER. Well, at least with the spirit of the act.

Senator GORE. Well, if you get into the spiritual, we shall have nothing to argue about.

Mr. FOWLER. All right, sir.

An argument for this proposed transfer—

Senator GORE. Now we are coming together.

Mr. FOWLER. I shall use that agreeable term.

Senator GORE. Thank you. This is not in a spiritual realm?

Mr. FOWLER. No, sir; it is a spirit of compromise.

This has been argued for on the basis of the highway cost allocation study of the Bureau of Public Roads, which is now an official House report, No. 326. This study suggested that 8 percent of the programs' costs should be assigned to revenue sources other than taxes on motor vehicles users.

The President in his highway message pointed out, however, that the study did not support further transfers from the general fund. The statement presented on behalf of the Bureau of the Budget will deal with this matter more thoroughly.

Aside from the interpretation of the study, we should remember that considerable revenues previously used for general Government purposes were transferred to the highway trust fund at its inception.

The transfer under the House bill is, in effect, an indirect method of breaching the requirement of section 209(g) of the 1956 act that expenditures should be limited to the funds estimated to be available to the highway trust fund. If additional revenue needs of the fund are to be met through transfers from the general fund, then it seems to me that section 209(g) has no real force, because every time the program gets into any financial difficulty, one could just dip over and

pick off the excise taxes or other funds and transfer them into this trust fund.

The differences in revenue sources proposed by the House bill and the President involve the components which are designed to raise additional revenues from heavy trucks; namely, the tax on tread rubber, the truck use tax, and the tax on diesel fuel. Under the bill the first two of these taxes would be raised somewhat, but there would be no increase in the current rate of tax on diesel fuel. Over the life of the program, the bill would raise \$2,500 million less from these three sources than the President proposed. The following table details the differences in rates, and that is the root point of our presentation here today. I shall not read it in detail, because it is set forth in the statement.

(The table referred to follows:)

	Tax base	Present rate	Rate as of July 1 under present law	Rate proposed by President	H. R. 6718
Diesel fuel.....	Gallon.....	\$0.04	\$0.03	\$0.07	\$0.04
Trucks and buses over 26,000 pounds.....	1,000 pounds of gross weight...	1.50	1.50	5.00	3.00
Highway tires.....	Pound.....	.08	.08	.10	.10
Inner tubes.....	do.....	.09	.09	.10	.10
Tread rubber.....	do.....	.03	.03	.10	.05

The increases proposed by the President would provide a more adequate and reasonable allocation of the costs of Federal highway aid while removing undue burdens from the general fund.

The study made by the Bureau of Public Roads at the direction of the Congress clearly supports the raising of additional revenue from trucks. Mr. Turner, from the Bureau, will detail that study in his statement. The increase in the truck use tax is necessary to provide the additional increment of tax on heavy trucks which cannot be accurately provided by generalized taxes. To leave the tax rate on diesel fuel at the same level as the gasoline tax will result in diesel vehicles paying less tax per mile of highway use than gasoline-powered vehicles, and the tax increase proposed would be, in some measure, designed to equalize that burden between the two classes of trucks.

H.R. 6718 also fails to discontinue the transfer to the highway trust fund of revenues from the tax on aviation gasoline. This proposed change is part of the President's program for implementation of a user charge system for Federal airways.

The bill makes no provision for financing forest and public land highways from the highway trust fund revenues, which is the logical and appropriate arrangement for paying for these roads.

Let me also note that the Treasury Department does not agree with the estimated revenues for the truck use tax set forth in the Ways and Means Committee report on H.R. 6718. Those estimates assume: first, that the Treasury Department will collect 100 percent of the amounts due under the tax and, second, that the regulations will be revised to provide for a tax classification system resulting in higher overall tax than at present. We are engaged in a careful review of the methods of enforcing this tax, which is quite difficult, and we do believe that some great effectiveness can be achieved, and, in fact,

some collection increases in the last few fiscal years have indicated that there is room for improvement in enforcement.

However, we do not believe it is realistic in making estimates for fiscal year 1962 and thereafter to assume there will be total and immediate and complete compliance by every taxpayer. Similarly, we see no justification for assuming that the present truck classifications in the regulations are erroneous or that any readjustment of that classification is warranted which would result in substantially increased revenues. These two factors, however, have been counted on by the House to add nearly \$400 million—or more than 20 percent of their estimate of the revenues from this tax during the remaining life of the trust fund.

We also have administrative misgivings about the provision in H.R. 6713 for installment payment of the truck use tax in place of the existing requirement of a single annual payment. It has been argued that full payment at the time of initial liability places a financial burden on truckers. However, the Federal truck use tax is no different in this respect than the registration taxes in practically all the States.

An installment payment system for the truck use tax would increase the work of the Internal Revenue Service since it would require maintaining accounts and sending bills to taxpayers after the first payment. The Internal Revenue Service is presently faced with a tremendous volume of paperwork, and we would hope to avoid additional work which does not add to effectiveness of the tax system.

The Department has no objection to the provision in the bill for the tax-free sale of gasoline for use as a material in the manufacture of another article, such as in the petrochemical industry field.

The following table summarizes the differences between the House bill and the President's recommendations with respect to the trust fund financing over its life, including the proposed 3 months' extension. The House bill counts on revenues of \$2.3 billion from sources which we believe are either objectionable or overestimated, and it fails to allow for about \$400 million of proper trust fund expenses, a total difference of over \$2,700 million.

<i>Item</i>	<i>Millions</i>
1. Overstatement of revenues, total.....	\$2,320
(a) Diversion of revenues from manufacturers tax on trucks and buses.....	1,771
(b) Retention of aviation gas receipts.....	161
(c) Excess of truck use tax revenue estimate.....	388
2. Understatement of expenses, forest and public land highways.....	897
3. Grand total.....	2,782

Accordingly, I urge your favorable consideration of the President's recommendations for increases in the taxes on diesel fuel, tread rubber, and truck use to obtain the needed additional revenues by which the House bill falls short of the President's proposals.

Alternatively, the President recommended an increase of one-half cent in the tax on gasoline over the existing level of 4 cents per gallon. But this is a second choice, since the study by the Bureau of Public Roads clearly indicates that the general bulk of highway users were paying their fair share of Federal highway expenditures, and the President's preference is for financing methods which more adequately reflect the cost factors attributable to heavier trucks.

In conclusion, let me repeat that H.R. 6713, as passed by the House, goes a long way to meet the objective of financing the Federal highway system in a reasonable fashion. However, we believe that additional revenues from present trust fund revenue sources are needed to accord with the President's program.

Provision of these additional revenues would enable us to keep our Federal highway program moving steadily ahead on a pay-as-you-go basis without unfair burdens on or transfers from the general fund which in the fiscal year 1962 at least would add to an already predicted deficit.

(The tables referred to follow:)

TABLE 1.—*Estimated status of highway trust fund under present law*

[In millions of dollars]

Fiscal year	Apportionments		Expenditures		Revenues	Balance in the fund on June 30
	Inter-state	Primary, secondary, and urban <sup>1</sup>	Inter-state	Primary, secondary, and urban <sup>1</sup>		
From before 1957.....	140	905				
1957.....	1,175	829	208	768	1,482	516
1958.....	1,700	859	675	836	2,044	1,049
1959.....	2,200	1,381	1,801	1,112	2,087	824
1960.....	2,500	906	1,861	1,079	2,536	119
1961.....	1,800	883	1,901	967	2,857	108
1962.....	2,200	884	2,078	913	3,216	333
1963.....	2,000	935	2,278	912	3,223	366
1964.....	1,600	938	2,141	928	3,308	605
1965.....	1,600	935	1,838	940	2,817	311
1966.....	1,600	935	1,670	941	2,873	306
1967.....	1,700	935	1,673	944	2,629	318
1968.....	1,900	935	1,705	943	2,683	353
1969.....	1,900	935	1,795	943	2,739	354
1970.....	1,625	935	1,746	943	2,797	462
1971.....		935	1,746	943	2,861	634
1972.....		935	624	943	2,930	1,997
After 1972.....					321	2,318
Total.....	25,440	16,057	25,440	15,045	42,803	

<sup>1</sup> Includes emergency relief as well as special funds totaling \$502,000,000 apportioned for 1959.

<sup>2</sup> Receipts on tax liabilities accrued prior to July 1, 1972.

Source: Office of the Secretary of the Treasury, Office of Tax Analysis, June 5, 1961.

TABLE 2.—*Relationship of 1955, 1958, and 1961 Interstate System cost estimates*  
(In billions)

Item	Estimated costs		
	Total	Federal share	State share
1955 estimate.....	\$37.6	\$25.0	\$12.6
5-percent increase due traffic.....	1.3	1.2	.1
15-percent increase due local needs.....	3.8	2.4	.4
3-percent increase due utilities and miscellaneous.....	.8	.7	.1
15-percent increase due price increase.....	4.1	2.6	.5
Subtotal, 1958 estimate.....	37.6	33.9	3.7
Increase due 1,453 miles added routes.....	1.8	1.5	.1
Carryover and contingency.....	.7	.6	.1
Total to complete a 40,000-mile system, based on 1958 estimate.....	39.9	36.0	3.9
Additional 1,000 miles.....	1.1	1.0	.1
Total to complete a 41,000-mile system, based on 1958 estimate.....	41.0	37.0	4.0
Reduction in 1961 construction cost estimate.....	-1.0	-.9	-.1
State highway planning and research.....	.6	.5	.1
Public roads administration and research.....	.4	.4	0
Total, 1961 estimate.....	41.0	37.0	4.0

Source: H. Rept. No. 826, 87th Cong., 1st sess., p. 7.

TABLE 3.—Financing of the highway trust fund

Item	Tax base	Rates prior to 1956 Highway Revenue Act	Rates under 1956 Highway Revenue Act	Rates under Federal-aid Highway Act of 1959	Rates under President's proposal	Rates under H. R. 6712 <sup>1</sup>	Fiscal year, percent of receipts appropriated to trust fund					
							Present law				1962-72 President's proposal	1962-72 H. R. 6712 <sup>1</sup>
							1957	1958-61	1962-64	1965-72		
Gasoline.....	Gallon.....	2 cents.....	3 cents.....	4 cents <sup>2</sup> .....	No change.....	No change.....	100	100	100	100	100	100
Diesel fuel <sup>3</sup> .....	do.....	do.....	do.....	do <sup>2</sup> .....	7 cents <sup>4</sup> .....	do.....	100	100	100	100	100	100
Trucks and buses.....	Manufacturers price.....	8 percent.....	10 percent.....	No change.....	No change.....	do.....	20	50	50	50	50	100
Tires:												
For highway vehicles.....	Pound.....	5 cents.....	8 cents.....	do.....	10 cents.....	10 cents.....	37½	100	100	100	100	100
Other.....	do.....	do.....	No change.....	do.....	No change.....	No change.....	0	100	100	100	100	100
Tubes.....	do.....	9 cents.....	do.....	do.....	10 cents.....	10 cents.....	0	100	100	100	100	100
Tread rubber.....	do.....	0.....	3 cents.....	do.....	do.....	5 cents.....	100	100	100	100	100	100
Use tax on trucks and buses <sup>5</sup> .....	Taxable gross weight.....	0.....	\$1.50 per thousand pounds.....	do.....	\$5.....	\$3.....	100	100	100	100	100	100
Floor stocks taxes:												
Gasoline.....	Gallon.....		1 cent.....	1 cent.....			100	100				
Tires for highway vehicles.....	Pound.....		3 cents.....		2 cents.....	2 cents.....	100				100	100
Tread rubber.....	do.....		do.....		7 cents.....	do.....	100				100	100
Tubes.....	do.....				1 cent.....	1 cent.....					100	100
Trucks and buses.....	Manufacturers price.....		2 percent.....				100					
Passenger automobiles.....	do.....	10 percent.....	No change.....	No change.....	No change.....	No change.....	0	0	750	0	0	0
Automobile parts and accessories.....	do.....	8 percent.....	do.....	do.....	do.....	do.....	0	0	62½	0	0	0

<sup>1</sup> Effective until Sept. 30, 1972. Present law rates are effective through June 30, 1972.

<sup>2</sup> For period Oct. 1, 1959, through June 30, 1961.

<sup>3</sup> Includes special motor fuels.

<sup>4</sup> 4 cents for special motor fuels.

<sup>5</sup> Laminated tires taxed at 1-cent per pound beginning June 1, 1960.

<sup>6</sup> Vehicles with taxable gross weight in excess of 26,000 pounds.

<sup>7</sup> Actually, receipts equivalent to tax of 5 percent.

Source: Office of the Secretary of the Treasury, Office of Tax Analysts, June 5, 1961.

TABLE 4.—Status of highway trust fund under President's proposals

[In millions of dollars]

Fiscal year	Apportionments			Expenditures			Revenues			Balance in trust fund on June 30
	Interstate	Primary, secondary, and urban <sup>1</sup>	Forest and public lands	Interstate	Primary, secondary, and urban <sup>1</sup>	Forest and public lands	Present sources	Additional	Total	
From before 1957.....	315	1,655								
1957.....	1,000	129		206	758		1,482		1,482	516
1958.....	1,700	859		675	836		2,044		2,044	1,049
1959.....	2,200	1,381		1,501	1,112		2,087		2,087	534
1960.....	2,500	906		1,861	1,079		2,536		2,536	119
1961.....	1,800	883		1,901	967		2,857		2,857	108
Unpaid balance.....			82							
1962.....	2,200	884	36	2,129	913	37	3,216	-40	3,176	198
1963.....	2,400	930	36	2,326	898	36	3,223	78	3,301	236
1964.....	2,600	955	36	2,451	927	36	3,308	94	3,402	224
1965.....	2,700	955	36	2,532	923	36	2,517	982	3,499	212
1966.....	2,800	980	36	2,645	932	36	2,573	1,011	3,584	183
1967.....	2,900	980	36	2,729	949	36	2,629	1,038	3,667	126
1968.....	3,000	1,005	36	2,838	958	36	2,683	1,066	3,749	43
1969.....	3,000	1,005	36	2,866	972	36	2,739	1,092	3,831	0
1970.....	3,000	1,005	36	2,901	977	36	2,797	1,117	3,914	0
1971.....	2,885	1,005	36	2,992	979	36	2,861	1,146	4,007	0
1972.....		1,005	36	3,104	986	36	2,930	1,178	4,106	0
Through Sept. 30, 1972.....				1,301			321	1,209	1,530	229
Total.....	37,000	16,532	478	37,000	15,146	397	42,803	9,997	52,772	

<sup>1</sup> Includes emergency relief program, as well as special funds totaling \$502,000,000 apportioned for 1969.

Source: Office of the Secretary of the Treasury, Office of Tax Analysis, June 5, 1961.

TABLE 5.—*Highway trust fund revenues under present law and revenues added by President's proposals*

(In millions of dollars)

Fiscal year	Present law										
	Gasoline and other motor fuels, 3 cents per gallon <sup>1</sup>	Sales of trucks and buses, 5 percent	Tread rubber, 3 cents per pound	Tires, 8 cents or 5 cents per pound	Tubes, 9 cents per pound	Passenger automobiles, 5 percent	Parts and accessories, 5 percent	Truck use tax, \$1.50 per thousand pounds	Interest	Total	
Actual—											
1967.....	1,396	34	11	82				26	3	1,462	
1968.....	1,608	111	13	244	17			33	18	2,044	
1969.....	1,657	107	14	247	15			34	13	2,087	
1980.....	2,044	142	15	281	19			38	-3	2,538	
Estimated—											
1961.....	2,362	142	15	279	16			45	-2	2,867	
1962.....	1,894	143	15	286	16			50	2	3,216	
1963.....	1,869	146	16	291	16	679	131	53	3	3,228	
1964.....	1,917	149	17	296	16	692	137	56	4	3,308	
1965.....	1,965	153	19	301	16	709	144	59	4	3,517	
1966.....	2,010	156	19	307	16			61	4	2,573	
1967.....	2,054	159	20	313	16			63	4	2,629	
1968.....	2,097	162	21	318	16			65	4	2,683	
1969.....	2,142	164	22	325	16			66	4	2,739	
1970.....	2,191	166	22	331	16			67	4	2,797	
1971.....	2,242	169	23	339	16			68	4	2,863	
1972.....	2,298	172	24	347	16			69	4	2,930	
1973 <sup>1</sup> .....	319			2						321	
Total.....	31,995	2,275	286	4,599	243	2,080	412	853	70	42,903	

See footnotes on p. 22.

TABLE 5.—Highway trust fund revenues under present law and revenues added by President's proposals—Continued

[In millions of dollars]

Fiscal year	President's proposals										Total present and additional revenues
	Gasoline and other motor fuels, 1 cent per gallon <sup>1</sup>	Diesel fuel, 4 cents per gallon	Sales of trucks and buses, 5 percent	Tread rubber, 7 cents per pound	Tires, 2 cents per pound	Tubes, 1 cent per pound	Passenger automobiles, 5 percent	Parts and accessories, 5 percent	Truck use tax, \$2.50 per thousand pounds	Net additional revenues	
Actual—											
1957											1,482
1958											2,044
1959											2,087
1960											2,536
Estimated—											
1961											2,857
1962	476	77		34	84	3	-670	-131	117	-40	3,176
1963	573	104		37	87	2	-892	-137	134	78	3,301
1964	591	115		40	88	2	-709	-144	131	94	3,402
1965	605	124		44	89	2			138	983	3,499
1966	618	132		46	71	2			142	1,011	3,584
1967	631	139		47	72	2			147	1,038	3,667
1968	645	145		49	73	2			152	1,066	3,749
1969	658	152		51	75	2			154	1,093	3,831
1970	673	158		52	76	2			156	1,117	3,914
1971	689	164		54	78	2			159	1,146	4,007
1972	705	172		56	80	2			161	1,176	4,106
1973 <sup>2</sup>	891	105	32	23	110	4			44	1,309	1,580
Total	7,755	1,567	32	533	903	26	-2,080	-412	1,625	9,069	52,772

<sup>1</sup> Tax receipts less refunds. Rate 4 cents per gallon from Oct. 1, 1959, through June 30, 1961.<sup>2</sup> Includes receipts on tax liabilities accrued prior to July 1, 1972 under present law, and prior to Oct. 1, 1972 under President's program.<sup>3</sup> Excludes receipts from aviation gasoline.

TABLE 6.—Status of highway trust fund under legislation proposed in H.R. 0718 (Title II, Federal-aid highway bill of 1961, as passed by the House of Representatives May 4)

(In millions of dollars)

	Apportionments		Expenditures		Revenues			Balance in trust fund on June 30
	Inter-state	Primary, secondary, and urban <sup>1</sup>	Inter-state	Primary, secondary, and urban	Present sources	Additional	Total	
From before 1957.....	315	965						
1957.....	1,000	829	208	758	1,483		1,483	516
1958.....	1,700	859	675	886	2,044		2,044	1,049
1959.....	2,200	1,881	1,601	1,112	2,087		2,087	823
1960.....	2,600	906	1,861	1,079	2,536		2,536	119
1961.....	1,800	883	1,901	987	2,887		2,887	108
1962.....	2,200	884	2,139	913	3,216	11	3,227	283
1963.....	2,400	930	2,826	808	3,223	96	3,319	378
1964.....	2,600	968	2,451	927	3,308	101	3,409	409
1965.....	2,700	968	2,652	923	2,517	975	3,495	439
1966.....	2,800	980	2,645	932	2,572	1,008	3,576	428
1967.....	2,900	980	2,739	949	2,629	1,025	3,654	394
1968.....	3,000	1,006	2,838	968	2,683	1,048	3,731	329
1969.....	3,000	1,006	2,886	972	2,739	1,068	3,807	266
1970.....	3,000	1,006	2,901	977	2,797	1,090	3,887	207
1971.....	2,888	1,006	2,922	979	2,861	1,115	3,976	212
1972.....		1,006	3,104	966	2,930	1,140	4,070	312
Through Sept. 30, 1972.....			1,801	817	821	1,150	1,471	165
Total.....	37,000	16,532	37,000	15,463	42,808	9,526	52,334	

<sup>1</sup> Includes emergency relief program as well as special funds totaling \$502,000,000 apportioned for 1969.

TABLE 7.—Highway trust fund revenues under present law and revenues added by the Federal-aid highway bill of 1961 (H.R. 6713, title II, as passed by the House of Representatives May 4)

[In millions of dollars]

Fiscal year	Present law									
	Gasoline and other motor fuels, 3 cents per gallon <sup>1</sup>	Sales of trucks and buses, 5 percent	Tread rubber, 3 cents per pound	Tires, 8 cents or 5 cents per pound	Tubes 9, cents per pound	Passenger automobiles, 5 percent	Parts and accessories, 5 percent	Truck use tax, \$1.50 per thousand pounds	Interest	Total
Actual—										
1957.....	1,326	34	11	82	17			26	3	1,482
1958.....	1,008	111	13	244	15			33	18	2,044
1959.....	1,657	107	14	247	15			34	13	2,067
1960.....	2,044	142	15	281	19			38	—3	2,536
Estimated—										
1961.....	2,362	142	15	279	16			45	—2	2,857
1962.....	1,894	143	15	286	16	679	131	50	2	3,216
1963.....	1,869	146	16	291	16	692	137	53	3	3,223
1964.....	1,917	149	17	296	16	709	144	56	4	3,308
1965.....	1,965	153	19	301	16			59	4	2,517
1966.....	2,010	156	19	307	16			61	4	2,573
1967.....	2,054	159	20	313	16			63	4	2,629
1968.....	2,097	162	21	318	16			65	4	2,683
1969.....	2,142	164	22	325	16			66	4	2,739
1970.....	2,191	166	22	331	16			67	4	2,797
1971.....	2,242	169	23	339	16			68	4	2,861
1972.....	2,298	172	24	347	16			69	4	2,930
1973 <sup>2</sup> .....	319			2						321
Total.....	31,995	2,275	286	4,589	243	2,060	412	853	70	42,803

Fiscal Year	Revenue added by H.R. 6713										Total present and additional revenues
	Gasoline and other motor fuels, 1 cent per gallon <sup>1</sup>	Diesel fuel, 4 cents per gallon	Sales of trucks and buses, 5 percent	Tread rubber, 2 cents per pound	Tires, 2 cents per pound	Tubes, 1 cent per pound	Passenger automobiles, 5 percent	Parts and accessories, 5 percent	Truck use tax, \$1.50 per thousand pounds <sup>2</sup>	Net additional revenues	
Actual—											
1957.....											1,482
1958.....											2,044
1959.....											2,087
1960.....											2,536
Estimated—											
1961.....											2,857
1962.....	505	19	142	9	64	2	-679	-131	79	11	2,227
1963.....	590	25	146	11	67	2	-692	-137	84	95	2,319
1964.....	606	29	149	12	68	2	-709	-144	88	101	2,409
1965.....	618	31	153	13	69	2			92	978	2,495
1966.....	632	33	156	14	71	2			95	1,003	2,578
1967.....	644	35	159	14	72	2			99	1,025	2,664
1968.....	659	36	162	14	73	2			102	1,048	2,731
1969.....	672	38	164	14	75	2			103	1,068	2,807
1970.....	687	40	166	15	76	2			104	1,090	2,887
1971.....	703	41	169	15	78	2			107	1,115	2,978
1972.....	719	43	172	16	80	2			108	1,140	3,070
1973 <sup>3</sup> .....	881	50	64	11	110	4			30	1,150	1,471
Total.....	7,016	420	1,803	158	903	28	-2,080	-412	1,091	9,825	52,628

<sup>1</sup> Tax receipts less refunds. Rate 4 cents per gallon from Oct. 1, 1959, through June 30, 1961. Includes net receipts from tax on aviation gasoline.

<sup>2</sup> Includes receipts from tax liabilities accrued prior to July 1, 1972, under present law, and prior to Oct. 1, 1972, under H.R. 6713.

<sup>3</sup> Includes effect of change in law and enforcement.

The CHAIRMAN. Mr. Secretary, as I understand it, the main changes made in existing law proposed in the House bill are: First, the continuation of 1 cent gasoline tax which will expire on June 30. Secondly, the transfers—and I think I agree with Senator Gore, that is a better definition than the other—from the General Treasury amount to \$800 million.

Mr. FOWLER. Yes, sir.

The CHAIRMAN. That is reduced by the House bill to \$150 million.

Then, in addition to that, there is an increase of from 8 to 10 cents a pound on tires, 9 to 10 cents on inner tubes, and 3 to 10 cents on tread rubber, such increases to become effective on July 1.

Then there is an increase on the highway vehicles use tax?

Mr. FOWLER. Yes, sir.

The CHAIRMAN. On such trucks and buses weighing over 26,000 pounds, the rate is to be increased from \$1.50 to \$3 per 1,000 pounds of gross weight.

What is the amount of new money that will come into the Treasury by reason of these changes?

Mr. FOWLER. The House bill?

The CHAIRMAN. In the House bill, including the continuation of the 1 cent gasoline tax?

Mr. FOWLER. Table 7, which is attached at the end of the statement, sets forth this information in detail. The title of the table is "Highway Trust Fund Revenues Under Present Law and Revenues Added by the Federal Aid Highway Bill of 1961." That is H.R. 6718. If you will look at the bottom half of the table under the heading "Revenue added by 6718," over on the left-hand side, opposite the column indicating the fiscal year, you will see the amounts in the first column that are added by virtue of the 1 cent per gallon on gasoline. That is 1 cent since, as of July 1, the rate would go back to 3 cents. It is now 4 cents, so that we maintain 4-cent rate that is now currently the tax throughout the life of the program.

The amounts indicated in that column would be the additional revenue but they would not be constant. For example, for fiscal year 1962, that would mean \$505 million. In 1963, \$590 million. The total at the bottom, by reason of maintaining this 4-cent tax on gasoline, would be additional revenues to the trust fund of \$7,916 million.

Senator KERR. That is the 1 penny.

Mr. FOWLER. That is what the 1 penny is worth, Senator.

The CHAIRMAN. Let us put that on a yearly basis, the total new money that comes in each year.

Mr. FOWLER. It changes as each year is added, Mr. Chairman. But the first year 1962, that amounts to about half a billion dollars, \$505 million.

The CHAIRMAN. What I wanted to get is all the increases are made by the House bill save for the next fiscal year.

Mr. FOWLER. Let me run right across the table, then, for that year.

For gasoline, the additional cent would mean \$505 million. By holding the diesel fuel at 4 cents a gallon, which is the rate now currently charged, there would be \$19 million that would be conserved. The sales of buses and trucks, the 5 percent excise tax, which would now be transferred into the highway trust fund by the House bill, would add \$143 million in fiscal 1962.

The tread rubber tax, at 2 cents per pound, would mean an additional \$9 million. The first, the tires, \$64 million; tubes, \$2 million.

Senator KERR. Now, just a minute, right there. The \$143 million is a new provision.

Mr. FOWLER. Yes, sir.

Senator KERR. The \$9 million, \$64 million, and the \$2 million are new in that they are increases in the current rates?

Mr. FOWLER. That is the amount of the increase of 2 cents a pound in case of tread rubber, 2 cents a pound on tires, and 1 cent per pound in tubes.

Now, under passenger automobiles, that figure of 679, you notice has a minus mark in front of it, which means that that would be subtracted. The House bill would subtract \$679 million from the general fund, which is the 5 percent tax on passenger automobiles.

The CHAIRMAN. That is the return of the transfer?

Mr. FOWLER. That is the return of the transfer. And, similarly, the \$131 million would be subtracted as the return of the tax on parts and accessories.

Now, added to the fund by reason of the increase in the truck use tax of \$1.50 per thousand pounds would be \$79 million, and the total, the total present and additional revenue, is \$3,227 million.

The CHAIRMAN. What is the total of the additional revenue from the new taxes, eliminating the return of the transfers?

Mr. FOWLER. That would be \$3,227 million, Mr. Chairman, if I get your question properly.

The CHAIRMAN. No; the \$3,227 million is the total. I want to know the increase of new taxes by the House bill that are made for the next fiscal year; eliminate the transfers completely. That is not a change in tax.

Senator GORE. May I ask a question, Mr. Chairman, for clarification?

The CHAIRMAN. Yes.

Senator GORE. Are you inquiring of the totals of newly levied taxes, or the newly dedicated revenue?

Senator KERR. He asked the question involving both.

The CHAIRMAN. I want to know how much additional taxes, including the extension of the 1-cent gasoline tax, are included in the House bill.

Senator ANDERSON. It is \$11 million, is it not?

Senator KERR. For the year, the fiscal year.

The CHAIRMAN. It is not added up in the total.

Senator BENNETT. It is \$11 million; but, in order to arrive at the \$11 million, you subtract these two minus signs. So if you add them back in—and I think that is what the chairman wants—it is \$678 million. Those are new taxes.

Senator ANDERSON. Mr. Fowler, in the top part of your table, table 7, for the year 1962, you show \$3,216 million.

Mr. FOWLER. Yes, sir.

Senator ANDERSON. And you put the comparable figure down \$3,227 million.

Mr. FOWLER. Yes, sir.

Senator ANDERSON. So it is \$11 million.

The CHAIRMAN. The total of new taxes is \$689 million for 1 year, the staff tells me.

Mr. FOWLER. I am getting a total. If you will wait 1 second, I shall verify it, at least from my estimate.

Senator BENNETT. Mr. Chairman, are you calling the 1-cent gas tax a new tax?

The CHAIRMAN. I am calling that a new tax, because that expires on June 30.

Senator BENNETT. And are you calling the 1-cent tax on diesel fuels a new tax?

The CHAIRMAN. Yes. The staff has added it up to \$678 million.

Senator ANDERSON. You ought to ask them where they got it.

The CHAIRMAN. It is all clear. All you have to do is add it up. Nine hundred and five million dollars for gasoline.

Mr. FOWLER. I have a total of \$810 million, Mr. Chairman.

The CHAIRMAN. Here it is if somebody will take it down. It is \$505 million for gasoline, new tax, \$19 million for the 4 cent increase in diesel tax, including—

Mr. FOWLER. I beg your pardon.

The CHAIRMAN. Do you have a table which shows how much new tax is based on the users of trucks?

Mr. FOWLER. Senator, I was using the wrong table. If you will forgive me, I was using table 5.

Senator KERR. It is discernible on table 7, Senator.

Mr. FOWLER. Yes, sir, it can be extracted from table 7.

Senator GORE. I would like to add my figure to the lot—\$678 million.

Senator ANDERSON. That is what the staff says.

Mr. FOWLER. \$678 million is my total.

Senator GORE. Then you and I agree.

The CHAIRMAN. Then, over the period of completion of the highway system, which I cannot agree that anybody can make any money on, that increases through the years, so the new taxes extending through the years to 1973 will amount to how much?

Mr. FOWLER. Under the House bill, \$9,825 million.

The CHAIRMAN. That is new taxes placed upon it by this bill?

Mr. FOWLER. No, Senator, in order to take this \$678 million figure and give you that for the total period, I would have to make another calculation.

The CHAIRMAN. All of these taxes in revenue increase as the years go on; do they not?

Mr. FOWLER. Yes, sir.

Senator GORE. Well, then, Mr. Chairman, there is another matter to take into consideration. In the coming fiscal year, there will not be a total 12-month collection, as I understand it.

Mr. FOWLER. \$10,514 million, I am told, Senator, is the figure for the new taxes.

Senator KERR. It cannot be.

Senator ANDERSON. Why not?

Mr. Chairman, I think it would be useful, since we got into this question of "diversion" and "transfer" and so forth, if, at some point, you would give us the total amount of these various taxes and how much are used on the various programs so we can see how much highway tax revenue you received and how much highway tax revenue you used, regardless of the category in which it is placed. I think this would be very useful if you would give us this statement.

The CHAIRMAN. That is very desirable, but I think we ought to know first the amount of new taxes we are imposing by reason of the House bill.

Mr. FOWLER. It is \$10,514 million.

The CHAIRMAN. That is for the 12 years?

Mr. FOWLER. That is for the 12 years.

Senator ANDERSON. Would you not only take \$2 billion and \$80 million and \$412 million and add them to the \$9,825 million?

Mr. FOWLER. I just followed another process by going across the board under the total and taking the \$7,916 million for gasoline, \$420 million for diesel, the \$158 million of additional tread rubber tax, the \$903 million of additional tire taxes, \$26 million of additional tube taxes, and the \$1,091 million of additional truck use taxes to get a total of \$10,514 million. Those are the additional taxes, as Senator Byrd has defined it.

The CHAIRMAN. Now, what is the percent of increase of the total taxes that will be imposed throughout the 12 years?

Senator ANDERSON. It is roughly 25 percent; is it not, Mr. Fowler?

Mr. FOWLER. Just about, as a percent of total revenues for that period.

The CHAIRMAN. In other words, this House bill would increase the tax for the users of the roads, according to this provision, 25 percent, you say?

Mr. FOWLER. Yes, sir; and I think this fairly well matches up with the increase in the cost of the program that is developed in table 2; the buildup of the relationship of the original 1955 costs, the 1958 costs, and the 1961 Interstate System cost estimates.

There is another element that enters in, in that this program contemplates a gradual increase in the A-B-C system of \$925 million in a year or two, picking up to around a billion dollars a year in 1968.

The CHAIRMAN. I think that the chairman should commend the administration and the Secretary for their endorsement of the continuation of the pay-as-you-go. I believe Senator Bennett and the chairman had offered that amendment.

Mr. FOWLER. Thank you, sir. That is a part of our proposal.

The CHAIRMAN. I hope that you will always adhere to that, because we had very disastrous results when the pay-as-you-go was suspended in 1958, as you know.

Mr. FOWLER. Yes, sir.

The CHAIRMAN. Senator Kerr?

Senator KERR. No questions.

The CHAIRMAN. Senator Bennett?

Senator BENNETT. This is moving pretty fast, and these figures are floating around here and are hard to get down out of the air. We have now settled on the idea that this bill would increase revenues over the life of the program by about \$10,500 million?

Mr. FOWLER. In new taxes, as Senator Byrd has stated.

Senator BENNETT. In new taxes and by continuing old ones, this will produce total revenue of \$52,628 million, and then I turn back to page 8 of your statement, in which you are discussing the fact that the House counts on revenues of \$2.3 billion from sources "which we believe are either objectionable or overestimated and it fails to allow about \$400 million of proper trust fund expenses."

Now, if we adopt this bill, are we going to be faced with another problem because of these appraisals of the bill?

Mr. FOWLER. Well, that is something which is a matter of opinion, Senator Bennett. I think it would be our opinion that somewhere later on there would be a further shortfall if adequate financing measures were not now adopted.

Senator BENNETT. Is this figure of \$2.7 million—

Mr. FOWLER. Billion.

Senator BENNETT. It says million in your testimony. That is what stopped me. Is it billion?

Mr. FOWLER. It is billion, yes.

Senator BENNETT. Is that in relation to the \$52 billion, the total revenue for the period?

Mr. FOWLER. Well, it represents at least our view of the shortfall that would be likely to occur in the light of the President's program. For example, included in that \$2.7 billion is an item of \$400 million for the forest and public land highways, which we think ought to be moved over and taken care of out of the highway trust fund.

There is the aviation gasoline transfer to the general fund that we would suggest, and the transfer of the 5 percent on trucks from the general fund which would not be made under the President's recommendations. So that if you adopted the President's suggestions, which we think are logical in terms of the financing setup, you would need an additional \$2.7 billion.

Senator BENNETT. Then you are not saying that this figure of \$52 billion is understated by \$2.7 billion on the basis of the needs of the program as it operates now?

Mr. FOWLER. No, sir; there are one or two soft spots in it, but it would not total \$2.7 billion. It would be something far short of that.

Senator BENNETT. And it would require some changes in the pattern of the highway program itself to validate this criticism?

Mr. FOWLER. Yes, sir. And I think the \$2.7 billion goes not to saying that the House measure would fall that far short of paying for the highway system, but that it involves certain financing features which, if changed, would, according to the President's suggestion, require this additional \$2.7 billion.

Senator BENNETT. I am happy to be straightened out on that.

That is all, Mr. Chairman.

The CHAIRMAN. Senator Anderson?

Senator ANDERSON. No, I think it would be useful if we could get the total list of all the so-called highway taxes and where all that money goes; how much of it goes into the General Treasury, how much into the forest roads, how much into the ABC program, and so forth, along with the Interstate System, so we would know if there is really a total diversion of any kind in the Treasury.

I think Senator Bennett's point is all right; if it goes to another highway program, it is still highway use. If it goes into the General Treasury, there might be something else. I would like to see that.

Mr. FOWLER. We shall prepare something for you, Senator.

(The following table was later received for the record:)

*Fiscal year 1962 receipts from Federal taxes associated with highway use and allocation between general fund and highway trust fund;<sup>1</sup> and highway expenditures of Federal Government paid from general fund and from trust fund*

[In millions of dollars]

	Present law				President's program				H.R. 6713 <sup>2</sup>			
	Total receipts and expenditures	Percent of receipts transferred to trust fund	General fund receipts and expenditures	Trust fund revenues and expenditures	Total receipts and expenditures	Percent of receipts transferred to trust fund	General fund receipts and expenditures	Trust fund revenues and expenditures	Total receipts and expenditures	Percent of receipts transferred to trust fund	General fund receipts and expenditures	Trust fund revenues and expenditures
<b>Tax revenues:</b>												
Gasoline.....	\$1,820	100.0	-----	\$1,820	\$2,325	98.7	\$29	\$2,296	\$2,325	100.0	-----	\$2,325
Diesel fuel.....	74	100.0	-----	74	151	100.0	-----	151	93	100.0	-----	93
Trucks, buses, etc.....	286	50.0	\$143	143	286	50.0	143	143	286	100.0	-----	286
Tires.....	286	100.0	-----	286	350	100.0	-----	350	350	100.0	-----	350
Inner tubes.....	16	100.0	-----	16	18	100.0	-----	18	18	100.0	-----	18
Tread rubber.....	15	100.0	-----	15	49	100.0	-----	49	24	100.0	-----	24
Use tax on certain vehicles.....	50	100.0	-----	50	167	100.0	-----	167	129	100.0	-----	129
Passenger automobiles.....	1,358	50.0	679	679	1,358	-----	-----	-----	1,358	-----	\$1,358	-----
Parts and accessories.....	210	62.5	79	131	210	-----	210	-----	210	-----	210	-----
<b>Total.....</b>	<b>4,115</b>	-----	<b>901</b>	<b>3,214</b>	<b>4,914</b>	-----	<b>1,740</b>	<b>3,174</b>	<b>4,793</b>	-----	<b>1,568</b>	<b>3,225</b>
<b>Highway expenditures:<sup>3</sup></b>												
Interstate System.....	2,078	-----	-----	2,078	2,139	-----	-----	2,139	2,139	-----	-----	2,139
Primary, secondary, and urban.....	913	-----	-----	913	913	-----	-----	913	913	-----	-----	913
Forest highways.....	33	-----	33	-----	33	-----	-----	33	33	-----	33	-----
Public land highways.....	4	-----	4	-----	4	-----	-----	4	4	-----	4	-----
Forest development roads and trails.....	35	-----	35	-----	35	-----	35	-----	35	-----	35	-----
Park roads and trails, and parkways.....	43	-----	43	-----	43	-----	43	-----	43	-----	43	-----
Indian reservation roads and bridges.....	17	-----	17	-----	17	-----	17	-----	17	-----	17	-----
Defense access roads.....	18	-----	18	-----	18	-----	18	-----	18	-----	18	-----
<b>Total.....</b>	<b>3,141</b>	-----	<b>150</b>	<b>2,991</b>	<b>3,202</b>	-----	<b>113</b>	<b>3,089</b>	<b>3,202</b>	-----	<b>150</b>	<b>3,052</b>

<sup>1</sup> The sec. 210 report of the Department of Commerce estimated that 2.8 percent of highway trust fund revenues was paid by other than highway users.

<sup>2</sup> As passed by the House of Representatives May 4, 1961.

<sup>3</sup> New authorizations in 1962 for programs other than the interstate and the primary, secondary, and urban systems total \$139,000,000 which more nearly reflects annual program levels.

Senator ANDERSON. If you could, just prepare three tables. One saying what the present law is, one saying what the proposal is, one saying what the House bill is. It would be a little easier to read, rather than double up twice on what the present law is as you do in table 7. What is the total amount of new taxes proposed in the President's program?

Mr. FOWLER. In the — oh, you want —

Senator ANDERSON. New taxes in the President's program.

Mr. FOWLER. I have a figure now of the new taxes only in the House bill, which is \$10,514 million. I can give you the other total in just a minute.

Senator GORE. That is over the life of the trust fund.

Mr. FOWLER. That is over the life of the trust fund.

Senator ANDERSON. Would you add together \$7,755 million, plus \$1,587 million?

Mr. FOWLER. That is right.

Senator ANDERSON. Plus \$32 and \$533?

Mr. FOWLER. No, that is an existing tax, which is simply being transferred, the \$32. You would add the \$533, the next figure; the \$903, the \$26, and then \$1,625 million.

Senator ANDERSON. That is more than \$10 billion, is it not? Maybe not, although I would think so.

Senator GORE. Mr. Chairman, while the Secretary is making these calculations, I want to observe that this is a unique experience. The Under Secretary of the Treasury comes to the table without a single aid and he makes his own calculations and gives to us his own estimates. Most come with a retinue of assistants. We can regard Secretary Fowler as being a self-reliant man.

Mr. FOWLER. Well, he is taking quite a gamble in adding these figures before this group.

The CHAIRMAN. Maybe that is because he is a Virginian.

Senator ANDERSON. Do you get something like \$12,423 million?

Mr. FOWLER. I get \$12,429 million as the additional taxes.

Senator ANDERSON. Oh, 32 comes off and goes to the other; \$12,429 million.

Mr. FOWLER. As the additional taxes, the new taxes that the President would ask for, as compared to the \$10,511 million that the House bill would provide.

Senator ANDERSON. So he has asked for more than 25 percent in new taxes?

Mr. FOWLER. Yes, sir.

The CHAIRMAN. More than 25 percent?

Senator KERR. That is what the President asks for, not what the House bill provides.

Mr. FOWLER. No, it is slightly less than 25 percent of total revenues.

Senator ANDERSON. I am glad to hear that, because my arithmetic tells me that \$12 billion is more than 25 percent of \$42 billion.

Senator BENNETT. That includes the new taxes.

Senator ANDERSON. We were talking about what the addition was to the present tax burden. It is more than 25 percent, is it not?

Mr. FOWLER. I beg your pardon, you are quite right.

Senator BENNETT. Mr. Chairman, I did not intend to get back in, but in order to complete this record, can you tell us how much money would be drawn from the general revenue, assuming that the amount

will increase very year, if we adopt the House provision and finish the program by 1973, and we are now expected to draw \$150 million in 1962.

Do you have any figures to show the total amount?

Mr. FOWLER. Yes, sir. The continued transfer of the tax on sales of trucks and buses would total \$1,803 million over the life of the program.

Senator BENNETT. Is this the only amount?

Mr. FOWLER. That is the only amount of new transfers into the highway trust fund.

Senator BENNETT. And if that is transferred, then there need be no direct draft on the general revenue?

Mr. FOWLER. That is right.

Now, there are certain other features that I have indicated. For example, we think the aviation gasoline tax ought to move out, but we assume you——

Senator BENNETT. I have that understanding.

Mr. Chairman, for the benefit of my friend from Tennessee, it might be interesting to ask how many people are here in the audience representing the Treasury. I am glad that the Secretary comes to the table himself alone, but I am also glad that there must be some men back there to whom he can turn in the event of an unusual question.

Mr. FOWLER. I have two fellows that I see here.

Senator BENNETT. Good.

Senator GORE. I was not attempting to be uncomplimentary. I was trying to compliment you.

Mr. FOWLER. Thank you.

Senator BENNETT. I am delighted with the Secretary's particular performance, but I am glad he has some experts backing him up.

Senator GORE. Have you finished, Senator Anderson?

Senator ANDERSON. Yes, I just tried to make a quick calculation, Mr. Fowler, and I may be wrong, but I think if the total amount of new taxes which the President asked for was \$12,429 million against the present possibility of \$42,603 million, that is roughly 5 percent, which is a very satisfactory amount, I would think.

Mr. FOWLER. Yes, I was trying to think——

Senator GORE. Mr. Secretary, this figure Senator Anderson uses is the amount going into the trust fund. It is not correct, according to my arithmetic, to say that the President has proposed a 25- or 29-percent increase in highway user taxes. If you say that it is approximately 25 percent of that portion of revenue from highway user taxes that is now dedicated to the trust fund, then it is a correct statement.

Mr. FOWLER. Yes, sir.

Senator GORE. Approximately correct.

Mr. FOWLER. Yes, sir.

Senator ANDERSON. And will the Senator yield at that point?

Senator GORE. Surely.

Senator ANDERSON. Did you not say the \$7,775 million was a new tax? It is a continuation of the 1 cent tax on gasoline.

Mr. FOWLER. It is a continuation of the 1 cent tax which currently exists, but would expire on July 1, and in the sense that it would, after July 1, have disappeared.

Senator ANDERSON. Is the same thing true of diesel, \$1,507 million?

Mr. FOWLER. Yes, sir.

Senator ANDERSON. Tread rubber, the addition of that is a new tax?

Mr. FOWLER. That is an entirely new tax.

Senator ANDERSON. And the tires?

Mr. FOWLER. That is an entirely new tax.

Senator ANDERSON. And the passenger automobile is a deduction, so we did not pay any attention to that. And the truck use tax.

Mr. FOWLER. It is now \$1.50.

Senator ANDERSON. But it is more; you have increased it to \$5. So actually, this is a \$12 billion——

Mr. FOWLER. Yes, sir.

Senator GORE. Now, the \$678 million, upon which you and I were in agreement, is the amount of new taxes expected to be collected in fiscal 1962?

Mr. FOWLER. Yes, sir.

Senator GORE. And the same revenue, the same tax, is anticipated to produce a revenue for fiscal 1963 of some \$800 million?

Mr. FOWLER. \$692 million is the figure indicated in table No. 5, and \$709 million for 1964. Then the tax on parts for 1962 would be \$131 million, for 1963, \$137 million and for 1964, \$144 million.

Senator GORE. Well, you do not expect to levy a tax as of July 1, 1961, and expect a total of 12 months of revenue in the Treasury from that tax as of June 30, 1962? There is a delay in collection, of course, and that which is delayed as a receipt into the Treasury beyond midnight, June 30, 1962, cannot be regarded as a receipt in fiscal 1962. Therefore, the \$678 million cannot be a total 12-month application of the new taxes.

Mr. Chairman, I ask unanimous consent that the Secretary be permitted to supply at this point in the record a full table giving answers to all of our inquiries and questions regarding these estimates.

The CHAIRMAN. Mr. Secretary, you understand what all the inquiries are, do you?

Mr. FOWLER. Yes, sir.

The CHAIRMAN. There have been quite a number of them.

Mr. FOWLER. It would be quite a table.

The CHAIRMAN. As a single operator, we want you to be able to get all the inquiries down.

Senator GORE. I do not desire you to furnish a complicated table. What I was trying to do was to have you provide one place in the record where the Secretary can supply the correct information with respect to the fiscal aspects of the bill.

The CHAIRMAN. I think that is very important, and I hope the Secretary will agree with it.

I would like a special table showing the increase in the existing taxes, in accordance with the House bill, and showing a comparison with the recommendations of the President on existing taxes.

The following tables were later received for the record :)

*Total receipts, highway trust fund, under present law, changes under President's program allocated between tax rate and other factors, and total receipts under President's program*

[In millions of dollars]

	Total receipts present law	Increase in receipts from—		Decrease in receipts from—		Total receipts President's proposal
		Increased tax rates	Extension to Sept. 30, 1972 (at existing law rates)	Repeal of transfers of general fund taxes	Transfer of aviation gasoline to general fund	
Gasoline.....	30,545	7,617	299	-----	-161	38,300
Diesel fuel.....	1,450	1,571	16	-----	-----	3,037
Trucks, buses, etc.....	2,275	32	-----	-----	-----	2,307
Tires.....	4,589	831	72	-----	-----	5,492
Inner tubes.....	243	22	4	-----	-----	269
Tread rubber.....	286	533	-----	-----	-----	819
Use tax on certain vehicles.....	853	1,625	-----	-----	-----	2,478
Subtotal.....	40,241	12,231	391	-----	-161	52,702
Passenger automobiles.....	2,080	-----	-----	-2,080	-----	-----
Parts and accessories.....	412	-----	-----	-412	-----	-----
Total tax receipts.....	42,733	12,231	391	-2,492	-161	52,702
Interest.....	70	-----	-----	-----	-----	70
Total receipts.....	42,803	12,231	391	-2,492	-161	52,772

Source: Office of the Secretary of the Treasury, Office of Tax Analysis, June 7, 1961.

*Total receipts, highway trust fund, under present law, changes under H.R. 6713<sup>1</sup> allocated between tax rate and other factors, and total receipts under H.R. 6713*

[In millions of dollars]

	Total receipts present law	Increase in receipts from—			Decrease in receipts from repeal of transfers of general fund taxes	Total receipts H.R. 6713
		Increased tax rates	Extension to Sept. 30, 1972 (at existing law rates)	Transfer of truck tax		
Gasoline.....	30,545	7,617	299	-----	-----	38,461
Diesel fuel.....	1,450	404	16	-----	-----	1,870
Trucks, buses, etc.....	2,275	32	-----	1,771	-----	4,078
Tires.....	4,589	831	72	-----	-----	5,492
Tubes.....	243	22	4	-----	-----	269
Tread rubber.....	286	158	-----	-----	-----	444
Use tax on certain vehicles.....	853	1,091	-----	-----	-----	1,944
Subtotal.....	40,241	10,155	391	1,771	-----	52,558
Passenger automobiles.....	2,080	-----	-----	-----	-2,080	-----
Parts and accessories.....	412	-----	-----	-----	-412	-----
Total tax receipts.....	42,733	10,155	391	1,771	-2,492	52,558
Interest.....	70	-----	-----	-----	-----	70
Total receipts.....	42,803	10,155	391	1,771	-2,492	52,628

<sup>1</sup> As passed by the House of Representatives, May 4, 1961.

<sup>2</sup> Including \$388 million from assumed change in law and enforcement.

Source: Office of the Secretary of the Treasury, Office of Tax Analysis, June 7, 1961.

*Total receipts, highway trust fund, President's program, revisions under H.R. 6713 from changes in tax rate and other factors, and total receipts under H.R. 6713*<sup>1</sup>

[In millions of dollars]

	Total receipts President's program	Revisions under H.R. 6713				Total receipts H.R. 6713
		Change in tax rates	Transfer of general fund taxes	Retention of aviation gasoline revenues	Net change in receipts	
Gasoline.....	38,300			+161	+161	38,461
Diesel fuel.....	3,037	-1,167			-1,167	1,870
Trucks, buses, etc.....	2,307		+1,771		+1,771	4,078
Tires.....	5,492					5,492
Inner tubes.....	269					269
Tread rubber.....	819	-375			-375	444
Use tax on certain vehicles.....	2,478	-534			-534	1,944
Total tax receipts.....	52,702	-2,076	+1,771	+161	-144	52,553
Interest.....	70					70
Total receipts.....	52,772	-2,076	+1,771	+161	-144	52,628

<sup>1</sup> As passed by the House of Representatives May 4, 1961.

<sup>2</sup> The decrease would be \$388 million greater except for assumption of change in law and enforcement.

Source: Office of the Secretary of the Treasury, Office of Tax Analysis.

The CHAIRMAN. Are there any other questions?

Senator GORE. Well, yes, sir.

I notice in your statement, Mr. Secretary, that you accept the cost allocation study of the Department of Commerce with respect to the allocation of proportionate tax burden as between different categories of highway users.

Mr. FOWLER. Yes, sir.

Senator GORE. But you reject the same study as to dedication of the revenue from highway user taxes.

Mr. FOWLER. We reject the interpretation of that, sir, that it would call for any additional transfers, for the reasons that I think are stated in the President's message. He addressed himself to this in his message. Director Bell of the Bureau of the Budget will develop the reasons for the President's rejection of this particular 8 percent principle in his statement.

Senator GORE. Well, I was not asking you for the reason: I was asking you for the fact.

Mr. FOWLER. We do not agree with that interpretation, Mr. Senator.

Senator GORE. Thank you, Mr. Chairman. I want again to congratulate the Secretary on a good appearance and his familiarity and his grasp of this problem.

Mr. FOWLER. Thank you, Senator.

The CHAIRMAN. Senator Hartke?

Senator HARTKE. Mr. Fowler, I am glad to see you.

Under the present setup, either with the House bill or the President's recommendation, under both circumstances, is it anticipated that the highway program can be completed in 1972, in September?

Mr. FOWLER. Yes, sir.

Senator HARTKE. In other words, as far as the actual completion of the highway is concerned, both of them would provide sufficient funds; is that right? Both plans?

Mr. FOWLER. I think the answer to that is "Yes." There is some difference in our view. We think that there is at least one soft spot in the estimates in the House bill to the extent of about \$400 billion.

Senator HARTKE. And assuming that no bill is passed, of course, then the completion under the present schedule and under the present law, it could not be done by 1972 and probably would be more nearly 1980; is that right?

Mr. FOWLER. If the scale that would be indicated would be carried through, it would probably be about a 5-year stretchout.

Senator HARTKE. About 5 years, which would make it about 1977.

Mr. FOWLER. 1977 or 1978.

Senator HARTKE. Just for the sake of the record, in the event of the present amendment which bears the distinguished chairman's name, and which is the so-called pay-as-you-go system, if no new taxes were put in whatsoever, either the President's proposal or the House bill, and if the amendment bearing the name of the distinguished chairman, the so-called Byrd amendment, were removed, the highway program would still be completed in 1972 as far as construction is concerned, but the payment of the present taxes which have been imposed, without the addition of the President's requirement or the present House bill, would than be extended to about 1980; is that right?

Mr. FOWLER. That is right.

Senator HARTKE. That is all; thank you.

The CHAIRMAN. Any further questions?

(No response.)

The CHAIRMAN. Thank you very much, Mr. Secretary.

The next witness is the Honorable David E. Bell, Director of the Budget.

#### STATEMENT OF HON. DAVID E. BELL, DIRECTOR OF THE BUREAU OF THE BUDGET

Mr. BELL. Mr. Chairman, and members of the committee, I am pleased to appear before this committee to review with you the question of highway finance and to comment upon the provisions of H.R. 6713 which you have under consideration.

I should like primarily to discuss the relationship of decisions on highway financing and the level of the highway program to the overall budgetary requirements of the Federal Government. In recognition of the fact that this committee's concern is with title II of H.R. 6713 I will not make other than passing reference to the fact that title I of the bill as reported by the Senate Committee on Public Works contains neither the billboard provisions recommended by the administration nor the recommended provisions permitting assistance in the relocation of families displaced by highway construction.

The administration has recommended the extension of the existing provisions for billboard control and an increase to 1 percent in the bonus available for compliance. The relocation assistance proposed would be limited to the administrative costs of State personnel aiding families in finding new homes, and would not include the actual payment of relocation costs.

With respect to title II, let me say first, in summary, that I emphatically urge your support of the proposals which the President submitted to the Congress in his highway message of February 28,

1961, as providing the most desirable method for financing the highway program. The administration has carefully considered the alternative solutions proposed by the House of Representatives and we believe that they fall short of the objectives considered essential and desirable by the President.

Federal legislation adopted in 1956 authorized a program to assist in meeting the future needs of high transportation which substantially increased Federal highway grants and provided a schedule for completing the Interstate Highway System by 1972.

Today, our transportation requirements are as critical as they were when the 1956 program was adopted. Yet in spite of this urgency, the highway program is threatened with a serious slowdown at the very time when the objective of completing the Interstate System by 1972 actually requires an acceleration in expenditures.

The legislation adopted in 1956 established the principle that Federal support of this expanded program should be financed on a self-sustaining basis by highway users rather than by the general taxpayer. Adoption of section 209(g), the so-called Byrd amendment, acted to reinforce this principle by limiting the level of annual apportionments to amounts which will result in expenditures in any year no larger than the anticipated available revenues.

The Congress also expressed its intent to maintain this approach in the clearly stated principle that whenever total receipts of the highway trust fund are expected to fall short of total anticipated expenditures "the Congress shall enact legislation in order to bring about a balance of total receipts and total expenditures."

We face today the very problem for which this 1956 provision was designed. Revised estimates of the cost to complete the Interstate System will require an increase of \$11.6 billion above the total authorizations of \$25.4 billion now provided. Moreover, current and future apportionments must be reduced below the authorized levels unless congressional action provides additional revenues.

The present crisis is an outgrowth of the limited revenues, available in the highway trust fund. Under existing law, on July 1 this year, the motor fuel tax will drop from 4 cents per gallon to 3 cents per gallon. Thus, fuel tax revenues to the trust fund are scheduled to decline at the same time that expenditures should be scheduled to rise. As the President has indicated, such a reduction would be wholly contrary to the basic premise on which the 1956 Highway Act was established and would be fiscally unwise. It was opposed by the previous administration, and is opposed by the present administration.

Under present law, the revenue lost to the trust fund by the reduced motor fuel tax would be temporarily replaced, for the next 3 years, by revenues from certain automotive excise taxes to be transferred from the general fund. This transfer might serve temporarily to balance the trust fund—although it would not prevent the necessity for reductions in allocations beginning on July 1. But the balancing of the trust fund would have the net effect of reducing general fund receipts by \$2.5 billion over the next 3 years.

The House of Representatives recognized the unsoundness of the present situation and their action as proposed in H.R. 6713 has gone far to correct the serious defects of existing law. Their proposed continuance of the 4 cents per gallon tax on gasoline, the limited increases in charges against heavier trucks, and the restoration of the

automotive excises to the general fund provide a sound and realistic approach. The provisions of H.R. 6713, have, therefore, partially met the financial objectives outlined by the President. However, there are two significant respects in which it differs from the administration's proposal.

1. The administration proposed a schedule of tax rates on diesel fuel, tires, inner tubes, tread rubber, and truck use that was based upon conclusions of a study by the Bureau of Public Roads which clearly supports the raising of additional revenues from trucks. We believe this proposed schedule would place a fair share of the costs of highway construction upon the heavy truck user. H.R. 6713 does not provide for all the increases requested. It thus remedies only partially the current inequitable situation under which other highway users must bear a disproportionate share of the program's costs.

2. The President proposed continuance of the program's self-financing feature with the program being financed from those user taxes designated in 1956, at rates sufficient to pay the full cost of the program and without any charge on general revenues. H.R. 6713, however, would transfer to the highway trust fund the remaining portion of truck and bus excises which otherwise would be retained in the general fund to support other programs of the Government.

This proposed transfer would be in our opinion unwise, viewed in the light of overall budgetary requirements and priorities.

At the end of March a general fund deficit of \$2.8 billion was estimated for fiscal year 1962. As you know, since that time the President has found it necessary to request increases in the budget for our defense and space programs, and for other urgent national needs. In total, we estimate that the proposals in the President's message of May 25, excluding civil defense, for which exact estimates are not yet available, will add more than \$700 million to budget expenditures in 1962.

In this message the President stated that "if the budget deficit, now increased by the needs of our security is to be held within manageable proportions it will be necessary to hold tightly to prudent fiscal standards." He also pointed out that various actions will be necessary to accomplish this objective. One of those which he cited was the provision of full pay-as-you-build highway financing.

Of course, the estimates for fiscal 1962 are subject to change. The year has not yet begun and the results will depend on economic developments, and on actions by the Congress on the President's appropriation requests and legislative recommendations. Downward, as well as upward revision, can occur. Clearly, however, H.R. 6713 would increase the anticipated budget deficit if it is enacted.

The alternative, which we believe to be the sound approach, is to raise the needed additional revenues from those user taxes designated in 1956 to support the highway program. As the President stated in his highway message we are not better able to pay our bills as a nation by merely shifting money from one pocket to another. Any other course than that proposed by President Kennedy would merely shift an additional burden to the general population and would be a departure from the fundamental user-financed principle underlying the highway program.

At this point I should like to call your attention to the reasons given by the House Committee on Ways and Means in proposing to

transfer \$143 million next year from the general revenues to the highway trust fund by dedication of the remaining manufacturers' excise tax on trucks, buses, and trailers. The committee, in reporting its recommendations on H.R. 6713, stated that it "was impressed with the non-highway-user benefits which will be derived from the highway program."

The reasoning of the committee was evidently influenced by the cost allocation study made in the Department of Commerce during the previous administration which contains a finding that 8 percent of the cost for Federal-aid highways should be assigned to revenue sources other than those derived from highway users.

President Kennedy has stated that the basis of this part of the study is open to serious challenge. After careful review, the administration has concluded that it could not accept the argument that the so-called nonuser benefits obtained from Federal-aid highways justify any change in the present reliance on user taxes to finance the Federal share of highway costs. Three main approaches to measuring nonuser benefits are described in the report. Each of them, in our opinion, fails to make a case for diverting general fund revenues to the highway trust fund.

It should also be pointed out that even if nonuser benefits could be measured satisfactorily, it does not follow that Federal general fund revenues should finance the highway program. A significant part of the costs of Federal-aid highways are borne by State and local governments who are free to raise their share of such costs from nonuser sources.

This approach would be consistent with the findings of the cost allocation report that nonuser benefits are primarily local in nature. Furthermore, the general fund is presently contributing approximately \$139 million annually to highway construction in public domain areas and to meet special defense requirements which also serve the needs of highway users; and the trust fund currently receives \$60 million in annual revenue from nonhighway users.

With your permission I would like to place in the record at this time an analysis of this portion of the cost allocation study which supports the conclusions reached by the administration that no additional charges against Federal general revenues are justified.

Would that be satisfactory, Mr. Chairman, if I place this in the record?

The CHAIRMAN. Without objection, it is so ordered.

(The document referred to follows:)

#### HIGHWAY COST ALLOCATION STUDY AS A BASIS FOR DIVERSION OF GENERAL FUND REVENUES TO FINANCE FEDERAL-AID HIGHWAYS

The basic argument for diversion of general fund revenues is (a) that substantial benefits from the highways accrue to other than highway users, (b) that these nonuser beneficiaries should pay a fair share of highway costs but are not presently doing so, and (c) that the best way to obtain an appropriate contribution from nonusers is to charge the general fund of the Treasury—thus, the nonuser is equivalent to the general Federal taxpayer.

Part III of the highway cost allocation study addresses itself to this argument. The report itself states:

1. "That definitive answers to questions of cost allocation between users and nonusers cannot be reached solely through analysis" (p. 4),

2. "No adequate method of measuring nonvehicular benefits has been developed" (p. 6), and

3. "Accordingly, the percentages derived, on the basis of the assumptions adopted, and the measurement techniques employed for this study, do not constitute complete answers to questions of Federal highway financing policy" (p. 9).

Nevertheless, in response to the congressional mandate in section 210 of the 1956 Highway Act, the report presents numerical findings allocating highway trust fund requirements to motor vehicle user taxes and other revenue sources as follows:

[Amount in millions]

Item	Federal-aid highway system				
	Interstate	Primary	Secondary	Total	
				Amount	Percent
Not chargeable to motor-vehicle users:					
1. Direct costs.....	\$17	\$13	\$6	\$66	2.1
2. General allocation to nonusers.....	71	35	80	186	5.9
Total nonusers.....	118	48	86	252	8.0
Chargeable to motor-vehicle users.....	2,082	599	217	2,898	92.0
Total annual cost.....	2,200	647	303	3,150	100.

In spite of the qualifications cited in the report, some persons have concluded that the report supports a charge of 8 percent to the general fund of the Treasury to support the Federal-aid highway program.

As the President said in his highway message, "The basis of this part of the study is open to serious challenge; but even aside from that, it must be remembered that—

(a) The Federal highway trust fund is not paying for 100 percent of this system. A normal portion of 10 percent is already borne by the States, reflecting the benefits they receive, and which they are free to raise from nonusers if they choose.

(b) The proposed diversion of more than \$800 million cannot possibly be justified by the 8-percent figure—which equals only \$250 million.

(c) The trust fund already receives nearly \$60 million income from nonusers; vehicles used off the highways, motorboats, and the like; and at the same time it is not charged with some \$140 million worth of other road programs benefiting the highway user but now charged to general revenues, though their users must pay gas and other taxes into the trust fund.

"In short, there is no justification for unbalancing the budget by the scheduled diversion of more than \$800 million from the general fund to the highway trust fund—"

These issues are discussed in more detail below:

#### DIRECT COSTS (\$66 MILLION; 2.1 PERCENT)

Among the costs found "chargeable to other revenue sources" are those which the highway cost allocation study calls "direct cost items": (a) special bridge loading and overhead clearances which are attributed entirely to military requirements, (b) navigational clearance requirements, primarily high bridges or opening bridges to permit ships to pass under highways on navigable waters, (c) relocation of public utility lines from highway rights-of-way, and (d) trust fund apportionments to Puerto Rico which makes no contribution to the highway trust fund.

*Military loading and clearance.*—These military design components will benefit directly and substantially the special permit carriers on the Interstate System and with further technological advancements in the motor carrier industry will be of benefit to other large commercial carriers. An analysis of the trend on the limitations on weights and measures of commercial vehicles reveals a continuing upward movement in allowable weights and vertical clearances. It is further noted that increases in weight and dimension for trucks using the Interstate System were requested by the American Trucking Association in the fall of 1960 to permit commercial users to take advantage of the higher standards of that system.

*Navigational clearance.*—The argument is advanced that the costs of higher bridge clearances over streams is not a proper cost to highway users. However, the rights of other methods of transportation must be considered in highway construction and the fact that these rights are protected under declared public policy implies that the highway user should be responsible for meeting the requirements of such public policy. If any part of such costs is not borne by highway users it should be assigned to waterway users and not considered as a direct charge against the general Government.

*Utility relocation.*—Under existing law more than \$44 million of Federal funds annually is to be spent in relocating the wires, pipes, and related facilities of privately owned utility companies from highway rights-of-way. The cost allocation study simply assumes that none of this expense should be borne by highway users. No need is apparent, however, for assigning this cost to the general fund. The law itself by authorizing payment of utility relocation costs out of the highway trust fund as a necessary expense of highway development, implies that these costs are a proper charge against highway users. Another reasonable approach might be to assign such costs to the utility companies who would pass them on to their customers.

*Nonuser receipts.*—As an offset to the above "direct costs," the report points out (p. 41) that the trust fund now receives \$60 million from other than highway users, and that in addition it is estimated that over \$3 million is paid by the Department of Defense alone in Federal automotive excise taxes for off-highway use.

#### GENERAL ALLOCATION TO NONUSERS (\$186 MILLION; 5.9 PERCENT)

Three main approaches to measuring nonuser benefits are described in the report. Each of them, in our opinion, fails to make a case for diverting general fund revenues to the highway trust fund.

*Economic impact studies.*—Studies conducted by various State highway departments show that land values tend to increase along highway rights-of-way after new highways have been constructed—some faster, some about the same, some not as fast as other land values in the area. These studies contain many weaknesses. For example, only passing reference is made to the numerous adverse effects of new highway locations and construction. While all value increases are considered evidence of benefits, no adequate demonstration is made that all of these increases are attributable to highway development. Nor is there any attempt to separate the forces of general economic growth and development from the effects of highway development on land values.

With respect to other types of economic considerations the data presented are not conclusive and provide no measure of nonuser cost responsibility for highway development. The report states (p. 4) "The economic impact studies, and the input-output analysis indicate increments of benefits deriving from the highways. Just as in any other context, they indicate the benefits of capital investment. The existence of a dividend of this kind, however, does not of itself prove that there should be a proportional tax contribution from nonuser or general revenue sources."

*Relative use study.*—This study attempts to determine the nonuser cost responsibility for Federal-aid highways by measuring the extent to which such highways provide neighborhood and access services to adjoining land. Neighborhood and access services are defined as individual portions of vehicular trips (neighborhood service is based on arbitrary determinations of trips within a certain area; access service is the distance in the direction of travel along the road or street serving the point of trip origin to the first intersection, plus the distance from the last intersection to the destination). Only the through-traffic component of trips is used as the measure of the motor-vehicle user share of cost responsibility.

This analysis accepts as a basic premise the questionable assumption that in some way portions of vehicular trips can be translated in the same proportion into allocable cost responsibility to nonuser interests.

In view of the fact that the study measures use by through traffic and nonuse by local, access, and neighborhood traffic, it would seem appropriate that this measure should also be applied in defining which Federal taxes are counted as user payments; as it now stands, Federal motor fuel taxes are considered to be user taxes regardless of whether travel is local or through traffic. In other words, fuel and other taxes paid as a result of the so-called nonuse portion of a trip should be counted as nonuse support of highways. The study does not

recognize this inconsistency. We can only conclude from the results of the relative use study that it demonstrates that there should be no basic change in the present highway financing system, since present highway taxes appear to be a sound method of meeting both the user and nonuser cost responsibilities.

*Earnings-credit study.*—This study is based on the premise that all or a major part of the responsibility for the cost of primary highways should be charged to users, and that roads and streets serving only local or access needs should be financed mainly from levies on the benefited property.

While this may or may not have been a valid premise historically when the users of the adjoining property were the main users of the road, it hardly seems valid in the present motor age when practically all roads, streets, and highways are built for general motor vehicle use.

Furthermore, the Federal Government is only one of the participants in the financing of highways, but the method of financing at State and local levels is ignored in the study. Logically the total financing plan should be taken into account, especially since 75 percent of the Nation's roads and streets are not on the Federal-aid system and since nonuser contributions in the forms of general property taxes are proportionately heavier in this area.

Finally, the following observations are pertinent:

1. *Local nature of nonuser benefits.*—Even if nonuser benefits could be measured satisfactorily, it does not follow that the Federal Government should be expected to share in financing the costs associated with such benefits. As the report makes clear, these benefits are primarily local in nature: they are based predominantly on local access and neighborhood needs. Obviously State and local governments can best levy the taxes appropriate to recoup the cost of any such benefits.

2. *General fund financing of highways.*—The general fund already supports certain highway programs without compensation from highway users. Forest and public lands highways, Defense access roads, forest development roads and trails, Indian reservation roads and bridges, park roads and trails, and parkways costing approximately \$139 million in fiscal year 1962, provide service to highway users. They pay gasoline taxes in connection with this use, but these tax revenues go to the highway trust fund rather than to the general fund from which the expenditures are made.

These expenditures should also be considered offsets in deciding whether to make any general fund contribution to the cost of the Federal-aid highway programs. With respect to the forest and public lands highways, a better solution would be to transfer their financing from the general fund to the highway trust fund since they are generally integral parts of the Federal-aid highway systems.

#### CONCLUSIONS

Conclusions are (a) that nonuser benefits on Federal-aid highways are not measurable by existing techniques, (b) that the techniques used in the study fail to take into account some essential factors, (c) that the general fund already makes a substantial contribution to highway construction, and (d) that even if nonuser benefits could be demonstrated they should be assessed by State and local governments and are not a proper charge to the general fund.

Mr. Bell, in view of the above considerations, the proposals for solving the present financial crisis which have been recommended by the President, seem clearly to offer the most effective and equitable means of continuing construction of the Interstate Highway System on schedule, because:

(a) They are consistent with the original legislative intent of maintaining a "pay-as-you-build" program;

(b) They provide for a more equitable adjustment in existing tax rates in assigning to truck users a greater share of the increased highway costs; and

(c) They would not add to the anticipated budget deficit by transferring revenues from the general fund.

I would also like to recommend for your consideration two additional changes in existing law proposed by the President, which would affect the highway trust fund. These proposals concern transferring

to the general fund receipts from aviation gasoline and financing forest and public lands highways from the highway trust fund. The House has taken no action to incorporate these provisions in highway legislation.

The President has asked the Congress to retain aviation fuel tax receipts in the general fund rather than continue their transfer to the highway trust fund as is presently done. Aviation fuel taxes are clearly not a highway use tax and it would seem equitable and logical, in conformance with the user charge principle, to retain the revenues from this tax in the general fund to assist in meeting the rapidly mounting costs of our air transportation services.

The President has also proposed the elimination of another defect in the present situation by transferring the financing of forest and public lands highways out of the general fund into the highway trust fund. These highways are primarily parts of Federal-aid highways, and, like them, should be financed from the taxes levied against their users which are now deposited into the highway trust fund.

I might emphasize at this point, Senator Anderson, that these highways are not what are commonly called access roads to national forest or other public land areas, but instead are parts of the main highway system which are laid out across the public domain areas.

Senator ANDERSON. And are therefore used by the general public for recreation, largely?

Mr. BELL. Recreation and other purposes; yes.

I hope the committee will act favorably on these proposals.

The CHAIRMAN. Senator Anderson.

Senator ANDERSON. The House in its bill collects \$7,916 million for gasoline taxes. The President's proposal would gather only \$7,755 million. He thinks it is better to take the figure he has recommended instead of the House figure. The House figure is a little larger.

Mr. BELL. On the gasoline tax, sir?

Senator ANDERSON. Well, table 5 gave us those gasoline and other fuels and the President's figure on that is \$7,755 million, whereas gasoline and other motor fuels in the House bill given in table 7 is \$7,916 million. That is \$161 million more under the House bill.

Can you tell us what causes that?

Mr. BELL. I think, possibly, sir, subject to correction from my friends in the Treasury, the difference reflects the fact that the President has proposed to transfer the aviation fuel tax receipts from the trust fund and put them into the general fund.

Senator ANDERSON. Oh, that is a 3-month extension on that.

Mr. BELL. It may also be that the 3-month extension is involved in that figure. Would you like us to supply a detailed explanation for the record?

(The following was later received for the record:)

Revenues from gasoline and other motor fuel taxes are \$161 million higher in the proposals under H.R. 6713. This difference results from the recommendations contained in the President's proposals that aviation fuel taxes be transferred to the general fund. Both tables 5 and 7 include the 3-month extension of the highway trust fund beyond June 30, 1972.

Senator ANDERSON. Yes.

The next item, on diesel fuel, the President's proposal would bring in \$1 billion and the House proposal would bring in only \$420 million.

Mr. BELL. Yes, sir; the President's recommendation was for a larger amount of tax per gallon of diesel fuel.

Mr. ANDERSON. And the President still feels that is a proper tax to put on it?

Mr. BELL. Yes, sir; he does.

Senator ANDERSON. Have you made an analysis of the differences between what the President proposed and what the House proposed on each of the items?

Mr. BELL. Yes, sir, we have. You mean an analysis in terms of the——

Senator ANDERSON. Dollars and other means?

Mr. BELL. Yes, sir.

Senator ANDERSON. Could we have that sometime? You refer to them as you go along.

Mr. BELL. I would be very glad to put that into the record.

(This information is included in a table by the Treasury Department which appears on p. 31.)

Senator ANDERSON. The difference between the President's program and the House program.

(Hands copy to Senator Anderson.)

Senator ANDERSON. I have no other questions, Mr. Chairman.

The CHAIRMAN. Senator Hartke.

Senator HARTKE. Mr. Bell, let me ask you, are all highway user funds now going into the trust fund?

Mr. BELL. There are taxes, sir, on automobiles and other things, which are going into the general fund. They are often referred to as highway user taxes. If that is your definition, then the answer is that a substantial proportion of them is going into the general fund. I do not mean to indicate any skepticism about that definition. It seems to me personally to be reasonable.

Senator HARTKE. Is that your definition?

Mr. BELL. We normally call them highway user taxes.

Senator HARTKE. The general concept you are following here is that the aviation tax should not go to the highway trust fund because it is not a highway user tax, is that right?

Mr. BELL. That is right, yes, sir.

Senator HARTKE. Therefore, to be perfectly consistent, it would be better to say that all highway user funds should go to the trust fund?

Mr. BELL. Well, this is a matter, as I understand it, which was taken up by the Congress at the time of the 1956 act. It was then decided, on grounds that I am not familiar with, since I was not here at the time——

Senator HARTKE. I was not either.

Mr. BELL. That certain of the highway user taxes should be transferred and dedicated to the support of the highway construction program and an additional portion should remain in the general fund.

Senator HARTKE. Yes.

Mr. BELL. I assume that one of the considerations which was involved is that one can argue the case for raising part of the revenues needed to finance general Government activities by excises on these goods, just as other excises are raised on many other goods and deposited in the general fund and used in support of general Government activities.

Senator HARTKE. But the recommendation is now made here and does require that and uses as a basis the fact that aviation gasoline tax being not a matter for highway users, should be taken away from this fund and put in the General Treasury?

Mr. BELL. Exactly.

Senator HARTKE. And the concept, then, and the logical result would be that highway users taxes should be used exclusively for the construction of the highways and for the users' trust fund?

Mr. BELL. I do not believe that the converse follows as simply as that or as exactly.

Senator HARTKE. Well, I will say this, I am just asking a question. I do not feel that, necessarily, Congress is bound by the 1956 act in any of its aspects, because now the estimates which were made there are requiring additional legislation.

Mr. BELL. Yes, sir; that is right.

Senator HARTKE. And that is to involve any change in the 1956 act and we are not bound by that in any aspect, are we?

Mr. BELL. No, sir; you certainly are not. I take it that a direct response, though, to the point you are making would be that to say the highway trust fund should be financed by dedicating a part of highway user taxes to that purpose, which is what Congress did, does not inevitably lead to the conclusion that we should also finance a part of the highway trust fund by dedicating aviation fuel taxes. That is the point I was trying to make.

Senator HARTKE. I was not making a point of how it should be done, but I was thinking as a matter of logic, it would seem that if you feel that certain taxes which are not users' taxes should be now moved over and put into the general fund, then it would just as logically follow that users' taxes should be placed into the highway trust fund.

Mr. BELL. We certainly agree, Senator, that highway construction should be financed from highway user taxes. There is no difference on that point. The question only is whether it is also legitimate and proper that some highway user taxes should go into the general fund of the Treasury. It seems to me that that argument is not logically settled by proposing that the aviation fuel taxes, which clearly have nothing to do with highways, should be transferred from the highway trust fund back to the general fund. This is the only point of logic that I meant to emphasize.

Senator ANDERSON. Mr. Bell, that points up why I made the request I did a moment ago. There are other uses for highway funds besides the Interstate System, therefore, we ought to know how much is coming in and how much is being used for all purposes. It would be quite illogical, it seems to me, to transfer all of it for use on the Interstate System when there are other uses being made of it for the highway system. That is why I would like to see how much is being taken in taxes and how much is going for the highway fund, not just for Interstate System.

Mr. BELL. I will see that the list of tables you requested from Secretary Fowler include this point.

Senator ANDERSON. Is not the highway trust fund now used for more than the Interstate Highway System?

Mr. BELL. Yes, sir; it also covers the so-called Federal A-B-C system.

Senator ANDERSON. Can you tell me which highway systems that are under the Federal jurisdiction are not paid for out of the highway trust fund?

Mr. BELL. Yes, there are a number of different kinds of highways. The recommendation which the President made, which I referred to

earlier concerning the forest and public lands highways, is a good illustration.

Senator ANDERSON. Yes, that is one.

Mr. BELL. Then there are parkways, there are Indian reservation roads and bridges, park roads and trails, defense access roads—authorizations for these programs are expected to total in fiscal year 1962, about \$139 million, which will be financed from the general fund, although those who use those roads will, of course, be paying their user charges, gasoline taxes and so on, into the highway trust fund and not into the general fund.

(The following was subsequently furnished for the record:)

*Highway construction programs authorized in 1962 to be financed from budget receipts*

<i>Program</i>	<i>Amount</i>
1. Federal-Aid Highway Act of 1960 (authorizations) :	
Forest highways.....	\$33, 000, 000
Forest development roads and trails.....	35, 000, 000
Park roads and trails.....	18, 000, 000
Parkways.....	16, 000, 000
Indian reservation roads and bridges.....	12, 000, 000
Public lands highways.....	3, 500, 000
2. Defense access roads.....	17, 250, 000
3. Construction, National Park Service.....	3, 458, 000
4. Construction, Bureau of Land Management.....	575, 000
Total.....	138, 783, 000

NOTE.—These are identifiable programs authorized annually for road construction in public domain areas and to meet defense access needs. Other individual projects are financed out of general revenues from time to time for other special purposes. These items have been excluded because of their one-time nature which would distort the average annual level.

Senator ANDERSON. That brings up one more question. How much, then, does the aviation gasoline transfer amount to?

Mr. BELL. \$22 million, I believe.

Senator ANDERSON. So the other amounts of highway funds being provided from the Treasury is far greater than the aviation fund?

Mr. BELL. Yes, sir, you are quite right.

The CHAIRMAN. Thank you very much, Mr. Bell.

The next witness is Hon. Frank L. Barton, Deputy Under Secretary of Commerce, accompanied by Mr. Frank Turner, Deputy Commissioner, Bureau of Public Roads, and J. C. Allen, Assistant Commissioner in Charge of Office of Administration.

**STATEMENT OF FRANK L. BARTON, DEPUTY UNDER SECRETARY FOR TRANSPORTATION, DEPARTMENT OF COMMERCE; ACCOMPANIED BY F. C. TURNER, DEPUTY COMMISSIONER, AND J. C. ALLEN, ASSISTANT COMMISSIONER IN CHARGE OF OFFICE OF ADMINISTRATION, BUREAU OF PUBLIC ROADS**

The CHAIRMAN. Proceed, Mr. Barton.

Mr. BARTON. Mr. Chairman, I would like to convey to you the regrets of Under Secretary Dan Martin who is unable to be here today. He is necessarily out of the country and he asked me to say that to you.

Mr. Chairman, I am privileged to represent the Department of Commerce at these hearings on highway financial matters, particu-

larly H.R. 6713. As you well know, there is urgent need for action on a suitable financial program before the end of the fiscal year. At that time, certain taxes will lapse and certain other revenues now contributing to the general fund of the Treasury will be transferred under present law into the highway trust fund, to the detriment of the financial condition of the Government and the welfare of the general taxpayer. At the same time we have other pressing highway policy matters in need of action.

The administration, under the leadership of the President, has advanced a systematic program to meet both the urgent situation with respect to the lapse of revenues, and the basic long-range condition of the highway program. This program was set forth in a message from the President on February 28, 1961, and from this message the administration's highway bill was derived.

The President's highway policy is essentially this: Complete the Interstate System by 1972 as originally planned; provide some increases in fund authorizations for the other Federal-aid systems; and finance these added expenditures out of increases in taxes on highway users. A specific tax program was proposed which was designed to provide an equitable sharing of cost responsibility among the different classes of highway users. This program was based on factors developed from a comprehensive study directed by the Congress in 1956 and submitted early this year.

The President's program also included adjustment of the authorizations in the interstate program to be in line with the most recent cost estimates. Other substantive items were also included, such as extension of the deadline for States to qualify for bonuses for the control of billboards, increases in these bonuses, and some provisions to assist persons displaced from their homes by highway projects.

The Department of Commerce urges the committee to consider and adopt the President's program. It is sound financially, based on the principles of equity to highway users and fairness to the general taxpayer. It would attain these objectives and at the same time enable the Nation to attain its highway goals.

Because of the scope of the highway program, it is extremely important to this administration's objective of promoting the development of a strong economic base on which other economic programs, both private and public, can be advanced. The transportation of goods and people is a dominant factor in our whole economic and national life and it therefore requires a large measure of attention on our part. Much of this transportation is accomplished by automobiles, trucks, and buses. The highways over which these vehicles can be operated to move people and goods at today's daily traffic volumes of about 2 billion vehicle miles must keep pace with the demands being made upon them at the present time and which will be made in future years. To do otherwise would affect adversely many other facets of our national life and economy.

The Department of Commerce and the Bureau of Public Roads take pride in the fact that the highway program is progressing at the peak rate permitted by the revenues available to the highway trust fund. We know that the highway program could and would go faster if revenues permitted.

Under the present law, interstate funds totaling \$25.440 billion have been authorized to be appropriated. Under the pay-as-you-go provisions of section 209(g) of the Highway Revenue Act of 1956, an apportionment of \$2 billion can be made this summer for the fiscal year 1963, but the interstate apportionment for fiscal year 1964, to be made next year, must be reduced to about \$1.5 billion under present estimates. Subsequent fiscal year apportionments would range from \$1.5 billion upward, with a balancing apportionment of \$1.625 billion for the fiscal year 1970. These are the maximum apportionments that can be made for the interstate program with pay-as-you-go financing under present legislation and revenues.

While this is a substantial program, the present rate of advance will not permit the Interstate System to be completed by 1972. Additional funds will be needed. As you know, the new 1961 cost estimate of \$41 billion for completion of the Interstate System, of which \$37 billion is the estimated Federal share, was submitted to the Congress last January. This cost estimate has been carefully prepared by the State highway departments in cooperation with the Bureau of Public Roads. It is recommended that the estimate and apportionment factors derived from these estimates be approved by the Congress for use in apportioning interstate funds for the fiscal years 1963, 1964, 1965, and 1966. The apportionment of 1963 funds scheduled to be made later this year cannot be made until the 1961 cost estimate and apportionment factors have been approved by the Congress. This approval is provided for in section 102 of the bill before you, H.R. 6713. Section 103 of the bill provides the additional authorizations needed for completion of the highway system by 1972 under present estimates.

To provide the needed additional revenues involved, the President recommended certain proposals for financing the highway program in his message to Congress. Here he proposed new tax schedules to provide additional revenues totaling \$9.74 billion, which are required for completion of the Interstate System in 1972, as originally planned, together with an increasing level of A-B-C authorizations and the financing of forest highways and public lands highways out of the highway trust fund. The estimated total revenues under the President's proposals would meet financing requirements for the \$37 billion interstate program and for the A-B-C and other road programs.

H.R. 6713 differs in some material respects from the President's program, even though it provides for approximately the same amount of income to the trust fund. The bill does not provide any differential on diesel fuel, in spite of the fact that all studies show that diesel-powered trucks pay far less in highway taxes, mileage considered, than comparable gasoline-powered trucks. H.R. 6713 raises the vehicle use tax on trucks over 26,000 pounds gross weight from \$1.50 to \$3 per thousand, whereas the President has recommended an increase to \$5 per thousand. The bill further would increase the tax on tread rubber to 5 cents per pound rather than to 10 cents as recommended in the President's message. Because of these differences, H.R. 6713 would cause an initial revenue deficiency of about \$150 million annually to the Federal Treasury.

The deficiency would be made up by transferring from the general fund to the highway trust fund the revenues from 5 percentage points

of the excise tax on new trucks. Presently one-half of the tax revenue is placed in the general fund and one-half in the highway trust fund, but H.R. 6713 would place it all in the trust fund. We do not believe that the accelerated program for highways should be financed at the expense of revenues now going into the general fund. We cannot allow the highway program to affect the Government's fiscal solvency.

But in addition to its disadvantage from the standpoint of the fiscal position of the Government, the transfer fails in terms of equitable apportionment of highway cost responsibility. The greater part of new truck sales are smaller trucks which our studies show to be already paying their way.

Another objectionable feature of H.R. 6713 would place it all in the trust fund. We do not believe that the accelerated program for highways should be financed at the expense of revenues now going into the general fund. We cannot allow the highway program to affect the Government's fiscal solvency.

But in addition to its disadvantage from the standpoint of the fiscal position of the Government, the transfer fails in terms of equitable apportionment of highway cost responsibility. The greater part of new truck sales are smaller trucks, which our studies show to be already paying their way.

Another objectionable feature of H.R. 6713 is that it would retain the revenues from the aviation gas tax in the trust fund. We advocate that these revenues should go to the general fund, since the trust fund was set up strictly for the benefit of highway users.

The tax rates proposed by the President are supported by the findings of the highway cost allocation study recently published as House Documents Nos. 54 and 72 of this session of the Congress. We have additional supporting data from the road test conducted by the American Association of State Highway Officials in Illinois, and this new information supports the published findings. Mr. Turner can supply additional details on this information. You will recall that the highway cost allocation study was provided in section 210 of the Federal Aid Highway Act of 1956, and we believe that it was the intent of the Congress that the findings of this study be considered in formulating a highway financial policy.

All of the results of these tests and studies directed by the Congress show the equity of increasing the taxes on the heavier trucks. We realize that this will be an additional cost to the trucking industry, and to the extent possible we have considered its impact on this important and growing sector of our transportation economy.

In the decade of the 1950's trucking showed spectacular growth. Its growth was not only absolute but represented a continuously increasing share of all intercity freight traffic, but at the present time this is about 23 percent. The great growth in the trucking industry was a major element in the need for the acceleration of the interstate highway program. No other segment of our economy will obtain greater benefits from this program than trucking.

Highway costs are a legitimate part of the cost of a trucking business, as are the costs of labor, equipment, repairs, fuel, and other cost elements. Increases in highway costs should stand on an equal footing with other necessary increases in the motor carrier cost structure. Increases in highway costs will be met by the industry in the same manner as other cost increases: through greater efficiency or advances

in rates. Better highways, of course, are a major factor in increasing trucking industry efficiency.

We estimate that the President's highway program will increase the current operating costs of the trucking industry by less than 2 percent. Operating taxes as a whole represent a small percentage of all motor carrier operating costs; about 6.5 percent in 1960.

It has been claimed that the relative tax burden of the trucking industry has been increasing in recent years, considering both State and Federal highway user levies. This is not the case. Since 1953, when the Federal Government began levying its tax on diesel fuel, trucks have been paying each year about the same percentage of all State and Federal highway user taxes. Since 1953 there have been substantial increases in the carried loads of the heavier truck classes, and the number of extra-heavy loads in the traffic on our main highways has also increased. Because of the greater incidence of heavier loads on our highways, it is reasonable that the proportion of user payments paid by trucks should also increase.

In this connection it should be noted that an increasing number of the very heaviest trucks are turning to diesel fuel, which enables the industry to operate with a smaller use tax payment per unit of weight. All our studies show substantial deficiencies in the highway-tax payments chargeable to trucks using diesel fuel compared to gasoline-powered vehicles of the same weight.

Many of the claims of the severe impact of the proposed tax program on motor carrier profits are based on the year 1960. That year was a very poor year for all industry and trucking profits were considerably lower than ordinary. We believe that any fair comparison of the impact of the taxes should be based upon more normal experience.

I might add that there has also been a tendency to compare the total amount of the increased truck taxes with the revenues and profits of the class I and II motor carriers regulated by the Interstate Commerce Commission. Actually these carriers account for less than one-third of the freight carried on our highways. Roughly one-third of the freight carried by motor vehicle is by private carriers while another one-third may be carried by for-hire trucks exempt from Federal regulation. These carriers are also subject to the Federal highway taxes.

Some idea of the actual size of the motor freight industry would be helpful to this committee, I believe. The portion of the industry, subject to Federal regulation, carrying one-third of the highway ton-miles, earned revenues in 1959-60 at the rate of about \$7 billion annually. It is interesting to note that this figure is beginning to approach railroad freight revenues which in 1959-60 were of the order of \$8 billion annually. We have no reliable data on expenditures for private and exempt motor carriers. Based on their share of total ton-miles and their probable unit costs of operation, they must account for at least \$8 billion, which added to the regulated sector of the industry would make trucking a \$15 billion industry. Certainly an industry of this size is not threatened with extinction by the addition of \$400 million per year to its operating taxes.

We believe that the motor carrier industry will continue to be a rapidly growing sector of transportation because of its great service.

advantages to our economy. It will require increasing highway investment, and because it is a growth industry trucking can afford to support investment in highways.

In conclusion, Mr. Chairman, I wish to state again that the Department of Commerce believes that the public interest requires completion of the Interstate System by 1972 in accordance with the original timetable, together with continuation of the A-B-C program at a somewhat increased level. We believe, too, that the highway program should be financed on a pay-as-you-go basis in accord with the general principles of the 1956 legislation, and that the President's proposals offer the most practical and equitable means for reaching these objectives. Realization of these goals is entirely a matter of providing additional revenues to the highway trust fund. There is ample existing engineering, contractor, equipment and materials capacity to handle a program of this size with efficiency, integrity, and economy. The Nation cannot afford to leave a part of this capacity idle, even while our highway needs are increasing.

The CHAIRMAN. Senator Hartke.

Senator HARTKE. Frank, I am glad to see you.

Let me ask you, is it possible, in your opinion, with the present capacity of the States, to accelerate the program beyond the date—prior to the date of 1972 if the financing were available? Are you in a position to answer that?

Mr. BARTON. Mr. Turner tells me it is reasonable, Senator Hartke.

Senator HARTKE. It is possible?

Mr. BARTON. Yes, sir.

Senator HARTKE. And what is the earliest possible completion date consistent with good engineering, that if the funds were available, that the program could be completed?

Mr. BARTON. No more than about 2 years, Senator Hartke. The States would have trouble matching on this basis.

Senator HARTKE. That would be 1970.

And if it were accelerated to 1970, with either the adoption of the House bill or the President's proposal, can you give any estimate as to the increased cost if the amendment bearing the chairman's name, the Byrd amendment, were removed?

Mr. BARTON. May we work up that estimate and place it in the record for you, Senator?

Senator HARTKE. Yes, I would like for you to do that and I understand that it is estimated approximately 4,000 lives a year could be saved if the highway program were completed; is that right?

Mr. BARTON. Approximately, yes, sir.

Senator HARTKE. And that it would alleviate about 150,000 personal injuries a year, is that right?

Mr. BARTON. Yes, sir.

Senator HARTKE. And that it would eliminate about \$2,100 million economic and property loss if the highway program were completed?

Mr. BARTON. That is my recollection.

(The following was later received for the record:)

#### PROGRAM FOR COMPLETION OF THE INTERSTATE SYSTEM IN 1970

An accelerated program for completion of the Interstate System in 1970 would require an additional \$7.4 billion of expenditures by June 30, 1970, over the expenditures for either the President's program or for H.R. 6713 both of

which involve completion by September 30, 1972. Under the accelerated program the full \$37 billion of Interstate expenditures would be paid from the highway trust fund by June 30, 1970, versus only \$29.6 billion under either the President's program or the program under H.R. 6713. The final \$7.4 billion of expenditures under the latter program would follow with \$3 billion in the fiscal year 1971, \$3.1 billion in the fiscal year 1972, and the final \$1.3 billion in the fall months of 1972.

Differences in rates of Interstate payout are shown by the attached tabulation.

*Interstate expenditures*

(Millions of dollars)

Fiscal year	President's proposal (and H.R. 6713), completion in 1972	Completion in 1970	Increase required to complete in 1970	
			Annual	Cumulative
<b>Actual:</b>				
1957.....	208	208		
1958.....	675	675		
1959.....	1,501	1,501		
1960.....	1,861	1,861		
<b>Estimated:</b>				
1961.....	1,901	1,901		
1962.....	2,139	2,205	66	66
1963.....	2,328	2,716	390	456
1964.....	2,451	3,255	804	1,260
1965.....	2,552	3,573	1,021	2,281
1966.....	2,645	3,714	1,069	3,350
1967.....	2,739	3,776	1,037	4,387
1968.....	2,838	3,801	963	5,350
1969.....	3,866	3,905	1,039	6,389
1970.....	2,901	3,909	1,008	7,397
1971.....	2,992		-2,992	4,405
1972.....	3,104		-3,104	1,301
1973.....	1,301		-1,301	
<b>Total.....</b>	<b>37,000</b>	<b>37,000</b>		

Senator HARTKE. And if you were to assume, for example, even at any rate, if you could put a value on a person's life and just assume, for the sake of not trying to estimate a person's life, but for the sake of trying to give some comparison, that if you assume that even at a value of \$100,000 per life, which I know is not reasonable to any person who is alive today, and assuming that on the personal injuries, you would not exceed \$25,000 a year, which would be for any one person less than a sixth of a cent per minute for suffering, which would give you in excess of \$6 billion on that value alone to see whether or not it would cost any more than \$6 billion to even speed up the highway program and save the lives of these people, save the injury to these persons, and save the economic loss to the country, which is going to be occasioned by completing the highway as scheduled today. Do you understand what I am talking about?

Mr. BARTON. Yes, sir.

Senator HARTKE. Thank you.

The CHAIRMAN. Thank you very much, Mr. Barton.

Mr. Turner, I believe you want the statement of the Federal Highway Administrator, the Honorable Rex M. Whitton, placed in the record following Secretary Barton's statement.

Mr. TURNER. If you please, Mr. Chairman.

(The statement referred to follows:)

U. S. DEPARTMENT OF COMMERCE  
Bureau of Public Roads  
Washington 25, D. C.

STATEMENT OF REX M. WHITTON, FEDERAL HIGHWAY ADMINISTRATOR,  
BUREAU OF PUBLIC ROADS, U. S. DEPARTMENT OF COMMERCE,  
BEFORE THE SENATE FINANCE COMMITTEE,  
JUNE 1961

Mr. Chairman and Members of the Committee:

I appreciate this opportunity to appear before you. With your permission, I would like to read a statement on financing aspects of the Federal-aid highway program.

Let me say at the outset that the program is progressing at the peak rate permitted by the revenues available to the Highway Trust Fund. The program could and would go faster if revenues permitted. Revenues accruing to the Fund since July 1, 1956, have totaled \$10.475 billion, and expenditures have totaled \$10.230 billion. On May 1, 1961, the working balance in the Highway Trust Fund was \$245 million, roughly equivalent to 4-weeks operations.

Program Under Existing Legislation

As shown in Figure 1, Interstate funds totaling \$25.440 billion have been authorized to be apportioned. Under the pay-as-you-go provisions of Section 209(g) of the Highway Revenue Act of 1956, an Interstate apportionment of \$2.0 billion can be made this summer, for the fiscal year 1963, but the Interstate apportionment for 1964, to be made next year, will need be reduced to about \$1.5 billion. Subsequent

fiscal year apportionments would range from \$1.5 billion upward, with a balancing apportionment of \$1.625 billion for the fiscal year 1970. These are the maximum apportionments that can be made for the Interstate program with pay-as-you-go financing under present legislation and revenues.

As is also shown in Figure 1, the revenues expected to accrue to the Highway Trust Fund under existing legislation are adequate to cover disbursements equaling the \$25.440 billion authorized for the Interstate program, with an estimated surplus of \$2.318 billion in 1972 after meeting requirements for continuing the ABC program at the same \$925 million annual rate as is now authorized for the fiscal years 1962 and 1963.

This is a sizable program, but this rate of advancement will not permit the Interstate System to be completed by 1972. Additional funds are needed for completion of the \$37 billion program in accordance with the cost estimates submitted to the Congress last January pursuant to the provisions of Section 104(b)(5) of Title 23, United States Code, and published as House Document No. 49, of this 87th Congress.

#### 1961 Interstate System Cost Estimate

The new 1961 cost estimate of \$41 billion for completion of the Interstate System, of which \$37 billion is the estimated Federal share, is the same total amount as was furnished to the Congress in 1959, based on the 1958 estimate plus other supplemental costs. However, the new 1961 estimate also includes related Interstate program costs for State

highway planning and research and for Bureau of Public Roads administration and research not previously included, in order that the total Federal funds required for these items will be accounted for in the estimates of total future financing requirements. Inclusion of these costs without exceeding the same total amount shown for the 1958 estimate is possible because of a reduction of about \$1 billion in the indicated cost of constructing the Interstate System submitted in the 1961 report as compared to the estimate submitted in January 1958.

The 1961 cost estimate for completion of the Interstate System was carefully prepared by the State highway departments in cooperation with the Bureau of Public Roads. It is recommended that the estimates and apportionment factors shown in Table 5 of the 1961 cost estimate report be approved by the Congress for use in apportioning Interstate funds for the fiscal years 1963, 1964, 1965, and 1966. The apportionment of 1963 Interstate funds scheduled to be made later this year cannot be made until the 1961 cost estimate and apportionment factors have been approved by the Congress.

#### Proposed Program Recommended by the President

The President's recommendations for financing the highway program were contained in his February 28 special message to the Congress. In his message the President proposed new tax schedules to provide additional revenues totaling \$9.74 billion which are required for completion of the Interstate System in 1972, as originally planned, together with an increasing level of ABC apportionments and the financing of Forest Highway and Public Lands Highway programs out of the Highway Trust Fund.

The program for completion of the Interstate System as proposed by the President is shown in Figure 2, totaling \$37 billion in Federal funds. An apportionment of \$2.4 billion would be made this summer for the fiscal year 1963, and the apportionments for succeeding fiscal years would gradually increase to a maximum of \$3.0 billion for each of the fiscal years 1968, 1969, and 1970, with a balancing apportionment of \$2.885 billion for the fiscal year 1971. The funds provided by these apportionments would be disbursed by the latter part of the calendar year 1972.

Estimated annual apportionments, disbursements, revenues and Trust Fund balances for the program proposed by the President are shown in Table 1.

In addition to Interstate apportionments totaling \$37 billion, the proposed program provides for ABC and other programs totaling \$17.010 billion through fiscal 1972, as shown in Table 1. Future apportionments of ABC funds could be made in the annual amounts of \$925 million for fiscal 1963, \$950 million for the fiscal years 1964 and 1965, \$975 million for the fiscal years 1966 and 1967, and \$1.0 billion annually for the fiscal years 1968 through 1972. Apportionments in these amounts, involving increases of \$25 million every two years beginning with the apportionment for the fiscal year 1964 (which would be made in the summer of 1962), are considered desirable to keep the ABC program in balance with the expanded Interstate program. The "other" programs recommended for financing from the Highway Trust Fund in the amount of \$41 million annually include \$33 million for Forest Highways and \$3 million for Public Lands Highways,

TABLE 1 (5-12-61)

Proposed program for completion of Interstate System  
As Recommended in President's Message of 2/28/61

(Millions of Dollars)

Fiscal Year	Date made	Apportionments			Disburse- ments	Revenues	Highway Trust Fund Balance
		Interstate	ABC and other	Total			
Balance 1/	6-30-56	315	1,665	1,980	-	-	-
1957	5-29-56	1,000	129	1,129	966	1,482	516
1958	8-1-56	1,700	859	2,559	1,511	2,044	1,049
1959	8-1-57	2,200	1,381	3,581	2,613	2,088	524
1960	8-1-58	2,500	906	3,406	2,940	2,535	119
1961	10-8-59	1,800	883	2,683	2,868	2,857	108
Balance 1/		-	82	82	-	-	-
1962	8-1-60	2,200	920	3,120	3,089	3,176	195
1963	7-1-61	2,400	966	3,366	3,260	3,301	236
1964	7-1-62	2,600	991	3,591	3,414	3,402	224
1965	7-1-63	2,700	991	3,691	3,511	3,499	212
1966	7-1-64	2,800	1,016	3,816	3,613	3,584	183
1967	7-1-65	2,900	1,016	3,916	3,724	3,667	126
1968	7-1-66	3,000	1,041	4,041	3,832	3,749	43
1969	7-1-67	3,000	1,041	4,041	3,874	3,831	0
1970	7-1-68	3,000	1,041	4,041	3,914	3,914	0
1971	7-1-69	2,885	1,041 2/	3,926	4,007	4,007	0
1972	7-1-70	-	1,041 2/	1,041	4,106	4,106	0
1973		-	-	-	1,301	1,301 3/	0
TOTAL		37,000	17,010	54,010	52,543	52,543	-

1/ Unpaid balance of prior authorizations.

2/ Includes funds to be disbursed after close of Trust Fund period.

3/ Includes \$455 million in receipts from tax liabilities accrued prior to July 1, 1972.

as recommended in the President's Budget, and an estimated \$5 million for emergency relief in the repair of highways damaged by flood or other disasters which would continue to be financed from the Highway Trust Fund.

Increases in revenues accruing to the Highway Trust Fund under the provisions recommended in the President's special message to the Congress would finance these programs on the pay-as-you-go basis prescribed by Section 209(g) of the Highway Revenue Act of 1956.

Revenues under present legislation are estimated to total \$42.803 billion for the fiscal years 1957 through 1972. This total includes transfer of an estimated \$2.492 billion from the general fund to the Highway Trust Fund during the fiscal years 1962, 1963, and 1964, consisting of one-half of the ten percent tax on automobiles and five-eighths of the eight percent tax on automotive parts and accessories, as provided by the Highway Revenue Act of 1959.

Estimated revenues under the proposed program would provide an additional \$9.740 billion, for a total of \$52.543 billion. This \$9.740 billion of additional revenue is a net increase after allowing for funds to offset the reduction to be caused by the proposed rescission of transfers from the general fund that are now provided under existing legislation for the fiscal years 1962, 1963, and 1964.

The estimated total revenues would meet financing requirements for the \$37 billion Interstate program and for the ABC and other programs.

Revenue estimates in support of the proposed program are based on the sources and amounts of revenue shown in Table 2, covering data for each item under present law, the proposed change, and the suggested long-range plan. The net increase in revenue totals \$9.740 billion.

#### H.R. 6713

The President's proposals as discussed above have been considered by the House Committees on Public Works and Ways and Means, and hearings on proposed legislation have been held by each of the two Committees. In line with recommendations of the two Committees, the House has passed H.R. 6713 which provides for completion of the Interstate System in 1972 and for continuation of the ABC program at an increased level in the manner proposed by the President. However, under the House Bill the Forest Highway and Public Lands Highway programs would continue to be financed from general funds of the Treasury instead of from the Highway Trust Fund, and there are significant differences in the proposed tax schedules.

Estimated annual apportionments, disbursements, revenues, and Trust Fund balances under H.R. 6713 are shown in Table 3.

U. S. DEPARTMENT OF COMMERCE  
Bureau of Public Roads

TABLE 2 (5-12-61)

PROPOSED SOURCES OF REVENUE TO THE HIGHWAY TRUST FUND 1962-1973 1/  
As Contained in President's Message of 2/28/61

This table is in millions of dollars

TYPES	PRESENT LAW	PROPOSED CHANGE	SUGGESTED LONG-RANGE PLAN	REVENUE UNDER PRESENT LAW	CHANGE IN REVENUE	REVENUE UNDER PROPOSED LAW
Gasoline	4 cents per gallon through June 30, 1961 3 cents per gallon thereafter Entire net proceeds go to Trust Fund	Continuation of present 4-cent per gallon rate	4 cents per gallon Entire net proceeds go to Trust Fund	21,848	7,577	29,425
Diesel	4 cents per gallon through June 30, 1961 3 cents per gallon thereafter Entire net proceeds go to Trust Fund	Continuation of present 4-cent per gallon rate, plus addi- tion of 3 cents differential	7 cents per gallon Entire net proceeds go to Trust Fund	1,150	1,568	2,718
Automobiles	10 percent tax on manufacturer's wholesale price. Half of proceeds go to Trust Fund for fiscal years 1962, 1963 and 1964	Nothing to Trust Fund	10 percent tax on manufacturer's wholesale price. Nothing to Trust Fund	2,080	-2,080	-
Trucks, Buses and Trailers	10 percent tax on manufacturer's wholesale price. Half of proceeds go to Trust Fund	No change	10 percent tax on manufacturer's wholesale price. Half of proceeds go to Trust Fund	1,739	27	1,766
Tires	8 cents per lb. for highway tires, and 5 cents per lb. for "other tires" Entire net proceeds go to Trust Fund	2 cents per lb. increase on highway tires. Rate on other than highway tires to remain at 5 cents per lb.	10 cents per lb. for highway tires, and 5 cents per lb. for "other tires" Entire net proceeds go to Trust Fund	3,496	286	4,342
Innertubes	9 cents per lb. tax Entire net proceeds go to Trust Fund	1 cent per lb. increase	10 cents per lb. tax Entire net proceeds go to Trust Fund	176	25	201
Tread Rubber	3 cents per lb. tax Entire net proceeds go to Trust Fund	7 cents per lb. increase	10 cents per lb. tax Entire net proceeds go to Trust Fund	218	530	748
Parts and Accessories	8 percent tax on manufacturer's wholesale price. Five-eighths of proceeds go to Trust Fund for fiscal years 1962, 1963 and 1964	Nothing to Trust Fund	8 percent tax on manufacturer's wholesale price. Nothing to Trust Fund	412	-412	-
Vehicle Use	Tax of \$1.50 per 1,000 lbs. gross weight for vehicles weighing over 26,000 lbs. when loaded. Entire net proceeds go to Trust Fund	\$1.50 per 1,000 lbs. increase	\$5.00 per 1,000 lbs. gross weight for vehicles weighing over 26,000 lbs. when loaded. Entire net proceeds go to Trust Fund	677	1,619	2,296
Interest				41	-	41
Total				31,792	9,740	41,532

1/ Excludes \$1,301 million collected after June 30, 1972.

TABLE 3 (5-12-61)

Completion of Interstate System under H.R. 6713

(Millions of Dollars)

Fiscal year	Date made	Interstate	ABC and other	Total	Disbursements	Revenues	Highway Trust Fund Balance
Balance 1/	6-30-56	315	1,665	1,980	-	-	-
1957	5-29-56	1,000	129	1,129	966	1,482	516
1958	8-1-56	1,700	859	2,559	1,511	2,044	1,049
1959	8-1-57	2,200	1,381	3,581	2,613	2,088	524
1960	8-1-58	2,500	906	3,406	2,940	2,535	119
1961	10-3-59	1,800	883	2,683	2,868	2,857	108
1962	8-1-60	2,200	884	3,084	3,052	3,227	283
1963	7-1-61	2,400	930	3,330	3,224	3,319	378
1964	7-1-62	2,600	955	3,555	3,378	3,409	409
1965	7-1-63	2,700	955	3,655	3,475	3,495	429
1966	7-1-64	2,800	980	3,780	3,577	3,576	428
1967	7-1-65	2,900	980	3,880	3,698	3,654	394
1968	7-1-66	3,000	1,005	4,005	3,796	3,731	329
1969	7-1-67	3,000	1,005	4,005	3,838	3,877	298
1970	7-1-68	3,000	1,005	4,005	3,878	3,887	307
1971	7-1-69	2,885	1,005 2/	3,890	3,971	3,976	312
1972	7-1-70	-	1,005 2/	1,005	4,070	4,070	312
1973 3/		-	-	-	1,618	1,471	165
TOTAL		37,000	16,532	53,532	52,463	52,628	-

1/ Unpaid balance of prior authorizations.

2/ Includes funds to be disbursed after close of Trust Fund period.

3/ Based on Trust Fund extension through 9-30-72.

Comparison of Highway Trust Fund Revenues

Highway Trust Fund revenue rates beginning July 1, 1961, under existing legislation, under the President's proposal and under H.R. 6713 are as follows:

Revenue source	Existing legislation	President's proposal	H.R. 6713
Gasoline	3¢	4¢	4¢
Diesel fuel	3¢	7¢	4¢
Trucks, buses, trailers	5%	5%	10%
Tires	8¢	10¢	10¢
Innertubes	9¢	10¢	10¢
Tread rubber	3¢	10¢	5¢
Vehicle use	\$1.50	\$5.00	\$3.00
Autos	5%	-	-
Parts and accessories	5%	-	-
Aviation gas tax receipts	to Trust Fund	to General Fund	to Trust Fund

The additional revenues accruing to the Highway Trust Fund under the President's proposal and H.R. 6713 are shown in Table 4, by source of revenue, in relation to revenues under existing legislation as provided by the Highway Revenue Act of 1959. The President's proposal would provide the \$9.740 billion in additional revenue needed to finance the proposed program, including extensions of revenue provisions for two or three months into fiscal 1973 if necessary. H.R. 6713 would provide \$9.825 billion additional revenue, which would finance the program covered by the Bill through September 30, 1972, with a surplus of \$165 million.

TABLE 4 (5-12-61)

Estimated Highway Trust Fund  
Revenues Under the President's  
Proposal and H.R. 6713, by  
Source of Revenue  
1962 - 1973

(Millions of dollars)

Revenue source	1959 Act revenues	Revenue Increases		Total Revenue	
		President's proposal	H.R. 6713	President's proposal	H.R. 6713
Gasoline	\$21,848	\$7,577	\$7,916	\$29,425	\$29,764
Diesel fuel	1,150	1,568	420	2,718	1,570
Trucks, buses and trailers	1,739	27	1,803 <sup>1/</sup>	1,766	3,542
Tires	3,456	886	903	4,342	4,359
Innertubes	176	25	26	201	202
Tread rubber	218	530	158	748	376
Vehicle use	677	1,619	1,091 <sup>2/</sup>	2,296	1,768
Autos	2,080	-2,080	-2,080	0	0
Parts and accessories	412	412	412	0	0
Interest	41	0	0	41	41
Total	\$31,797	\$9,740	\$9,825	\$41,537	\$41,622

<sup>1/</sup> To be obtained by transfer of existing tax revenues from General Fund to Highway Trust Fund with no additional payment by individual taxpayer.

<sup>2/</sup> Assumes higher yield from present and proposed rates in accordance with House Ways and Means Committee direction to make study and report on this matter by January 1962.

A comparison of the estimated increases in Highway Trust Fund revenues under the President's proposal and H.R. 6713 is shown in Figure 3 by sources of revenue.

H.R. 6713 provides for lower tax rates than does the President's proposal on several items affecting tax payments by heavy trucks, namely, on diesel fuel, tread rubber, and vehicle use. The decrease in revenue from these sources as compared to the President's proposal is offset in major part by the transfer under H.R. 6713 of the remaining five percentage points of the ten percent excise tax on trucks, buses and trailers which, under the President's proposal, would remain in the general fund. It should be noted that this does not produce new revenues, but only a transfer of existing revenues.

#### Highway Cost Allocation Study

The report of the Highway Cost Allocation Study undertaken in response to Section 210 of the Highway Revenue Act of 1956 was recently published as House Documents Nos. 54 and 72 of this session of Congress. The findings of this study with respect to the payment responsibility of vehicles of different types and sizes, as determined by three different methods of cost allocation, namely, the gross-ton-mile method, the cost-function method, and the differential-benefit method, are given in Part IV of the report.

The preliminary results of a fourth method, the incremental solution, have become available since the above documents were compiled for printing and as they were the principal basis for the President's tax recommendations they are therefor discussed in this presentation.

The calculations of motor-vehicle tax responsibility were carried out for a large number of vehicle types. For illustrative and explanation purposes, however, only six typical vehicles spanning a wide range of gross weights have been selected as examples.

Figure 4 shows the tax payments that would be required of vehicles in each of the six selected vehicle types shown by the small silhouettes for each of the four methods of cost allocation. The studies utilizing these methods are described in the following paragraphs.

The gross-ton-mile study is an allocation of the motor-vehicle share of Federal-aid highway cost responsibility among vehicles of different dimensions and weights based on the concept that such allocations should be in proportion to the product of gross operating weight and distance traveled. Although weight and distance obviously are factors in measuring the service provided by highways and in the cost of providing this service, it is not generally accepted that the product of weight times distance is a truly correct measure of the costs occasioned by or the benefits derived from the travel of vehicles of different dimensions and weights. None the less, it was considered necessary in a completely impartial study of the problem that the gross-ton-mile method be presented as one of the four alternative allocation methods because of its use in numerous earlier investigations of the highway cost allocation problem, particularly the study by the Board of Investigation and Research (Public Aids to Domestic Transportation, 1944), and because of its use in a number of studies by individual States.

The cost-function study allocates the motor-vehicle share of the Federal-aid highway cost responsibility by a method which distributes costs into three categories: (1) Those that vary neither with traffic volume nor with size and weight and are therefore distributed on a per-vehicle basis; (2) those that vary with traffic volume but not with size and weight and are therefore distributed among vehicle classes in proportion to miles traveled; and (3) those that do vary with size or weight, which are distributed in proportion to gross ton-miles. In the cost-function study as conducted all items of cost in which there was a significant element of variation with size and weight were distributed in proportion to gross ton-miles. Since this is true of structures, and of grading and pavement costs on intermediate and high-type roads, the result was that 77 percent of costs were distributed in proportion to ton-miles. Thus the cost-function method as applied to Federal-aid construction is in effect a modified gross ton-mile allocation.

The differential-benefit study is an allocation of the motor-vehicle share of Federal-aid highway cost responsibility designed to be in approximate proportion to the benefits derived from the use of the highways by vehicles of different dimensions and weights. Four different classes of user benefit are recognized: (1) Reductions in operating costs; (2) reductions in time costs; (3) reductions in accident costs; and (4) reductions in the strains and discomforts of driving in congested traffic. The magnitudes of benefits were estimated on the basis of the extent of benefit-producing

accomplishments such as (a) reduction of distance, (b) reduction of gradient or rise and fall, (c) elimination of intersections at grade, (d) elimination of private access points, and (e) elimination of sharp curves, to be realized from the Federal-aid highway program.

The incremental study is based upon the concept that most highway design requirements that are variable with weight and size of vehicle may be considered as built up from a design and accompanying cost appropriate for light vehicles, to which successive increments are added to meet the requirements of progressively heavier vehicles. The variation of design and cost requirements with traffic volume is also taken into account.

Among the four methods used the greatest reliance is placed on the incremental method, because it is based on accepted engineering premises and fully utilizes the results of the very extensive Road Test conducted by the Highway Research Board at Ottawa, Illinois. The incremental method has also been publicly stated by the various user groups as the method most acceptable to them for these same reasons. This Test was designed to produce, for both flexible (blacktop) and rigid (concrete) pavements, mathematical formulas relating the performance of test sections to

- (1) the elements of design (pavement, base, and subbase thickness) and
- (2) the numbers of applications of axle loads of different magnitudes.

The final analysis of the Road Test results was not complete at the time the text of the Highway Cost Allocation report had to be started through the necessary processes during September 1960 to meet the January

1961 statutory date for submission to the Congress. However, the analysis of data from the Test Road has been intensively pursued since completing the truck trips on November 30, 1960. Thus it was possible to have preliminary results available shortly after the printed report covering the other parts of the study was made available to the Congress and the public in January 1961.

This incremental analysis utilized the findings developed and approved by the Test Road Advisory Committee during 1960, and from previous experiences and much other related information available to the Bureau there is ample indication that the values obtained from the mathematical equation ultimately developed to express the relationship of road performance to truck weights will be changed very little from the preliminary values now available. In any case, only about 20-25 percent of the calculation is dependent upon the results from the Road Test. Since the other 75-80 percent of the computation is derived from elements of the construction which are not related to the Test Road, the effect of these items had already been calculated but held for presentation with the remaining portion which is dependent upon the Test Road results. Since all of these calculated amounts are intended to be indicative of a range within which cost responsibility may be found to rest, they thus form a satisfactory guidance pattern on which a tax schedule can be based, and because such a tax schedule is necessarily a compromise of many viewpoints, it therefore is not necessary that the calculations be determined with more absolute precision than it is possible to obtain with the mathematical equations now being used.

The Highway Cost Allocation Study indicated that approximately eight percent of the cost of supporting the Federal-aid highway program might be charged to revenue sources other than motor-vehicle taxes. The allocation among motor vehicles as shown in the printed reports referred to above therefore accounted for only 92 percent of the total Interstate and ABC program cost, and must be increased by approximately eight percent to provide for financing this program entirely from road-user revenues as recommended by the President.

The required tax payments calculated from the incremental solution as thus adjusted to provide for financing of the program from road-user revenues are shown in Table 5 for each of the six selected vehicles. Also shown are the tax payments which would be made by the same selected vehicles under the President's proposal and under H.R. 6713. As you know, the ten percent excise tax on automobiles remains in the general fund, but if the auto were given the same credit for this tax paid on new vehicles as is done for the truck under the Ways and Means Committee Bill, the automobile would be shown to be paying \$52.40 annually to the Trust Fund as indicated in the right-hand column of Table 5, compared to an incremental liability of \$32.00. This would constitute an overpayment of \$20.40.

Figure 5-A provides a comparison of estimated annual Trust Fund revenues from gasoline-powered vehicles under the President's proposal and H.R. 6713 in relation to the adjusted incremental findings. For the lighter and medium weight vehicles the amounts under the President's proposal and H.R. 6713 are all very close to the incremental study findings.

TABLE 5 (5-12-61)

Estimates of Annual Federal Tax Payments by Selected Vehicles  
Under President's Proposal and H.R. 6713  
Compared to Estimated Tax Responsibility  
Under the Incremental Method

<u>Vehicle</u>	<u>Incremental method (adjusted) (Dollars)</u>	<u>President's proposal (Dollars)</u>	<u>H.R. 6713 (Dollars)</u>	<u>H.R. 6713 rates adjusted to include 10 percent excise tax on automobiles (Dollars)</u>
Automobile	32.00	30.74	30.20	52.40
2-Axle, 4-Tire Truck	26.00	40.56	46.50	46.50
2-Axle, 6-Tire Truck	60.00	84.28	96.20	96.20
Vehicle combinations:				
3-Axle				
Gasoline Powered	618.00	636.79	607.19	607.19
Diesel Powered	618.00	752.78	548.47	548.47
4-Axle				
Gasoline Powered	1175.00	1099.85	1068.34	1068.34
Diesel Powered	1175.00	1270.25	924.32	924.32
5-Axle				
Gasoline Powered	1917.00	1670.81	1616.18	1616.18
Diesel Powered	1917.00	1883.51	1356.44	1356.44

For the heavier gasoline-powered vehicles, the amounts under the President's proposal and H.R. 6713 are about equal but the values under the President's proposal are somewhat closer to the incremental findings.

Figure 5-B shows estimated annual Trust Fund revenues from diesel-powered vehicles under the President's proposal and H.R. 6713 in relation to the adjusted incremental study findings. For the diesel-powered vehicles the amounts under the President's proposal definitely bear a much closer relationship to the incremental study findings than do the corresponding amounts under H.R. 6713.

#### Comparison of Tax Schedules

H.R. 6713 is broadly similar to existing legislation and to the administration's proposal in the items to be taxed, the tax rates, and the amounts of revenue expected. However, there are three differences in tax rates between the administration's proposal and H.R. 6713 that should be noted particularly.

The President requested a levy of 7 cents per gallon on diesel fuel, compared to a 4 cents per gallon rate on gasoline. All parties concede that diesel trucks, because of their lower fuel consumption rates, pay considerably less for highway support than gasoline trucks of the same size when the tax rate is the same on both types of fuel.

The underpayment by diesels with the same fuel tax rate per gallon is substantial. The manufacturers of diesels in their published fuel consumption data say that the diesel-powered vehicle will travel at least 60 percent further on a gallon of fuel than will a similar gasoline-powered vehicle.

The cost of supplying the road for a diesel vehicle is the same as for a gasoline vehicle, and the road-use payments therefore should be the same. The fuel tax should not be thought of as a levy on a product but rather as a payment of a fair share of the cost of building the road and keeping it up. If a fuel or engine were to be developed that would go 10 times as far on a gallon of fuel as present engines, then we would have to adjust the tax rate. To a degree, this problem is already posed by the diesel engine. The differential of 3 cents per gallon on diesel fuel requested in the President's message was intended to overcome the disparity between the fuel tax payments of the diesel vehicle and the gasoline-powered vehicle. Since many of the very heavy vehicles are diesel powered, it would also help to cover the additional costs of highway construction required to be provided solely because of the very heavy vehicles.

It is desirable to put the 7-cent diesel fuel rate and other taxes on trucks requested by the President into perspective with toll rates which the trucks are paying. Tolls are perhaps the only truly optional highway-user charges, since the operator can take a route on which there is no toll or he can choose a route on which he pays a toll. The heavy truck operator is obviously traveling under competitive conditions that require him to decide between taking the free road or paying the toll solely on the basis of whether the savings or benefits to him are greater than the toll costs. More and more, the truck operators apparently are finding that the savings in time and equipment costs are greater than the toll costs, because they are using the toll roads in increasing numbers.

Tolls on heavy trucks vary considerably, ranging for example from about 3.4 cents a mile, on the Kansas Turnpike to 7.5 cents a mile on the West Virginia Turnpike, but most are in the 4.5 to 5.5 cents per mile range. Assuming that a heavy truck operates 5 miles on a gallon of diesel fuel, his fuel tax payment under the President's proposal would be 7 cents for the 5 miles. If he uses a toll road, however, his toll payment for the 5 miles would be about 25 cents, and this is in addition to his fuel tax. Since he pays the toll optionally, it can only be concluded that he does so because the savings to him in time and equipment are greater than the toll. This is a typical example being repeated many times each day.

The number of trucks making the optional toll payments is increasing rapidly. For example, between 1957 and 1960, the increases of heavy truck traffic were 80 and 78 percent on the Turner Turnpike in Oklahoma and the Indiana Toll Road, respectively. Other instances of increase between 1957 and 1960 are: Massachusetts Turnpike, 39 percent; West Virginia Turnpike, 23 percent; Will Rogers Turnpike (Oklahoma), 32 percent; and the New Jersey Turnpike, 48 percent. In every instance, the toll paid amounts to much more than the total of State and Federal fuel taxes for the same distance, and generally is equal to or in excess of the total of all present and proposed State and Federal user taxes combined.

The increase in heavy truck traffic on toll roads is double or more the rate of increase in automobile traffic with the sole exception of the Will Rogers Turnpike, but even here the rate of increase in heavy truck traffic is 1.6 times the rate of increase in auto traffic. This indicates that trucks, even more than passenger cars, are finding the kind of roadway provided by the toll facility to be productive of substantial monetary savings or other benefits worth paying for. It is this same type of road that is being provided on the Interstate System and the proposed schedule of charges to be made for its use as presented in the President's message are considerably below those shown by the record that the trucking industry is willing to pay in the form of tolls.

With respect to the tax on recapping rubber, the President proposed an increase from 3 to 10 cents per pound whereas H.R. 6713 provides for a tax of 5 cents per pound.

It takes about 9 pounds of rubber to recap an average passenger car tire, and the tax would be 90 cents. Even the lowest priced new tire that the user might consider purchasing as an alternate to recapping a tire already owned would weigh about 20 pounds, and at 10 cents a pound would carry a tax of \$2.00. Thus the proposed rate on recapping rubber would result in a tax payment of less than half of the tax that would have to be paid on a "low price range" new tire.

The difference on heavy truck tires is more than proportionately greater. Probably the most commonly used tire, for heavy combinations, is the 10.00-20 size. As vehicles get bigger, they use more wheels and tires, rather than bigger tires. A new tire of this size costs about \$115, including the proposed excise tax of 10 cents a pound on 105 pounds amounting to \$10.50. A recap for that same tire now costs about \$28.00 including the 3 cents a pound tax on the 21 pounds of camelback rubber it takes to do the job. The proposed increase in the tax on recapping rubber would increase the price of the job by about \$1.50, which is 60 cents less than the \$2.10 additional tax on a new tire resulting from the 2 cents per pound increase in the excise on new tires. The total tax on recapping rubber for the 10.00-20 big truck tire would be \$2.10, which is about 7 percent of the cost of recapping, and less than 2 percent of the cost of a new tire.

In this connection, it should be noted that retreading is common practice on these larger tires used by heavy vehicles. Tires in these sizes are frequently retreaded not once but 4 to 6 times or more. Unless there is a tax on retreaded tires, therefore, the vehicle using retreaded tires is escaping payment of a portion of its calculated fair share of the cost of providing the roadbed on which that vehicle is operated.

A third significant difference between the tax rates proposed by the President and those set forth in H.R. 6713 is in the weight tax on heavy vehicles. The President's message requested a rate of \$5.00 per 1,000 pounds on the total weight of all vehicles weighing over 26,000 pounds when fully loaded, whereas H.R. 6713 fixes the rate at \$3.00 per 1,000 pounds.

The large truck imposes requirements on the highways that the AASHO Test Road conclusively found not to be necessary for small trucks or automobiles. These include additional bearing strength of the surface course itself, heavier foundation courses, and stronger bridges. In addition, greater overhead clearance, additional climbing lanes on grades for slower moving heavy units, and other features or modifications are sometimes required for the larger vehicles. Under the incremental method the costs for these additional features are charged exclusively to the vehicles that require them in proportion to their frequency of use.

The \$5.00 per 1,000 pounds use tax on heavy vehicles is necessary to furnish an effective way of equitably placing these additional costs on the vehicles that necessitate the expenditures in proportion to their

cost responsibility. Although the \$3.00 per 1,000 pounds rate partially achieves this objective, it falls substantially short of yielding the full amount of payment required to meet the heavier trucks' fair share of highway costs, as calculated from the extensive four year study ordered by the Congress in 1956.

#### Vehicle Operating Costs

The Federal excise changes proposed by the President would result in an increase of only 1/100th of a cent per mile in the total costs of operating an automobile, as shown in table 6. For the largest diesel combination shown in the table the increase would be 1.20 cents per mile. For the gasoline powered combination of the same size the increase would be .51 cents per mile. Although the difference in the increase between these large vehicles is substantial, the effect of the increase, as seen in the last column, would be to equalize the tax costs between gasoline and diesel-powered vehicles since the gasoline vehicle already is paying more tax per mile than the diesel vehicle.

The effects for the other vehicles would range between those for the automobile and those for the large diesel combination, but in all cases would be very small in terms of cost per mile.

TABLE 6.

## ESTIMATED OPERATING COSTS AND TAXES OF SELECTED MOTOR VEHICLES

(Cents per mile)

VEHICLE TYPE	OPERATING COSTS EXCLUDING ROAD-USER TAXES	STATE ROAD-USER TAXES	FEDERAL MOTOR VEHICLE TAXES <sup>1/</sup>		
			PRESENT LAW	PROPOSED CHANGE	TOTAL
Automobile	8.59	.62	.55	.01	.56
Single Unit Trucks					
2 axle - 4 tire	22.05	.71	.52	.01	.53
2 axle - 6 tire	24.83	1.24	.89	.04	.93
Combinations with Semitrailers					
3 axle - 40,000 lbs. GVW					
Gasoline powered	33.60	2.10	1.37	.40	1.77
Diesel powered	32.45	1.87	1.21	.63	1.84
4 axle - 55,000 lbs. GVW					
Gasoline powered	35.80	2.40	1.63	.40	2.03
Diesel powered	34.65	2.03	1.37	.95	2.32
5 axle - 72,000 lbs. GVW					
Gasoline powered	42.27	3.24	2.11	.51	2.62
Diesel powered	41.82	2.72	1.72	1.20	2.92

<sup>1/</sup> Includes all Federal excise taxes on motor fuel, motor vehicles, tires, parts and accessories, and other taxes closely associated with motor vehicles or their use.

Related to total vehicle operating costs, the proposed changes would be reflected in increases as shown in Table 7, ranging from .10 percent for automobiles to 2.59 percent for a 5-axle, 72,000 pound diesel-powered combination. It should be noted that, even with the equalizing tax rates included in the President's proposal, the diesel-powered vehicle is still operating at a lower overall cost per vehicle mile than the gasoline-powered unit of the same weight, thus permitting it to retain a favorable competitive position with respect to the equivalent gasoline-powered unit.

For comparison with the amounts paid by other vehicles, the total amount of Federal user taxes paid by the automobile may be considered as a unit. This is done in Table 8, which gives a comparison of present and proposed Federal excise tax payments for selected motor vehicles with cost responsibility indicated by the Incremental Cost Study. By giving the automobile tax payments a value of 1.0, for comparison, the tax payments of the other vehicles are placed in perspective.

The Federal excise tax payments indicated by the Incremental Cost Study range from .333 cents per mile for the automobile to 2.739 cents per mile for the 5-axle truck. Thus under the incremental study the ratio of payments by the 5-axle vehicle to the automobile tax responsibility is 8.23. Under present law the ratio to the automobile tax responsibility indicated by the incremental cost study, is 0.92 for the automobile, 5.65 for the 5-axle gasoline-powered vehicle, and 4.46 for the 5-axle diesel-powered vehicle. Under the President's proposal the ratios are 0.96 for the automobile, 7.17 for the 5-axle gasoline-powered vehicle, and 8.08 for the 5-axle diesel-powered vehicle. Under H.R. 6713 the ratios are 0.95 for

TABLE 7.

ESTIMATED EFFECT OF PROPOSED FEDERAL TAX CHARGES INCLUDED IN THE PRESIDENT'S MESSAGE OF  
FEBRUARY 28, 1961 ON COSTS OF OPERATING SELECTED VEHICLES

(Cents per mile)

VEHICLE TYPE	PRESENT COSTS			EFFECT OF PROPOSED CHANGE	
	OPERATING AND OTHER COSTS EXCEPT FEDERAL TAXES	FEDERAL AUTOMOTIVE EXCISE TAXES	TOTAL	AMOUNT	PERCENT INCREASE OVER PRESENT TOTAL COSTS
Automobile	9.21	.55	9.76	.01	.10
Single Unit Trucks					
2 axle - 4 tire	22.76	.52	23.28	.01	.04
2 axle - 6 tire	26.07	.89	26.96	.04	.15
Combinations with Semitrailers					
2 axle - 40,000 lbs. GVW					
Gasoline powered	35.70	1.37	37.07	.40	1.08
Diesel powered	34.32	1.21	35.53	.63	1.77
4 axle - 55,000 lbs. GVW					
Gasoline powered	38.20	1.63	39.83	.40	1.00
Diesel powered	36.68	1.37	38.05	.95	2.50
5 axle - 72,000 lbs. GVW					
Gasoline powered	45.51	2.11	47.62	.51	1.07
Diesel powered	44.54	1.72	46.26	1.20	2.59



the automobile, 6.93 for the 5-axle gasoline-powered vehicle and 5.82 for the 5-axle diesel-powered vehicle.

In the heavier weight groups, that is, for the 4- and 5-axle vehicles, both gasoline- and diesel-powered, the ratios under the President's proposal more nearly conform to the values indicated by the incremental cost study than do the ratios under H.R. 6713. Vehicles in the lower-weight groups would be charged more nearly the same under the President's proposal and H.R. 6713.

In view of the close relationship between the President's proposal and the incremental method of determining estimated tax responsibility, it is recommended that favorable consideration be given to adoption of the President's proposal for financing the highway program. The President's proposals for obtaining the additional revenue needed for financing the program are closely in line with estimated tax responsibility of the vehicles using our highways, and it is believed that the program should continue to be financed from existing sources of revenue instead of obtaining revenues from the general fund as in the case of the transfer of additional revenues accruing from excise taxes on trucks, buses and trailers.

Cost of Program Stretchout

I am sure that to stretch out or cut back the program for completion of the Interstate System is not a satisfactory solution. A stretchout in the program for completion of the Interstate System in 1972 would result in additional out-of-pocket costs to the highway user in the form of increased motor-vehicle operating costs and increased accident costs, beginning in 1962 and continuing until the program is completed. Estimated costs of a program stretchout are as follows:

<u>Length of stretchout</u>	<u>Date of completion</u>	<u>Estimated cost (billion dollars)</u>
1 year	1973	\$2.1
2 years	1974	4.6
3 years	1975	7.3
4 years	1976	10.3

In addition, there are other substantial benefits to completion of the program on schedule, such as savings in time and reduction in strain and discomfort while driving.

Conclusion

In concluding my remarks, I would like to state again that I believe the public interest requires completion of the Interstate System by 1972 in accordance with the original timetable, together with continuation of the ABC program at a somewhat increased level. I believe, too, that the

program should be financed on a pay-as-you-go basis in accord with the general principles of the 1956 legislation, and that the President's proposals offer the most practicable and equitable means for reaching these objectives.

Obviously, the program should advance at a prescribed rate. An orderly, well-managed program is conducive to efficiency for the State highway departments, for contractors, and for suppliers of equipment and materials. If we can anticipate the amount of work to be done annually, the cost of doing it will be lessened. We will get more for our highway dollar.

To complete the Interstate program by the originally scheduled date of 1972, while continuing the ABC program at a slightly increased level, is entirely a matter of providing additional revenues to the Highway Trust Fund. There is ample existing engineering, contractor, equipment, and materials capacity to handle a program of this size with efficiency, integrity, and economy.

The President's proposal provides such a program and the means to finance it. I join the Secretary in recommending its adoption by the Congress.

FIGURE 1  
INTERSTATE PROGRAM UNDER EXISTING  
LEGISLATION

BILLIONS OF DOLLARS

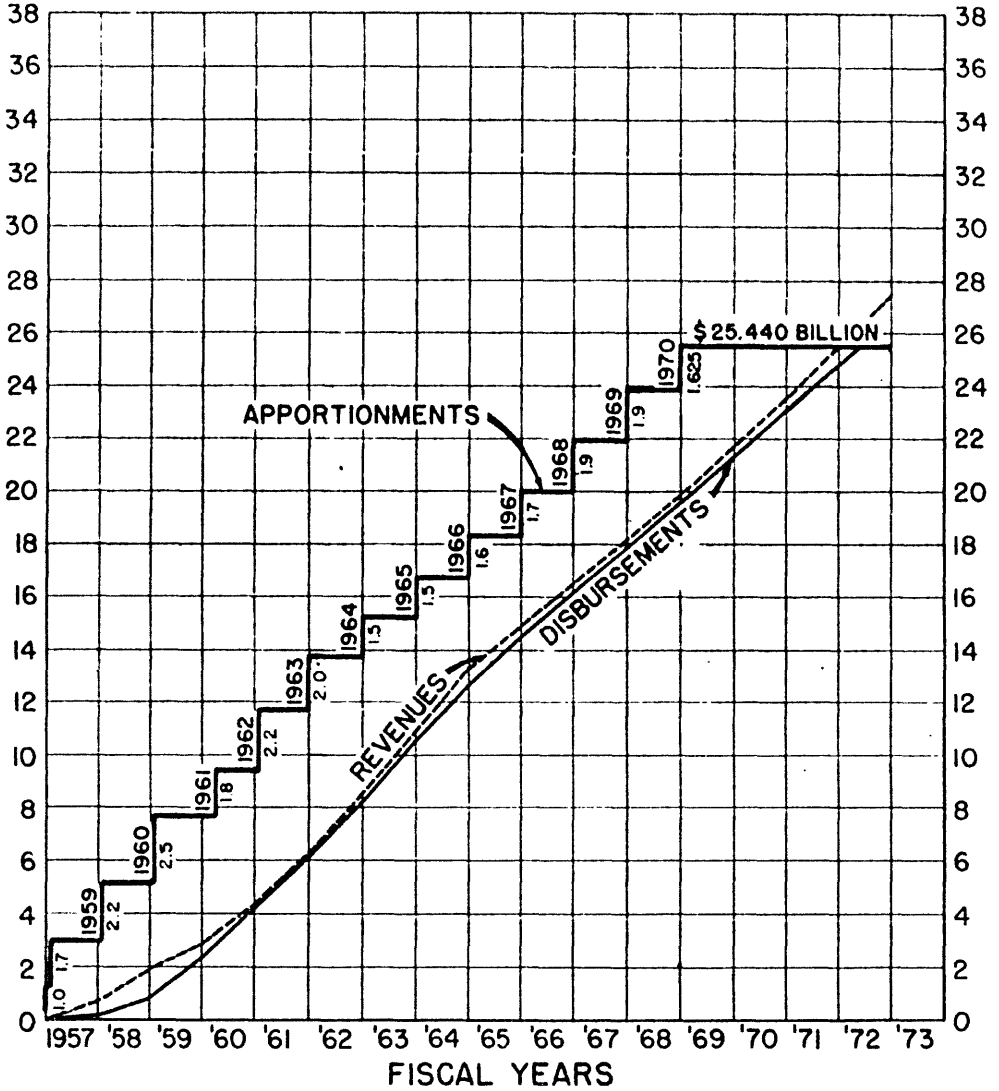


FIGURE 2  
COMPLETION OF INTERSTATE SYSTEM  
UNDER PRESIDENT'S PROPOSAL FOR  
INCREASES IN EXISTING EXCISE TAXES  
INTERSTATE PROGRAM

BILLIONS OF DOLLARS

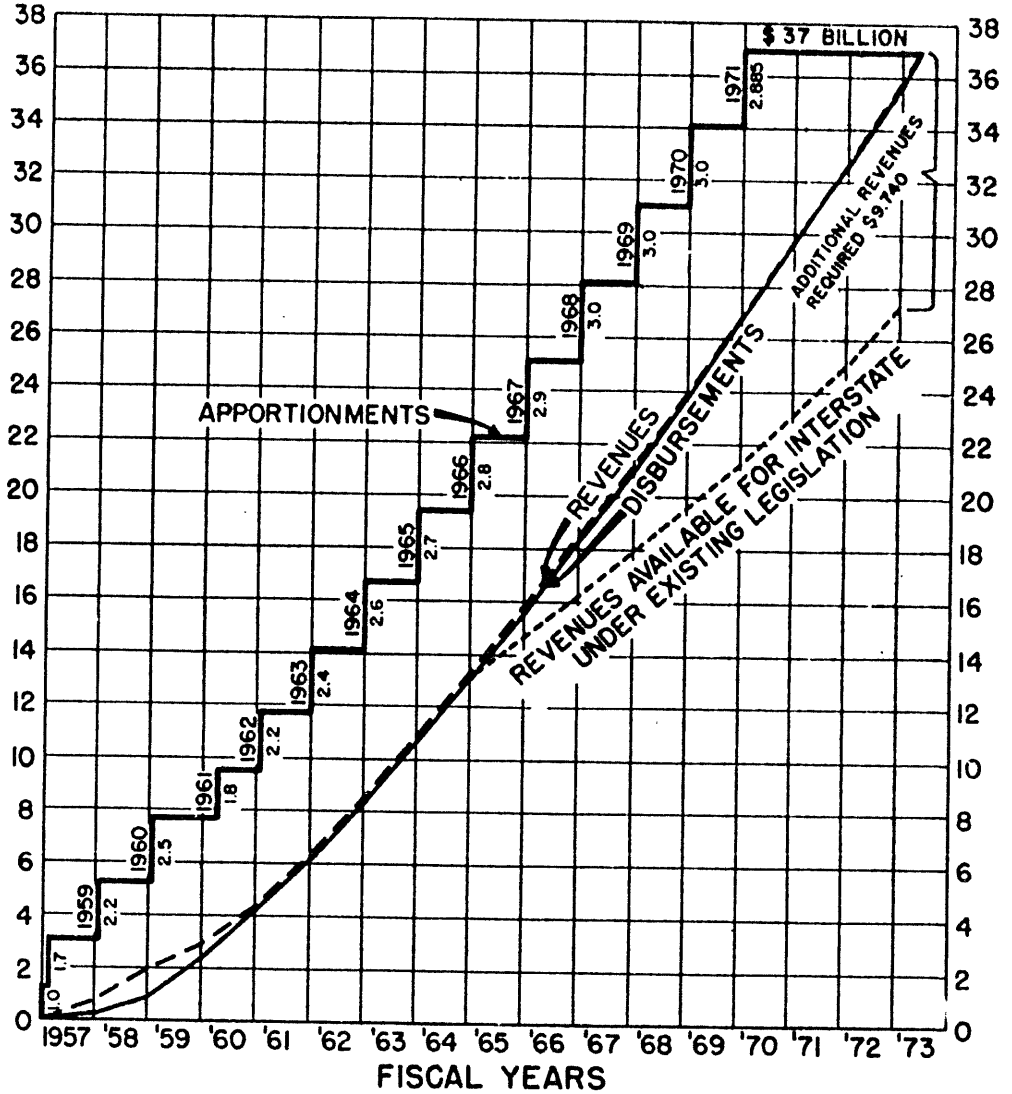


FIGURE 3  
ESTIMATED INCREASES IN HIGHWAY TRUST FUND REVENUES  
UNDER THE PRESIDENT'S PROPOSAL AND H.R. 6713, BY  
SOURCE OF REVENUE 1962-1973

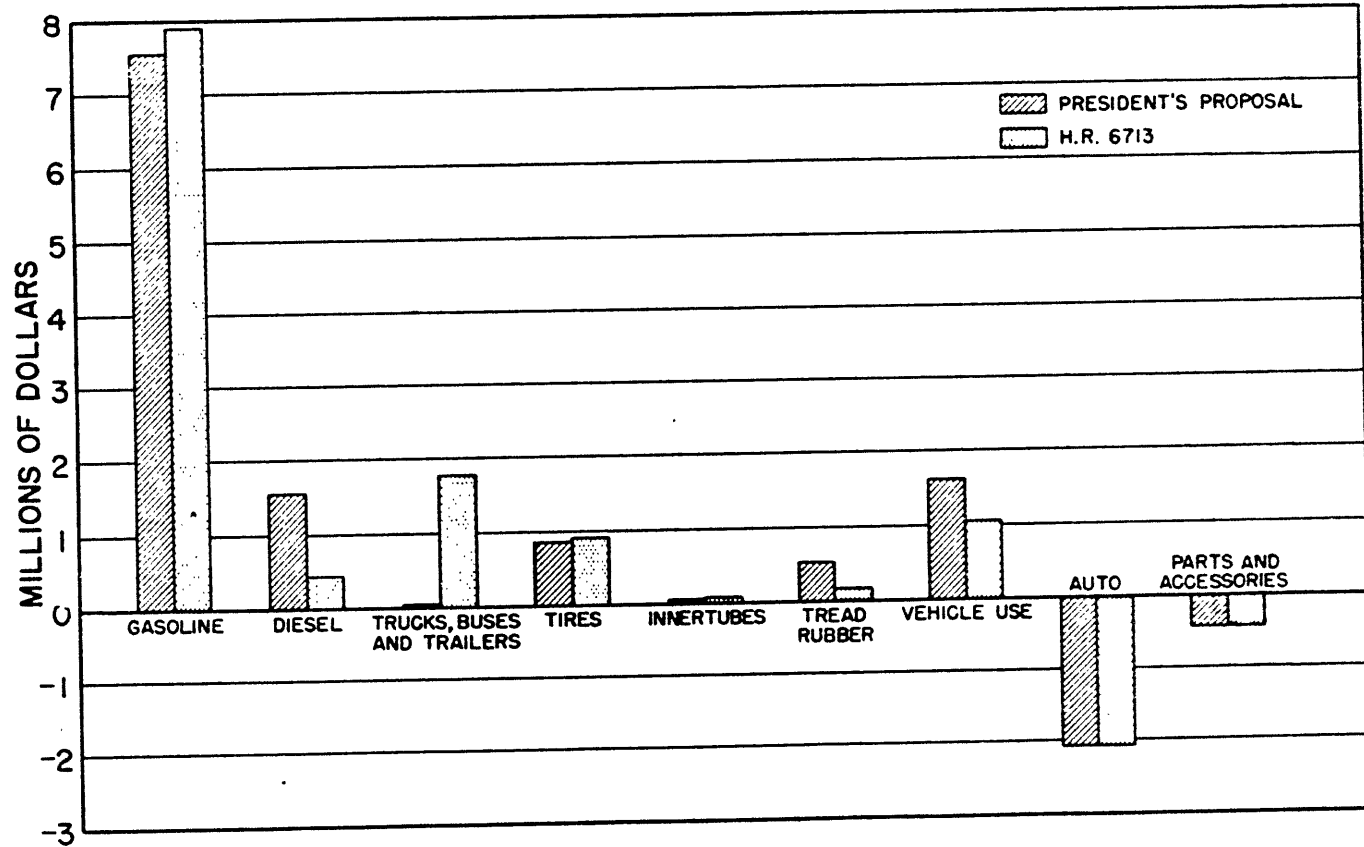
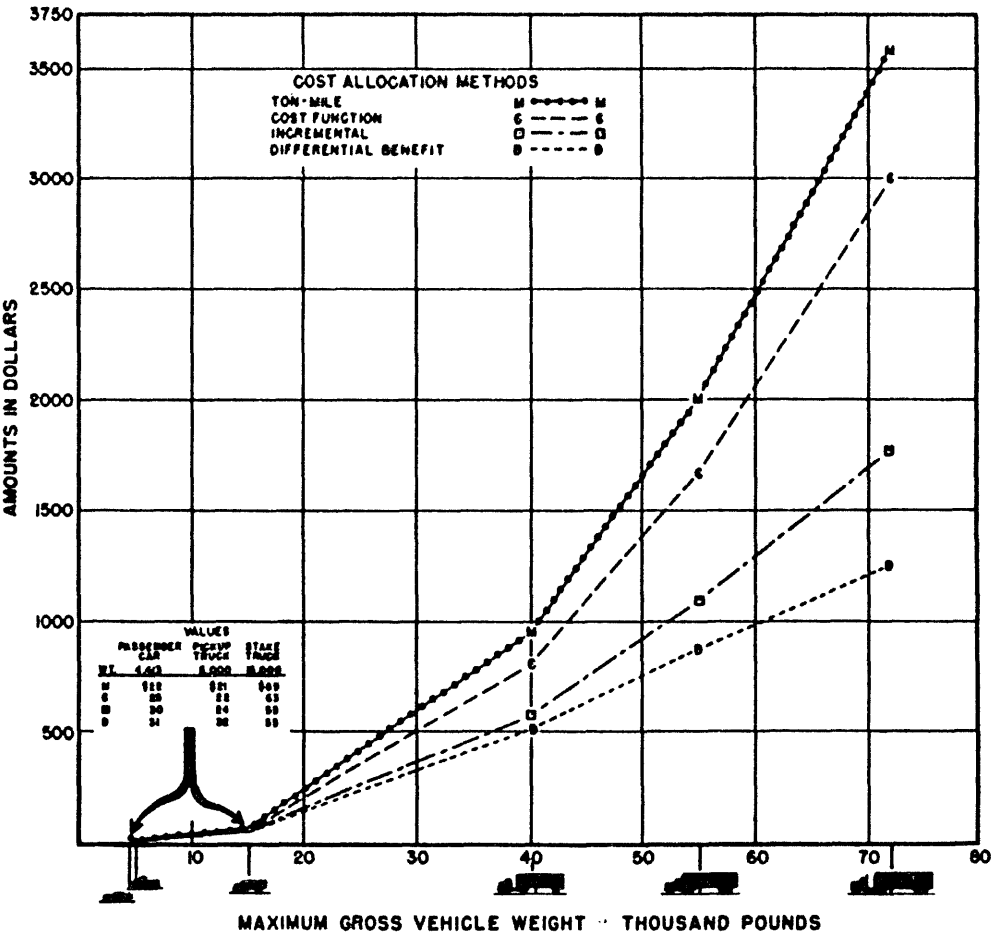


FIGURE 4  
REQUIRED ANNUAL PAYMENTS TO HIGHWAY TRUST FUND  
DERIVED BY FOUR DIFFERENT METHODS OF COST ALLOCATION



**FIGURE 5-A**  
**ESTIMATED ANNUAL TRUST FUND REVENUES FROM SIX SELECTED**  
**GASOLINE POWERED VEHICLES UNDER PRESIDENT'S PROPOSAL**  
**AND H.R. 6715 IN RELATION TO INCREMENTAL STUDY FINDINGS**

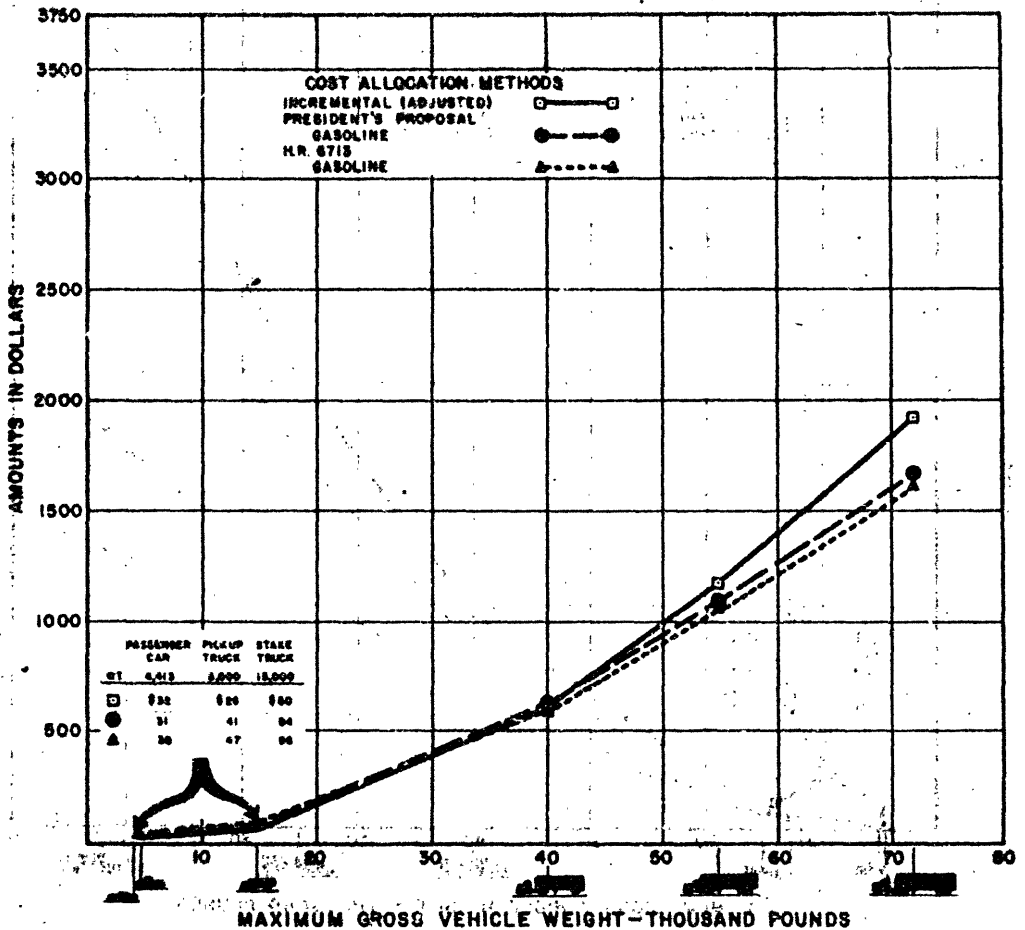
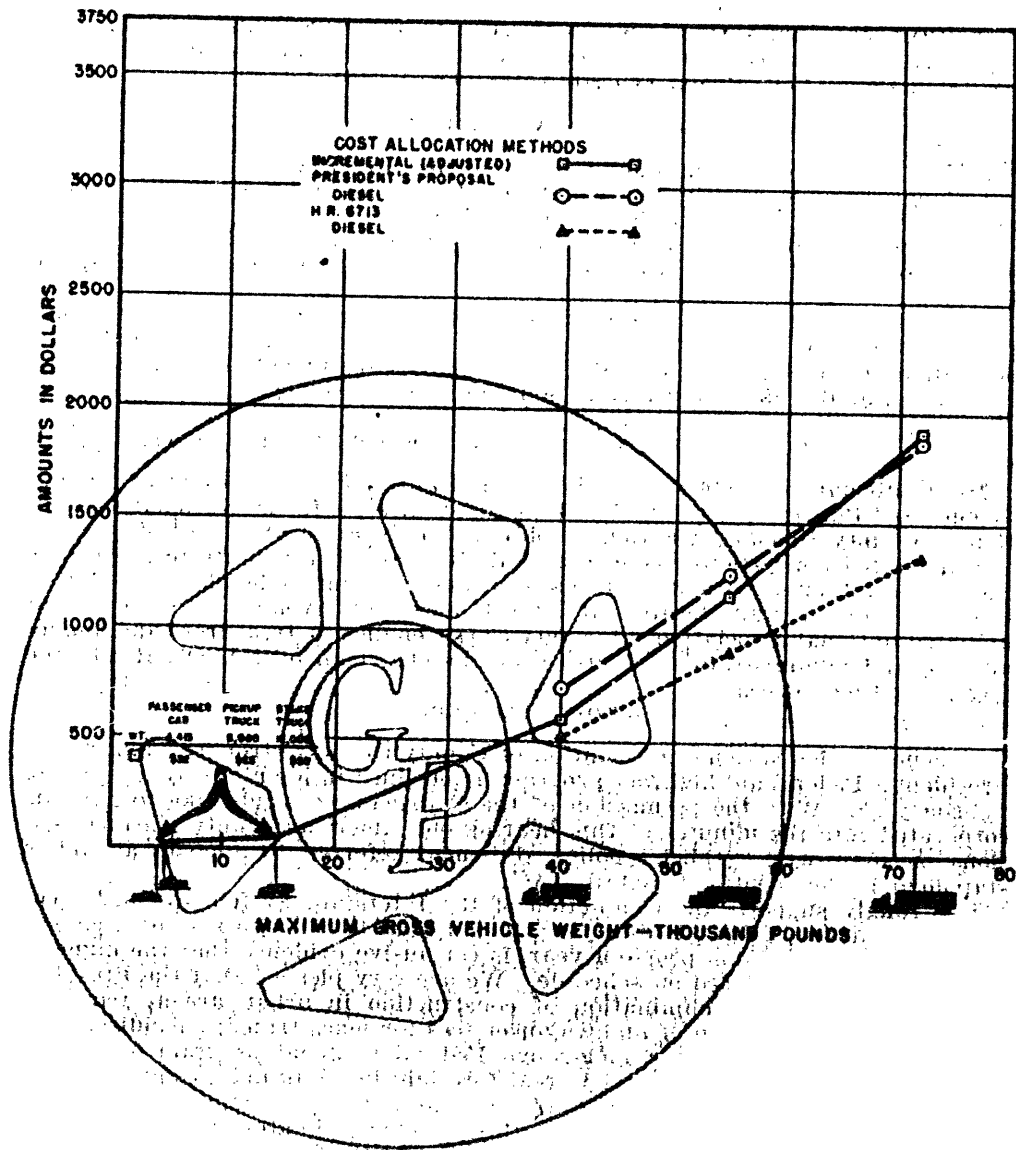


FIGURE 5-8  
ESTIMATED ANNUAL TRUST FUND REVENUES FROM THREE SELECTED  
DIESEL POWERED VEHICLES UNDER PRESIDENT'S PROPOSAL  
AND H.R. 6713 IN RELATION TO INCREMENTAL STUDY FINDINGS



The CHAIRMAN. The Chair is pleased to insert in the record of the hearings a statement in behalf of the National Association of County Officials submitted by the director, Christian H. Kahl, in lieu of a personal appearance.

(The statement referred to follows:)

STATEMENT OF CHRISTIAN H. KAHL, ELECTED COUNTY EXECUTIVE, BALTIMORE COUNTY, MD., AND DIRECTOR, NATIONAL ASSOCIATION OF COUNTY OFFICIALS, AND CHAIRMAN, NACO'S ROADS AND HIGHWAYS COMMITTEE

#### NACO HIGHWAY STATEMENT SUMMARIZED

1. The Interstate System should be completed by 1972.
2. Congress could greatly help county road programming by developing a long-range construction and finance program this year.
3. A finance plan should include a plan to finance a \$25 million increase in A-B-C appropriations each year rather than each 2 years as recommended by the President.
4. The finance plan advocated by the President is more advantageous to county roadbuilding than his alternate proposal of levying an additional one-half cent per gallon on gasoline since our State and county governments must look to the State gasoline tax as their principal source of road revenue.

#### WHAT IS THE NATIONAL ASSOCIATION OF COUNTY OFFICIALS?

Mr. Chairman, my name is Christian H. Kahl and I am the elected county executive of Baltimore County, Md. I am also a director in the National Association of County Officials, a national voluntary association of some 8,500 elected and appointed policymaking county officials in nearly every State in the Union. NACO has affiliated with it State associations of county officials in 44 States. Our Washington staff, located at 1001 Connecticut Avenue, also serves our affiliated national associations of county clerks, engineers, treasurers and finance officers, and administrators. I also serve as chairman of NACO's Roads and Highways Committee.

#### OPPOSE STRETCHOUT

In general, the National Association of County Officials strongly supports the President's Federal-aid highway program as outlined in his highway message of February 28. With the permission of the chairman we would like to have incorporated into the minutes of this hearing our American county platform sections on highways. (Official policy statement referred to appears at end of statement.) Commenting in detail, NACO—

1. Strongly supports the completion of the Interstate System by 1972. The estimated saving of 4,000 lives a year, plus a reduction in the rate of accidents which injure 1.4 million people a year, is conclusive evidence that the highway program must be finished on schedule. We are very pleased that the President opposed a stretchout; elimination of construction in urban areas; reduction in standards in diversion of highway-user fees for mass transit subsidies.

2. It is imperative that a long-range Federal financial program be devised this year. Congress has displayed great foresight in obtaining a comprehensive, factual analysis which is now available for the purpose of determining a long-range financial plan. This, coupled with the sound estimates of the State highway departments of the ultimate cost of completing the Interstate System, should be extremely helpful to the Congress in determining an equitable plan. Our nearly 3,000 counties with road programs urge the Congress to determine a level of construction and a finance plan to which they can gear their own construction and finance plans. Wide fluctuations or uncertainties in Federal plans of necessity unsettle State and local highway plans. Once the Federal long-range building and finance plans are determined, our counties can then plan both their Federal-aid highway plans and non-Federal-aid highway plans to match the Federal program. This will bring economies in land acquisition, facilitate total local community facilities planning and construction, ease the problems of family relocations, stabilize local staffing and equipment needs, and, in general bring far greater economy and efficiency into our local programs that require such long planning leadtimes. In short, our county highway departments and local finance officers must have definite assurance of the level of Federal activity in order to make maximum use of highway dollars.

3. The Federal finance plans should include a method to finance an increase of \$25 million each year for the A-B-C program until these appropriations reach a level of \$1 billion annually. This is the plan that Congress wrote into the 1956 Federal-Aid Act. The President recommends that the A-B-C appropriations be increased \$25 million each 2 years until they reach \$1 billion. The President's plan, therefore, represents an increase of only 1½ percent per year for a 755,728-mile system of roads that carry more than 60 percent of all traffic generated by our 70 million vehicles. The inadequacy of the recommended A-B-C appropriations can be seen when the 1½ percent annual increase in appropriations is measured against an estimated annual increase of 1,500,000 in the number of registered vehicles and an annual 2 to 3 percent in vehicle miles of travel (10 to 15 billion vehicle-miles increase per year). To increase A-B-C appropriations \$25 million each year would increase total costs \$125 million over the life of the program.

4. The President recommended that the highway program be financed by user taxes that fall heaviest on larger trucks and pointed out that the alternative was to increase gasoline taxes one-half cent per gallon. Of these two alternatives, the President's recommended plan would be more beneficial to county road construction since it would not place an additional burden upon the gasoline tax which is the main source of State and local user fee revenues. The State highway officials report that 40 States can raise their share of Federal matching funds for the life of the program without additional gasoline taxes. Nine States may raise taxes at the end of 2 years just to meet Federal matching requirements. Most States could use more money for maintenance and non-Federal aid projects. Some 16 States are now considering gasoline tax increases at the State legislature. Two States, Arizona and New Mexico, are considering proposals to allow their counties to levy county gasoline taxes. It is apparent that a further increase of one-half cent per gallon in Federal gasoline taxes would make it more difficult to get much needed State gasoline tax increases.

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## 2. ROADS, HIGHWAYS, AND TRANSPORTATION

2-1. Highway Act endorsed: We Americans, by free choice, have woven the motor vehicle into the fabric of our daily lives. We have deliberately become a nation on wheels. An adequate system of highways, both rural and urban, is therefore vital to our present way of life, our national economy, our military and civil defense and our future growth as a people. In recognition of these facts, the National Association of County Officials strongly endorses the national highway program as enacted in the 1956 Federal Aid Highway Act. The program, developed after long and careful study and debate, has broad citizens support.

2-2. Highway partnership: The partnership of 50 sovereign States within one sovereign nation is nowhere more clearly defined in law and practice than in the highway field. The Federal Government collects highway user taxes nationally and returns a portion of them to the 50 sovereign States on the basis of legislative formulas to help finance selected systems of roads, the development of which are mutually determined to be in the national interest. This relationship requires of the Federal Government that it plan and develop jointly with the States and their political subdivisions, to conform to mutually agreed upon standards and specifications, a National System of Highways, and that it not violate the spirit of State sovereignty through hamstringing regulations or arbitrary use of its control over enormous sums of money. It requires that the States and their political subdivisions exercise particular care in planning, staffing, directing, supervising, and controlling construction.

2-3. Interstate highways: We favor completion, not later than 1972, of the 41,000 miles of interstate and defense highways. The national importance of these roads demands that the Federal Government continue to pay 90 percent of the cost with the States absorbing the remaining 10 percent and all maintenance costs. Control of access, separation of grade, and other standards carefully developed by the States and the Federal Government to meet traffic volumes of 1975, should be scrupulously followed to protect this tremendous national asset. Those who propose penny-pinching, compromise with standards or stretchout of the program must remember that nearly 40,000 Americans die each year on our horse-and-buggy roads.

2-4. Federal aid secondary: Counties which have primary responsibility for 520,371 miles of Federal-aid secondary roads urge the Congress to honor its

commitment expressed in the 1956 act to increase appropriations for the primary, secondary, and urban extension systems by \$25 million annually until they reach a level of \$1 billion a year. Each county, in cooperation with the State and Federal Government, should immediately undertake a more detailed highway needs study upon which we can develop a realistic national program to keep development of the secondary system in balance with the other systems of roads.

2-5. Comprehensive highway planning: Since the highway systems will have great effect on the future development of both urban and rural areas, great care should be exerted to insure that each section is designated to facilitate the wisest possible development of the region. To this end:

(a) Every county should have planning and zoning machinery and regardless of size, should encourage on a continuing basis the planning and zoning processes;

(b) The county highway plan approved by the elected officials should be developed in cooperation with the planning body and should make adequate allowance for agricultural, industrial, and residential development; urban renewal; coordination of highways with water, rail, air, and truck transportation; and, should take into consideration such factors as recreational open space needs;

(c) The State highway departments should honor such plans where they exist in a usable form and should encourage the development of such plans where they do not exist through the use of 1½ percent funds authorized in the Federal-aid program, the provision of State-collected data, technical staff assistance, loan of technical equipment, provision of financial assistance for independent studies, State training of local personnel, and such other assistance as is necessary;

(d) In the typical area where we have a welter of smaller political subdivisions engaged in highway planning and construction, the county (or several counties acting together) which is the political unit representing all the people of the area, should take the lead in coordinating all the area highway plans and where possible, should serve as a single point of contact between the State highway department and the area;

(e) Comprehensive highway planning must be diligently carried out to provide for prompt realistic action and informed decision under controls exercised by elected representatives.

The CHAIRMAN. The Chair takes pleasure in submitting for the record a letter from Clarence R. Miles, manager of the legislative department of the Chamber of Commerce of the United States in support of the expanded program as authorized in the 1956 Highway Act.

(The letter referred to follows:)

CHAMBER OF COMMERCE OF THE UNITED STATES,  
Washington, D.C., June 5, 1961.

Hon. HARRY F. BYRD,  
Senate Finance Committee,  
Senate Office Building,  
Washington, D.C.

DEAR SENATOR BYRD: The national chamber would like to present to your committee its views concerning the future of the Federal-aid highway program.

The chamber supports the expanded program as authorized in the 1956 Highway Act. We are convinced that it is needed to remedy serious deficiencies in the Nation's highways important to interstate commerce and national security.

Because of the national importance of the Interstate System, we are in agreement that the Federal Government should continue to assume primary responsibility for financing its modernization.

We also agree that the "pay-as-you-go" principle established in the act is sound and should be maintained.

The President pointed out in his special message to the Congress that presently scheduled revenues for the highway program will be insufficient to complete it on schedule. We believe that it should be completed on schedule. Such additional financing as is required should be obtained to the maximum extent feasible from current revenues. If such revenues are insufficient for these needs, additional funds should be obtained by reasonable and equitable increases in taxes among the various classes of persons using the Federal-aid highways or otherwise deriving demonstrable and direct benefits from such highways.

It will be appreciated if this letter will be made a part of your current hearings.

Cordially yours,

CLARENCE R. MILES,  
*Manager, Legislative Department.*

The CHAIRMAN. The Senate is in session and we have been told that we are not permitted to meet, so we will have to adjourn until tomorrow morning. The three remaining witnesses will be called first tomorrow morning.

(By direction of the chairman, the following is made a part of the record:)

NEW MEXICO MOTOR CARRIERS' ASSOCIATION, INC.,  
*Albuquerque, N. Mex., March 7, 1961.*

HON. DENNIS CHAVEZ,  
*U.S. Senate, Washington, D.C.*

MY DEAR SENATOR: Statements made by President John Kennedy in his special message to Congress recommending major increases in Federal taxes paid by heavy trucks are so far out of reason that we find it very difficult to prepare an adequate statement.

While the New Mexico Motor Carriers' Association does not presume to talk for the entire trucking industry, we would like to point out that President Kennedy has ignored a number of unrefutable facts:

1. The effects on design, construction, and maintenance of Federal-aid highways by the various users and the frequency of such vehicles in the traffic stream.

(Proper recognition of the value of these highways to the Nation's defense must be given.)

2. The cost responsibility of each of these different types of vehicles together with the benefits derived by each.

3. The direct and indirect benefits accruing to other classes besides highway users.

In his statement, President Kennedy has apparently ignored items 1 and 3 of the above entirely, and the only conclusion that can be drawn is that he is looking for a victim without losing popular votes.

Before any consideration is given to raising highway user taxes, something should certainly be done to halt the present diversion of such highway users taxes into the general fund. At the present time approximately \$1,700 million is being diverted yearly.

At the present time, highway user taxes collected, those going into the highway trust fund and those being diverted are as follows:

Going into the highway trust fund:

Four cents per gallon Federal tax on highway motor fuel, gasoline, and diesel;

The tax on tires and tubes;

The tax on tire retread material;

One-half of the 10 percent tax on new trucks, busses, and trailers;

The special \$1.50 per 1,000 pounds Federal tax on all trucks having a taxable gross weight greater than 26,000 pounds;

Five-eighths of the 8 percent tax on automotive parts and accessories; and

One-half of the 10 percent excise tax on new automobiles.

Motor vehicle taxes being diverted into the general fund and not to the highway trust fund are—

One-half of the 10 percent Federal excise tax on new automobiles;

The remaining one-half of the 10 percent Federal excise tax on new trucks, busses, and trailers;

The 6 cents per gallon tax on lubricating oils; and

Three-eighths of the 8 percent tax on automotive parts and accessories.

The trucking industry feels that the highway trust fund should be supplemented by appropriations from the general fund in recognition to the nonhighway user benefits of the expanded highway program.

Our position of opposition to increases in highway user taxes is clear, and before any increased taxes to highway users are levied for the Federal highway program, the Congress should dedicate to the present highway program the present special highway user taxes that are diverted into the general fund, and

which are depriving the highway trust fund of approximately \$1,700 million each year. This diversion will amount to more than \$20 billion during the life of the highway program. We fail to see why there should be any diversion whatever.

We are very firmly opposed to the increases recommended by President John F. Kennedy.

Very truly yours,

LESLIE R. THOMAS,  
*Managing Director, New Mexico Motor Carriers Association, Inc.*

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ST. LOUIS TIRE DEALERS' ASSOCIATION,  
*St. Louis, Mo., June 3, 1961.*

Senator HARRY F. BYRD,  
*Chairman, Finance Committee,  
Senate Office Building,  
Washington, D.C.*

HONORABLE SIR: I would like to bring to your attention the hardship that will be caused through the increase on the tread rubber for the proposed improvement of the national highway.

For the past 5 years the recapping industry has been on a general decline and this condition was brought about by the major rubber companies introducing a third-line tire that is very cheap in construction and was purposely manufactured to replace the recapping market.

This tire was so priced and through national advertising in this advertising the prices that were quoted were very close to the price range of a first-class re-capped tire; therefore it was so attractive that the motoring public have been buying these types of tires which automatically cut into the recapper's field.

We heartily agree with the national highway program, but we do believe it should be financed in such a way that it will not create an additional hardship on those who are already facing a decrease in business due to the chaotic condition in general that has been in existence for the past 3 years.

The records will show that the major oil companies have been continuously showing a financial increase every quarter when these financial reports are printed in various trade papers and magazines and if you will definitely analyze the various segments of business that will profit by this improved highway and by the same token check the records as to the premium that is paid by the major oil companies to build their service stations on these types of thoroughfares it will automatically show that the major oil companies should pay a certain proportion of the cost of the building and maintaining of these highways.

If you will analyze the method that is being now used in the financing of this program you will note that the diesel oils and recap rubber, tires, and tubes have been increased in price.

It is true that these increases are added to the various lines of commodities that are taxable without any resistance from Mr. John Q. Public, because Mr. Big Businessman automatically adds this on to the products that are bought by the public and these manufacturers do not in any way bear this increased cost of these products which would automatically have a reflection from the profits standpoint.

You know as well as I do that John Q. Public is saddled with these types of expenditures and the big manufacturers and oil companies have privileged tax concessions, which is absolutely unfair from a tax standpoint of the small individual who has to pay his full share on his taxes without any privileged deductions.

Therefore, I believe that if this committee will make a complete study of the depletion allowances that are granted the major oil companies before taxation the figures will be startling and by the same token they are the main ones who will profit continuously on the use of these highways because the more these highways are traveled the more gasoline and diesel will be used and naturally their margin of profit will be greater.

It should be understood that it is impossible for the individual small recapper to assume any additional cost in the recapping of tires because the recappers pay a very high labor rate and any additional cost of operation will force them out of business.

We sincerely hope that you will understand our position and if the above-mentioned facts are studied I believe that you will agree improvements of this

nature should be financed by those who will greatly profit by such an improvement.

Trusting you will understand our position and recommend to your committee to approve the 2 cents per pound on tread rubber as proposed by the House committee.

Sincerely yours,

CHAS. J. SWARTHOUT,  
Executive Secretary.

#### STATEMENT OF THE AMERICAN AUTOMOBILE ASSOCIATION

We appreciate this opportunity to present the views of the American Automobile Association on behalf of its more than 7 million motorist members on House-passed H.R. 6713, the Federal Aid Highway Act of 1961.

We offer three specific proposals:

(1) We urge that the temporary fourth cent tax on gasoline enacted in 1959, which is scheduled to expire June 30, 1961, be permitted to expire.

(2) We urge a 2-cent differential between Federal taxes on gasoline and diesel fuel.

(3) We urge that the committee make provision in the tax schedule so that non-highway-user beneficiaries will pay their fair share. We feel that the highway cost allocation report as provided for in section 210 of the Highway Act of 1956 definitely shows substantial benefits to non-highway-user beneficiaries. Until an equitable way can be found to assess a tax specifically against non-highway-user beneficiaries, we suggest the transfer of sufficient funds each year from the general fund to the highway trust fund to complete the program on a schedule determined by the Congress. If the program is to be completed on schedule in 1972 this will mean transferring from the general fund to the highway trust fund each year an amount which will average about \$675.8 million over the next 11 years.

Should the committee agree with the recommendations of the President and the House of Representatives that the highway program be completed on schedule, then we recommend the tax structure shown in the following table in lieu of that contained in H.R. 6713. Our detailed reasons for these proposals are set forth immediately following the table on page 3.

*Estimated average annual trust fund revenues, fiscal 1962 through Sept. 30, 1972*

Tax Item	Rate	Estimated average revenue (millions)	Percent	Percent paid by autos and light trucks	Percent paid by trucks over 8,000 pounds
Gasoline.....	3 cents per gallon.....	\$1,971.0	53.3	78.4	21.6
Diesel fuel.....	5 cents per gallon.....	135.0	3.6	-----	100.0
Tread rubber.....	5 cents per pound.....	33.4	.9	72.0	28.0
Tires.....	10 cents per pound.....	387.0	10.4	74.0	26.0
Inner tubes.....	10 cents per pound.....	18.0	.5	28.0	72.0
Truck use tax.....	\$3 per 1,000 pounds over 26,000.	165.0	4.5	-----	100.0
Subtotal.....	-----	2,709.4	-----	168.7	31.3
Truck excise.....	10 percent.....	314.8	8.5	-----	-----
Nonuser beneficiaries.....	-----	675.8	18.3	-----	-----
Total.....	-----	3,700.0	100.0	-----	-----

<sup>1</sup> In addition to paying about 68.7 percent of highway costs, the passenger car owners are paying about \$1,600,000,000 each year in excise taxes to the general fund (10 percent auto, 8 percent auto parts and accessories). (See p. 18, H. Rept. 326, 87th Cong., 1st sess.)

<sup>2</sup> Dedicated to trust fund from general fund.

#### DIESEL FUEL INCREASE 3 TO 5 CENTS

AAA believes that the additional funds to be realized from the increase in the truck use tax from \$1.50 to \$3 per 1,000 pounds over 26,000 pounds gross weight is a desirable step in the direction of adjusting the Federal tax structure so that this heavy class of vehicles more nearly meets its fiscal responsibilities. However, there is another area of tax equity among various classes of highway users

which merits additional congressional consideration. This calls for a differential tax rate as between the users of gasoline and the users of diesel fuel.

Excise taxes on gasoline and diesel fuel to some extent form a basis for measuring highway use. However, to tax diesel fuel at the same rate as gasoline is patently unfair to the users of gasoline. In similar vehicles diesel fuel users obtain 60 percent more mileage out of a gallon of diesel fuel than do gasoline users out of a gallon of gasoline.

An identical tax rate on both types of fuel permits diesel fuel users to escape their proportionate share of highway cost responsibility. Increasing proportions of heavy trucks are diesel powered. If the tax rates on gasoline and diesel fuel are the same this will mean an increasing loss of fuel tax revenue. The inequity will also increase.

#### GASOLINE TAX SHOULD BE REDUCED TO 3 CENTS

The States and highway users were told by Congress in 1959 that the fourth-cent tax was temporary and would expire June 30, 1961. Since 1959 several States, apparently relying on the June 30, 1961, expiration date, have increased or are giving consideration to increasing their gas tax rate.

The bill under consideration by your committee would extend this tax to October 1, 1972, thus repudiating Congress' promise to the States and highway users and imposing on motorists another decade of inequity.

Gasoline undoubtedly is the most overtaxed commodity in America. State taxes average a fraction over 6 cents a gallon; the Federal tax brings this to 10 cents a gallon, increasing by 50 percent the retail price of gasoline which is by no means a luxury but a vital necessity to the vast majority of American families.

#### NONUSERS SHOULD HELP SUPPORT THE PROGRAM

There is ample documentation showing the vast contribution of the Federal highway program to the general economic welfare of the Nation, to the national defense, and to various segments of the economy which derive benefits from the highway program without making direct contributions to the highway trust fund. For example, part VI of the "Highway Cost Allocation Study" dealing with the economic and social effects of highway improvement shows conclusively the important benefits that flow in many directions from the Federal-aid program.

Congress in 1956 recognized the potential inequities of the taxing program and called for extensive studies as to the taxes that should be paid by those benefiting from the highways other than through direct use, as well as the proper distribution of taxes among various classes of vehicles using the highways.

The House Ways and Means Committee in its report on the Federal-Aid Highway Act of 1961 stated that it was "impressed with the nonhighway user benefits which will be derived from the highway program." However, the tax schedule in H.R. 6713 does not recognize nonuser obligations. We believe that this is inequitable.

#### CONCLUSION

In conclusion, we respectfully urge the committee to amend title II of H.R. 6713 providing for—

(1) Expiration of the temporary fourth cent tax on gasoline as scheduled on June 30, 1961.

(2) A 2-cent differential between Federal taxes on gasoline and diesel fuel. Thus the diesel fuel tax should be raised to 5 cents as against a 3-cent gasoline tax.

(3) The recognition of the tax obligation of nonhighway user beneficiaries. Until an equitable way is found to assess a tax specifically against nonhighway user beneficiaries, H.R. 6713 should be amended to authorize the transfer of sufficient funds from the general fund to the highway trust fund so as to complete the highway program on a scheduled determined by the Congress.

MONSEY, N.Y., June 5, 1961.

SENATE FINANCE COMMITTEE,  
Senate Building, Washington, D.C.:

Reference highway bill, H.R. 6713, tax raise on tread rubber will seriously affect retreaders. No increase on tread rubber excise tax should be considered

at this time. Diminishing returns will not help to finance highway program. Independent retreaders are faced with severe competition from low-quality new tires and consumer safety is at stake. As an independent retreader I ask that you study our problems before voting.

FRED DRESDALE,  
*Daley Tire Service.*

LAKEWOOD, OHIO, June 6, 1961.

HON. HARRY FLOOD BYRD,  
*Senate Office Building, Washington, D.C.:*

We strongly urge your support in voting against any further increase in excise tax on tread rubber as proposed in the President's highway tax bill. We believe this unfair and discriminatory against the independent tire retreaders and would imperil their chance of remaining in business.

CARL E. MCCAGUE,  
*Executive Secretary, Greater Cleveland Tire Dealers Association.*

OAKLAND, CALIF., June 7, 1961.

HON. HARRY BYRD,  
*U.S. Senate, Washington, D.C.:*

Eleven hundred California independent tire dealers and retreaders urge you to oppose the 231 percent tax increase on tread rubber as recommended by President Kennedy. Fifty-four percent of all tires are bought by people who earn \$6,000 a year or less. These people want a good, safe, reliable tire at a price they can afford to pay. The abnormal tax increase on tread rubber will encourage people to buy new, unsafe, cheap tires. This is a manufacturer's tax and not to be imposed on small independent rebuilders of tires. The 2-cent proposed increase is much above the increases on other tire items. Any increase in the tax on new tires, tubes, and tread rubber should be proportionately equal. Your consideration of these facts is solicited and appreciated.

JOSEPH MAHER,  
*President, California State Tire Dealers Association.*

THE SHIPPERS' CONFERENCE OF GREATER NEW YORK,  
*Brooklyn, N. Y., May 31, 1961.*

HON. DENNIS CHAVEZ,  
*Chairman, Senate Public Works Committee,  
U.S. Senate Office Building, Washington, D.C.*

DEAR SENATOR CHAVEZ: We understand that H.R. 6713, the Federal-Aid Highway Act of 1961, is now before your committee for consideration. The Shippers' Conference of Greater New York hereby registers its opposition to title II of this bill, entitled "Internal Revenue Code and Highway Trust Fund Amendments."

The conference includes in its membership traffic officers in charge of the transportation of industrial concerns or commercial organizations and representatives of shippers located in, or interested in transportation to or from, the metropolitan district of Greater New York. It does not include any carrier membership.

A large number of our membership operate their own trucks or fleets of trucks. The recommended tax increases would present an additional burden on them which would result in greater inflation. It will ultimately fall on the consumer due to increased costs on every type of industrial and commercial product.

Many of these taxes which are levied on motor vehicles are placed and left in the general fund, whereas they should be earmarked and kept in the fund for which they were collected; namely, the highway program.

The truck operators are being assessed by local, State, and Federal authorities. The proposed increased taxes cannot be absorbed and will have to be passed on to the general public.

We strongly urge that this measure be defeated.

Respectfully yours,

D. J. SPEERT, *Chairman.*

(Whereupon, at 12:15 p.m., the committee adjourned to reconvene at 10 a.m., Wednesday June 7, 1961.)



## TITLE II OF H.R. 6713 RELATING TO HIGHWAY FINANCING

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WEDNESDAY, JUNE 7, 1961

U.S. SENATE,  
COMMITTEE ON FINANCE,  
*Washington, D.C.*

The committee met, pursuant to recess, at 10:10 a.m., in room 2221, Senate Office Building, Senator Harry F. Byrd (chairman) presiding.

Present: Senators Byrd, Gore, Talmadge, Hartke, Williams, Bennett, Morton, and Douglas.

Also present: Elizabeth Springer, chief clerk.

The CHAIRMAN. The committee will come to order. Hearings are resumed on title II of H.R. 6713.

The first witness is Mr. Thomas R. Kingsley, the Movers Conference of America.

Mr. Kingsley, will you come forward and proceed, please?

### STATEMENT OF THOMAS R. KINGSLEY, MOVERS CONFERENCE OF AMERICA

Mr. KINGSLEY. Mr. Chairman, Senator Douglas, my name is Thomas R. Kingsley. I am general manager of the Movers Conference of America. The movers conference was organized in 1943 as the national association for the moving industry. It is a voluntary membership organization dedicated to the interests of motor carriers of household goods and is representative of members located throughout all parts of the United States. The offices of the movers conference are located at 1616 P Street NW., Washington, D.C.

I deeply appreciate the opportunity to come before this committee and testify on H.R. 6713.

We are concerned particularly with the proposed increase in the highway motor vehicle use tax imposed under section 4481(a) of the code as amended. This tax currently is imposed at the rate of \$1.50 per year for each 1,000 pounds of taxable gross weight. As this tax has been applied to the moving industry it has been particularly discriminatory in its incidence. Under standards which are purely artificial, this industry is being taxed for something which does not exist and which can never exist.

In order to bring into perspective the role of this industry in the family life and economy of the Nation, I should like to make reference for the record to certain maps and data.

I believe that they have been passed around.

One is entitled: "Mobility of the Population of the United States: April 1958-59"; Bureau of Census, U.S. Department of Commerce; Series P-20, No. 104; September 30, 1960.

The other is entitled: "Components of Population Change by States: 1950-60"; Bureau of Census, U.S. Department of Commerce; Series P-25, No. 227; April 26, 1961.

Mr. KINGSLEY. The first is a current population report showing population characteristics. It shows the number of people moving and breaks it down into location, type of residence, occupation, color, sex and age, marital and employment status, and numerous other classifications.

The second contains maps on the last two pages showing net migration losses and increases among the States during the past two decades.

The Bureau of Census reports that one out of every five persons moves from one residence to another each year.

Of the 45 million American families, more than 9 million are involved in the annual move from one home to another.

The military alone spends well over a hundred million dollars annually in moving the household goods and personal effects of servicemen and their families.

American business spends well over a hundred million dollars annually moving its employees about the country.

Several bills currently are pending to allow those who move from depressed areas for purposes of obtaining employment to obtain a deduction for the expenses incurred in moving family and household effects.

President Kennedy last week sent to the Congress a bill (H.R. 7373) which would provide for the retraining and moving of unemployed workers. The bill proposes to pay 50 percent of the expenses incurred in the moving of these workers and their families and household effects to areas where jobs are available.

Moving the personal possessions of these families is the service provided by the members of this industry. The moving and storage industry is comprised of approximately 12,000 local, intrastate, and interstate moving companies. Approximately 3,184 of these companies hold certificates from the Interstate Commerce Commission identifying them as motor common carriers of household goods. Intrastate movers are classified and identified in the same way by State utilities commissions in almost all of the States. Many of the larger cities, and even numerous smaller cities, by local ordinance or State public utilities laws, similarly regulate and define the scope of operations of local movers. For example, in the city of New York alone there are about 1,000 movers licensed for local moving by the New York Public Utilities Commission. The only exceptions in State regulation which come to mind are Delaware, Maryland, New Hampshire, New Jersey, and the District of Columbia where motor carriers generally are not regulated but in which States, nevertheless, movers require and do use the same special types of equipment because of the kind of service which they render.

The Interstate Commerce Commission and State commissions define "household goods" authority, in the certificates or licenses issued as a franchise, as a type of service requiring special skills and special equipment.

The foregoing is useful in order to understand the fallacy of certain objections which the Treasury insists upon raising to avoid correction of admitted inequities in the Federal highway use tax.

It is of the utmost importance that we clearly distinguish and establish the fact that we are not here asking for favored treatment or for any subsidy. We are here pleading only for the correction of an inequity which is acknowledged to exist under the classifications set forth in the Federal highway use tax.

When the Treasury first proposed the regulations that led to Treasury Decision 6216, the moving industry was concerned with respect to the method of determining taxable gross weight. That this concern was no idle matter became apparent when the mandatory use tax schedule of the Treasury was released. The schedules resulted in the compulsory assignment of taxable gross weights to moving vans which were based on studies of the Treasury and the Bureau of Public Roads that involved weight loads of more than three times the loads actually carried by movers. These facts are not in dispute by the Treasury, as they were stipulated to by the Government in the course of a lawsuit in the Court of Claims. We have attached on the back of this statement a chart and two of the court's findings. You will find them on the last two pages.

This stipulation showed that the load density of moving vans was less than 6 pounds per cubic foot. The loads included in the study by the Bureau of Public Roads, on which the Treasury issued its regulations had a load density of more than 25 pounds per cubic foot in the case of 91 percent of all the cargoes included in the Bureau of Public Roads' studies. This means that 9 percent of the cargoes had a load density of less than 25 pounds. And, as stipulated, the load density of movers was actually 6 pounds per cubic foot. This has resulted in discrepancies beyond justification under any concept of general averaging or simplified tax administration. In its opinion, the Court of Claims recognized that household goods "are much lighter than the merchandise normally carried in trailers used for general hauling purposes" and stated that this artificial classification was in fact made by Congress itself. The court said:

In the instant situation Congress recognized, as does the plaintiff, that it would be impracticable to weight actual loads for the purpose of assessing the tax. It was a tax payable once a year. Practically, it had to be based on capacities of equipment. Congress might have provided that if a taxpayer could prove that it was in the kind of business in which it never used the equipment up to its weight capacity, or that under its Interstate Commerce Commission license it could not lawfully so use its equipment, the tax should be reduced accordingly. Whether such differential treatment of various classes of highway users would have created administrative difficulty and expense disproportionate to the benefits resulting from it was a problem for Congress, not for the courts.

While the Treasury occasionally expressed sympathy with the plight in which the moving industry has found itself under the highway motor vehicle use tax, it has been unwilling to provide any administrative relief and has opposed legislative relief on the ground that this would set a precedent for other industries to complain and, further, that it might lead to problems of enforcement. Neither of these objections appears to be well taken. The discrimination against the moving industry has been admitted by the Government and has been so found by the Court of Claims. Other industries have not significantly complained as far as we know, with the exception of

carriers of automobiles. Thus, fear of the Treasury that a recognition of the plight of the moving industry was a Pandora's box is largely imaginary. We feel strongly that the discrimination against our industry should be removed and that we should be taxed according to a weight that bears a taxable relationship to the undisputed facts, the gross weights of moving vans. If the increase in the tax rate for \$1.50 to \$3 per thousand pounds under the action by the House is put into effect, this discrimination against the moving industry would be compounded.

In other words, the taxing of weights that do not and can never exist would be doubled by reason of the artificial standards which apply.

The House has recognized in part the problem of the moving industry by calling for a study of the matter. There is no need for further study since the facts on the discrimination against the moving industry are well known to the Treasury and to the courts and are not susceptible to dispute by the Government. The moving industry has patiently waited for relief for several years. To force it to wait for the outcome of further studies at the same time as the tax rate is doubled would be to double the discrimination against the moving industry. The result is that movers would continue to pay a much heavier tax than they would have to pay if the tax bore a reasonable relationship to the actual gross weights of moving vans in their maximum loads.

The problem of enforcement can be easily exaggerated in the case of this industry. The reason for this is that the moving industry is regulated by the Interstate Commerce Commission insofar as movers engage in interstate commerce and by State commissions insofar as they move in intrastate commerce.

Under these regulations the moving vans can be used only in servicing shipments of household goods and related items. This was demonstrated to the Government's satisfaction during the war years when it attempted to force the use of moving vans for hauling general commodity cargoes. Any apprehension that movers will use their equipment loosely in various types of motor carrier service is to ignore the several natural economic divisions of the motor carrier industry. These natural divisions of the common carrier motor service have been separately classified for economic regulatory purposes for more than a quarter of a century. The license is a very valuable piece of property, and no mover would endanger its possession by using his equipment in violation of the ICC and State regulations. There is no problem, therefore, of identifying moving companies and the equipment they use. The determination is readily ascertained on the basis of self-assessment, which is the basis now used in the administration of the highway use tax. Virtually the whole Federal tax system is based on self-declaration by the taxpayer. This is the method of reporting and paying the current tax, and would continue to be the method with the change we propose unless, for other reasons, the Treasury should revise its methods of enforcement. There would, therefore, be no problem of enforcement.

Under Treasury regulations the highway use tax has been based on an average of a gross weight of highway motor vehicles on the basis of unloaded weights and without regard to actual weight of loads customarily carried. As a result of this, it is not possible for any taxpayer to challenge the unfairness of the methods of averaging by the Treasury since the facts on weights peculiar to any user or groups of users of highway motor vehicles are deemed irrelevant. It is urged that the area of administrative latitude of the Secretary of the Treasury in prescribing practical gross weights be limited either by requiring a special classification for the moving industry and others similarly situated, or by restricting the Secretary to a margin of error—say of 25 percent—in computing the average weights of loads. This could be done by an amendment placing a reasonable restriction on just how “artificial,” in the words of the Court of Claims, the classification should be. Such an amendment would pay due respect to the practicalities of tax administration by allowing general classifications of vehicles within a reasonable administrative margin of error.

Such an amendment might be worded as follows:

Section 4482(b) to be amended by adding to the end thereof the following new sentence: “No regulation, however, shall result in a taxable gross weight which exceeds the actual unloaded weight of a highway motor vehicle (and any semitrailer or trailer) as provided in paragraph 1 (A) and (B), and 125 percent of the actual weight of the maximum load carr’ed on such vehicle in customary use by the taxpayer or others similarly situated with respect to such use, as provided in paragraph 2.”

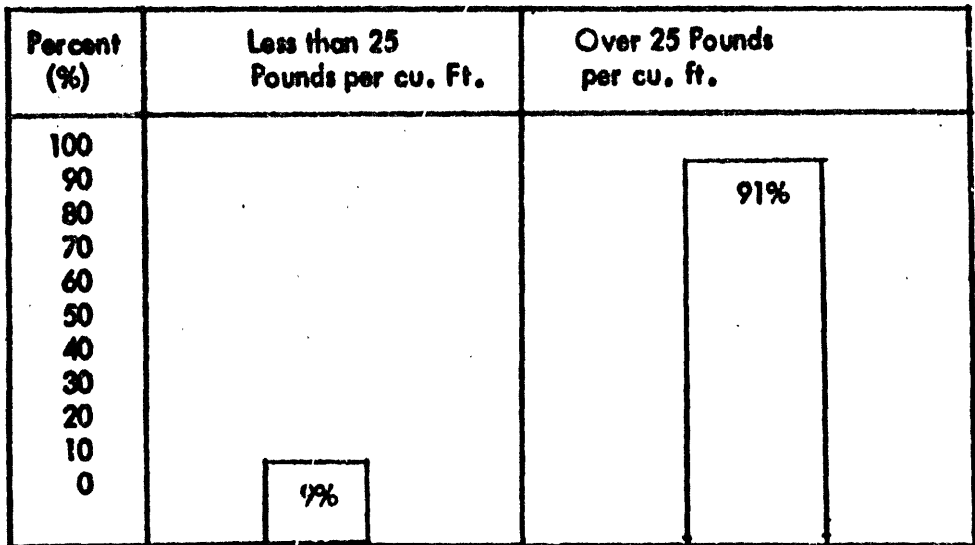
On behalf of the moving industry, we earnestly urge your adoption of this amendment or an amendment to require the Treasury Department to prescribe a separate classification for the moving industry.

The latter type of amendment was before the 86th Congress in a bill (S. 172) introduced by Senator Kerr. It embraced amendments which are reasonable and just and more highly desired by movers. Nevertheless, the language we have proposed in the suggested amendment above is an acceptable alternative, and it does have the merit of broadly contributing to sound tax legislation.

Thank you very much, Mr. Chairman.

(The attachments to Mr. Kingsley’s statement follow:)

**SHIPPING DENSITIES OF CARGOES  
CARRIED BY MOTOR TRUCK**



**Source: Findings of Fact Nos. 20 and 21 by the U.S. Court of Claims in *North American Van Lines, Inc. v. United States of America*, 169 F. Supp. 252 (1959).**

Findings of fact Nos. 20 and 21 by the U.S. Court of Claims in *North American Van Lines, Inc. v. United States of America*, 169 F. Supp. 252 (1959).

"20. For the year 1954, statistics gathered by the Bureau of Public Roads show that in the U.S. trucking industry as a whole:

"(a) Approximately 9 percent of the cargoes carried had shipping densities of less than 25 pounds per cubic foot;

"(b) Approximately 39 percent of the cargoes carried had shipping densities of between 25 and 50 pounds per cubic foot;

"(c) Approximately 17 percent of the cargoes carried had shipping densities of between 50 and 100 pounds per cubic foot;

"(d) Approximately 35 percent of the cargoes carried had shipping densities of more than 100 pounds per cubic foot."

"21. The total tonnage carried in trucks in 1954 amounted to approximately 1,050,825,000 tons. Of this total, some 29 million tons were accounted for by cargoes which had shipping densities of less than 10 pounds per cubic foot, and these cargoes consisted of 16 types of commodities including household goods. Of the 29 million tons, 929,000 tons consisted of household goods. While the total figures have been the subject of variance since 1954, the percentage distribution of cargo load densities has not varied substantially in the years since 1954."

The CHAIRMAN. Thank you very much, Mr. Kingsley.

Are there any questions?

Senator DOUGLAS. May I ask a question, Mr. Chairman?

The CHAIRMAN. Senator Douglas.

Senator DOUGLAS. Does your proposal boil down to a suggestion that 62.5 percent of the maximum load be taken as customary load, rather than 100 percent; that is, take one-half of 125 percent?

Mr. KINGSLEY. Senator, I am not quite certain that it would work just exactly that way.

Senator DOUGLAS. It is the amendment you suggest.

Mr. KINGSLEY. In other words, under this proposal, there could be no more margin than 25 percent between the schedule which has been

established by the Treasury and the maximum weight customarily carried. So that if, under the schedule, the taxpayer is charged with having 40,000 pounds under the tax schedule, and, in fact, he does not have maximum loads of more than 27,000 pounds, the margin between those two would be reduced to 25 percent.

Senator DOUGLAS. Well, how can you determine the customary weights which are actually carried?

Mr. KINGSLEY. Senator, the Bureau of Public Roads was able to determine that. On the last page are some findings of fact which were matters of stipulation based upon studies made by the Bureau of Public Roads. These were used as a basis for the regulations and the schedules established by the Treasury. Now, finding of fact No. 21 has gone so far as to determine even the number of tons carried by each of about 16 different classifications of carriers. Here they found that there were 929,000 tons carried by movers, compared to an overall total of 1,650,825,000 tons for all of the various cargoes carried over the highways.

Also, the business of moving is highly regulated. Weighing of each shipment is required. And, in fact, the regulations in some of the States are so sophisticated that the number and domicile of agents and vehicles that the mover can use are even regulated.

Senator DOUGLAS. Well, what weight per cubic foot, under this system, would be taxed?

Mr. KINGSLEY. Senator, it would not disturb the Treasury schedules currently in effect; they were based on overall weight density averages, which stretched all the way from 6 pounds, or perhaps even less, per cubic foot to cargoes well over 100 pounds per cubic foot. It would not disturb those schedules, except to make possible adjustments, perhaps at the end of the year, as is done for many other taxes, for those taxpayers whose maximum weights are substantially below the schedules. The taxpayer could apply for credit or refund.

Senator DOUGLAS. How many sub-classifications would you have? Sixteen?

Mr. KINGSLEY. No; since 1956, when the schedules were put in effect, others have been satisfied with the schedule. Apparently, the only two who have had difficulties under them have been the movers and the automobile transporters. We do not know, ourselves, of complaints by other groups. If there have been, we do not know of them. But we feel so strongly about the discrimination under the schedules that we have taken two cases to court and we have been before the Treasury constantly. We have also had bills before the Congress.

Many of the States have differentials in the license plate registration fees. For example, in some States movers pay on a different schedule altogether, because of lower weights and less frequency of highway use.

Senator DOUGLAS. Well, your contention is that the actual weights are only a fraction of the capacity weights upon which you are taxed, is that not true?

Mr. KINGSLEY. I am not quite certain I understand the question, sir.

Senator DOUGLAS. I must be very stupid this morning.

Mr. KINGSLEY. No, sir; pardon me. I did not get your question.

Senator DOUGLAS. I thought your contention was that the actual weights carried by movers were only a fraction of the potential carrying weights upon which you are taxed. Is that not your contention?

Mr. KINGSLEY. No, Senator, because even our potential on our particular type of equipment is much lower than for other types of vehicles. It is the construction of the van itself and type of service that makes this so. Actually, the schedules were designed, were set up so that rates are determined by the unloaded weights of tractors and the number of axles that the tractor may have; that is, the tractor that pulls the trailers and the semitrailers, the power unit. The taxable gross weight under the schedule is based on averages of unloaded weights of those tractors, and the number of axles that they have.

Now, while it is true that we have tractors in all these different weight groups, and that, for example, you might have a 9,500-pound tractor that would be taxed on a taxable gross weight basis of 50,000 pounds; nevertheless, its service in the moving business would never be used for weights that high, because we just do not have those kinds of weights.

Senator WILLIAMS. Would there be any occasions when you did use that full 50,000 pounds?

Mr. KINGSLEY. Senator, not that I know of.

Senator WILLIAMS. You mean you are taxed at weights higher than you ever use under any circumstances; is that correct?

Mr. KINGSLEY. Yes, that is correct, Senator.

The CHAIRMAN. Are there any further questions?

(No response.)

The CHAIRMAN. Thank you very much, Mr. Kingsley.

Mr. KINGSLEY. Thank you, sir.

(The following was subsequently received for the record:)

MOVERS CONFERENCE OF AMERICA,  
Washington, D.C., June 7, 1961.

Hon. HARRY F. BYRD,  
U.S. Senate, Washington, D.C.

MY DEAR SENATOR BYRD: This is to confirm and also to clarify what I said in my testimony before the Senate Finance Committee.

The Movers Conference is primarily concerned with obtaining relief under the Federal highway motor vehicle use tax by being assured that the weight classifications applicable to movers will bear some reasonable relationship to the maximum weights that can be carried by movers in their customary use of equipment. The discrimination has arisen because of the light density of goods carried by movers in comparison with other motor carriers.

This objective could be achieved in one of two ways—either (a) a direction to the Treasury to provide a special classification for the moving industry, or (b) a limitation on the averaging technique used in fixing taxable gross weights for the loads customarily carried.

In my testimony before the Finance Committee, I gave language for the second technique and briefly referred to the method followed in the Kerr bill (S. 172 of the 86th Cong.). The provision in the Kerr bill is as follows:

"That section 4482 (b) of the Internal Revenue Code of 1954 (relating to definition of taxable gross weight) is amended by adding at the end thereof the following new sentence: 'Such regulations shall prescribe separate classifications for highway motor vehicles used exclusively in combination with semitrailers equipped with furniture van or automobile transporter bodies.'"

If you believe that the special classification in the Kerr bill would be more suitable, we should be very happy with it. It would require the Treasury Department to prescribe separate classifications for the moving industry and for carriers of automobiles.

Since these two types of motor carriers use highly distinctive equipment which, under the regulations of the Interstate Commerce Commission, can be used only to haul household goods and automobiles, respectively, a separate classification should present no serious problem of definition or tax administration.

We sincerely believe there have been enough studies and earnestly urge the correction of this discriminatory taxing of movers before compounding the inequity by doubling the tax and requiring of movers added payments for weights which can never exist.

Respectfully yours,

THOMAS R. KINGSLEY,  
*General Manager.*

The CHAIRMAN. The next witness is Mr. W. W. Marsh of the National Tire Dealers & Retreaders Association.

**STATEMENT OF WINSTON W. MARSH, EXECUTIVE SECRETARY  
AND GENERAL MANAGER, NATIONAL TIRE DEALERS & RETREADERS  
ASSOCIATION, INC.**

Mr. MARSH. Mr. Chairman, my name is Winston W. Marsh. I am executive secretary and general manager for the National Tire Dealers and Retreaders Association, Inc., a nonprofit trade association. This is the only organization which represents and speaks for the independent tire dealers and tire retreaders of the United States. The association has members in each of the States and to be eligible for membership a tire dealer or retreader must be completely independent of manufacturers, suppliers, and chainstores and thus each one is truly an independent, small business. Our membership at the present time exceeds 3,000 in number. The average member employs six persons plus himself and sells and services tires in a local market. About 80 percent of these members are retreaders.

As small businessmen we are concerned with the economy of our country, and this association and its members are in favor of and support the highway program and the pay-as-you-go principle for financing it. We believe, however, that H.R. 6713 was passed in the House without a full awareness of the impact that the proposed increase in the excise tax on tread rubber will have on independent retreaders in the United States. We hope that this statement will explain the position of the independent tire retreaders on this bill. It seems incongruous for the Congress to pass legislation which we will demonstrate could seriously hurt the independent tire retreader when, at the same time, the Congress is vitally concerned with measures to aid and strengthen small business in the United States.

The present tax on tread rubber is 3 cents per pound. H.R. 6713 will increase this to 5 cents per pound.

We will examine briefly the effect that this increase will have on the market for retreaded tires, and then consider whether the increase in this excise tax will in fact produce the desired increased revenue.

The retreading industry, although known back in the early twenties, achieved its major growth during World War II when it played a major role in America's defense effort. During the war the motoring public and commercial users relied heavily on retreaded tires. The retreading industry will play a vital part in any new major defense effort and must be kept strong. Since this is a Defense Highway System for the protection of the entire Nation, it is only fair that every taxpayer should share to some extent the cost of the program. Weakening the retreading industry is not in the best interest of our national defense.

With such rapid growth, experience with the use of retreaded tires was mixed. Recognizing that the postwar public did not generally

accept and use retreaded tires, the Tire Retreading Institute, a division of the National Tire Dealers and Retreaders Association, was formed in 1955 to establish minimum standards for the retreading of tires to produce a safe quality product at a low price. Each member shop is inspected annually by the United States Testing Co. to determine whether the shop and the methods are in compliance with the standards and specifications. There are no comparable standards in the new-tire industry.

On February 16, 1956, in a statement before the House Ways and Means Committee which was then considering the Highway Revenue Act of 1956, we predicted that an excise tax on tread rubber would increase the sale and use of cheap, low quality new tires. Attached to this statement as an appendix are copies of recent ads for new tires which bear out this prediction.

Cheap, low-quality tires now supply 20 percent of the replacement market. To avoid exceeding my time limitation before the committee, cutaways of a quality retread and cutaways of cheap new tires, will be delivered to your office so that you may examine and compare the quality of each. New tires of this quality are advertised at \$8.88 up, plus tax, quality retreads of the same size currently retail for about \$13.95. According to the Look magazine "National Automobile and Tire Survey of 1960," 25 percent of all retreads were purchased by persons having an income under \$4,800 per year; 75 percent of all retreads were purchased by persons having an income of less than \$7,000 per year. Retreads comprise 27.8 percent of all replacement tires in use. People in this income bracket must look for quality and safety. One of the biggest users of passenger retreads is the taxicab industry. Economy is essential to a profitable taxicab operation. Taxicab owners do not buy cheap new tires, but rely primarily on retreaded tires.

The American public is notably "new-product conscious." Consumers avoid used or reconditioned items when new articles can be purchased for nearly the same price. Many consumers have been led to believe that a new, cheap low-grade tire is equal to or superior to the premium retreaded tire. However, in 1960, 29,500,000 passenger tires were retreaded and sold for highway use; 7,300,000 truck tires were retreaded and sold in 1960. The excise tax has already been collected on each of these tires. The unused tread rubber is buffed away and replaced by new tread rubber in the retreading operation. Passenger tires are the biggest factor in retreading—60 percent of the tread rubber tax is collected from passenger tires—and it is interesting to note, I might add, that the American Automobile Association has stated that this figure is approximately 72 percent. It appears to me that previous witnesses have overlooked the fact that we are talking here about a passenger tire problem.

It is of considerable importance to note that 75 percent of the retreaded passenger tires were purchased by persons with gross incomes of less than \$7,000 per year. If the price of retreaded tires is increased by further excise taxes, the low-income groups in our economy will be forced to buy these \$8.88 new tires at a considerable sacrifice in safety, performance, and endurance. The safety in the use of retreads can be best demonstrated by the fact that retreaded tires are used on commercial airplanes on all of the major airlines as well

as on military vehicles and airplanes, emergency vehicles, police vehicles, racing cars, and buses.

The retreaded tire is the only price regulator in the tire industry. It is the retreaded tire which offers the competition to new tires and was one of the primary reasons for price reductions on all grades of new tires last year to prices comparable to those of 1950. The Consumer Price Index issued by the Bureau of Labor Statistics shows that the 1950 consumer index for new tires was 112.3; in 1960 the index was 121.8, and the 1961 index is 114.8, although during this period the index has reached as high as 134.

This, then, is the market for the retreaded tire—low-income groups, trucks, public vehicles, aircraft.

This is the average retreader—a small businessman operating on borrowed capital, serving a local market, working on a close margin of profit, employing six people in his business, with an average investment of \$25,000 in retread equipment and faced with buying new high-speed equipment as it is developed in order to remain competitive.

The present excise tax has caused problems for retreaders which this committee is probably not aware of, and which will be aggravated and compounded by any tax increase. It is the policy of the Internal Revenue Service that new tires can be advertised at a price plus tax, but this policy does not authorize advertising a retreaded tire at a price plus tax because the Internal Revenue Service has taken the position that this is not a manufacturer's tax but is a use tax. The excise tax on new tires is determined by the average weight table for each size of tire regardless of the actual weight. Retreaders are not permitted to do this, unless they weigh the amount of tread rubber on each tire. Thus, the excise tax cannot be an "add on" for a retread. It would be helpful if this committee would recommend to the Internal Revenue Service that it permit the present tax on retreads to be advertised in the same manner as is the tax on the new tires.

When retreaded tires are sold to a State or municipality the retreader cannot deduct or get a refund for the excise tax paid on the tread rubber, but the State government can buy tread rubber itself tax free. The greater the excise tax the more incentive there will be for local and State governments to establish their own retreading plants, and some have been established already in State prisons where a good bit of the public business is now done. Even the Federal Government has opened two retreading plants in prisons plus those now operated in their own military installations. Increasing the excise tax will add more incentive for competition from public agencies which the retreader is powerless to compete for. So, now these small businessmen find themselves faced with increased competition—this time from their own Federal and State Governments.

The average retreaded passenger tire uses in excess of 9 pounds of rubber in the retreading operation. Thus, under H.R. 6713, from a present tax of approximately 27 cents, the tax would increase to 45 cents per tire, an increase of 66 $\frac{2}{3}$  percent. Under the President's proposal the increase would be 233 $\frac{1}{3}$  percent. The increase on new tires would be 25 percent. To attract the replacement tire buyer a quality retread must compete in price with new tires. If the adver-

tised and selling price of the retreaded tire is considerably above the advertised price of the new tire, consumers will seek out the new tire rather than the retread. The safety of retreaded tires has been well established. To sacrifice safety is to destroy customer confidence, so the retreader finds himself in an impossible dilemma—unable to compete in price on one hand and unable to reduce quality and hold customers on the other hand.

The tire retreader has pulled himself up by his own bootstraps through the Tire Retreading Institute to fight for a share of the replacement tire market. He has developed a sound product, a safe product, and one which is available to the motoring public at less than one-half the cost of an equal quality new tire. Raising the tax on tread rubber will have a crippling effect on these independent small businessmen in their effort to maintain a business which will produce even a small profit. It will not serve the public interest because the safety of a motorist is served better by a safer quality retreaded tire than a cheap, thin new tire. A \$30 pair of shoes is not thrown away when the sole wears out. Resoled, it is as good and comfortable as before and far superior to a \$10 shoe. So it is with retreaded tires.

I cannot emphasize to this committee the seriousness of this proposal to the independent retreader. We have received hundreds of letters from retreaders throughout the country testifying that this excise tax will have a disastrous effect upon their business. Retreading is about the last opportunity for small independent businessmen to stay in the tire business.

But there is a further consideration which we believe will concern this committee and that is, will this increase in fact produce more revenue for the highway program? We are confident that the use of retreaded tires on highway vehicles will drop sharply with the necessary increase in price occasioned by this tax increase. It is our sincere belief that the use of retreaded tires will decrease substantially and most particularly in the passenger tire field when their advertised prices are spread even further from the advertised price on new tires. If this is so, the tax increase will not produce the revenue which it is designed to do. There is a level of taxation for excise purposes beyond which increases are self-defeating. You cannot collect tax on a commodity that has ceased to exist.

The tax on tread rubber in 1960 yielded only three-tenths of 1 percent of the total of all automotive excise taxes received by the Federal Government. This is the significance of the tax we are considering which must be weighed against the impact of any increase on many small businessmen and low income consumers.

We believe that this proposed increase will defeat itself and produce little, if any, more revenue, which at best is an insignificant portion of the total excise taxes levied for the highway program, but it will eliminate a number of small businesses from this field with a resulting loss of business, increase in unemployment and reduction in payrolls. To illustrate—there are approximately 10,000 retread shops in the United States employing an average of 6 persons each. If the increase in tread rubber taxes increases the sale of cheap new tires and reduces the sale of retreads, as we are fearful it will, a mortality of as low as 25 percent of the retread shops will add 15,000 persons to the ranks of the unemployed. Another 1,000 unemployed will be added at the retread supplier level for a total of 16,000.

The proposed excise tax on new tires and tubes would mean an increased inventory investment of approximately \$1,000 for the average tire dealer on new tires alone. Investment in tread rubber would be in addition to this.

And to all of this the inevitable capital requirement of meeting a floor stock tax, a retroactive tax on current inventory, and the small businessman selling tires will find himself with a serious capital requirement which he may well not be able to meet. At the very least this portion of the tax should be waived so as not to penalize the small retreader on his inventory for a relatively negligible tax return.

We are here this day with the earnest plea of an industry that has grown by fighting for survival. We speak for small business and for independent business in one of the most highly competitive industries in the current economy. Our plea, we believe, is meritorious and sound. It is, we believe, consistent with our support of the highway program. We urge you to leave the excise tax on tread rubber unchanged at this time. We believe that this will produce as much revenue as the proposed increase would produce. It would permit a substantial segment of small business in the United States to continue its fight for survival.

Mr. Chairman, in addition to this statement, I have attached an appendix which we hope serves to illustrate the attachment here of this number of 12 or 13 ads, which illustrate the problem I have tried to outline in my statement.

This concludes my formal statement, and I want to take this opportunity to thank you for the privilege of being heard.

(The appendix referred to follows:)

APPENDIX TO STATEMENT OF WINSTON W. MARSH ON BEHALF OF THE  
NATIONAL TIRE DEALERS & RETREADERS ASSOCIATION, INC.

The attached advertisements<sup>1</sup> give some idea of the type of competition existent in the tire business. The prices are unbelievably low in many cases. The quality of the merchandise is dubious in many cases. There are no standards of measurement in the new-tire field, so it is a bewildering panorama of "premium," "first line," "second line" and "third line." While there are few who confess to the nomenclature, there are even fourth-line tires and more than likely fifth line as well. Imagine, if you can, a tire of this grade at expressway speeds.

In order to reduce some of the confusion in the minds of tire buyers, the association has brought out a consumer tire guide. This guide helps the motorist grade his tire needs by rating what he wants in safety, stability, speedability, mileage, and retreadability.

The advertisements depict such things as "no trade in required," or "one price for any size tire" or "by a famous maker" or "all first quality" or "for safety and economy" or "we take the mystery out of tire buying." In fine or almost microscopic print you will see the words "Federal excise tax extra."

It is this type of competition that faces the independent tire dealer-retreader. In addition to this, the retreader must add the cost of a casing (\$2-\$4) to the price of the retread service itself if the customer needs this. Attached is an advertisement that depicts the ad of an independent retreader trying to sell a quality retread at \$13.95 against this competition. He has identified himself with the Tire Retreading Institute, told the story of his service and the fact that this retread is guaranteed coast to coast.

Also attached is a comparison chart showing some of the specifications of a "cheapie" snow tire (new) against a standard snow tire of the same size and a regular highway-type tire for an automobile much smaller but with the same rim size. The conclusions are obvious.

<sup>1</sup> The advertisements referred to were made a part of the committee files.

It would be a tragedy to deny the motoring public the benefit of a low-cost tire mileage with safety as it is now provided by the quality retreader. It would be a tragedy to the retreader to be put out of business by a Federal tax program.

The CHAIRMAN. Thank you very much, Mr. Marsh.

Are there any questions?

(No response.)

The CHAIRMAN. I thank you, sir.

Mr. MARSH. Thank you, Mr. Chairman.

The CHAIRMAN. The next witness, Mr. Ernie Adamson, Middleburg, Va.

The Chair would like to state that we have to be in the Senate at 12 o'clock to start voting on the housing bill, and we would appreciate it if the witnesses could confine their oral remarks to 10 or 15 minutes and insert any additional statements in the record.

#### STATEMENT OF ERNIE ADAMSON, MIDDLEBURG, VA.

Mr. ADAMSON. My name is Ernie Adamson. I am an elderly lawyer engaged in the practice of transportation law. I have been engaged in this practice for more than 40 years. I reside near Middleburg, Va. I would like to point out to the committee that all of the motor truckers are not prosperous and, indeed, there is a sharp dividing line in the industry between the so-called regular route operators and the irregular route operators. Some of the smaller and poorer irregular route operators are finding it difficult to make ends meet at the present time.

I did not come here to ask you to make any concession or reduction in the tax base. I do wish to point out to you that if a few changes were made in section 203 of title II, and that is the section covering the use tax, it would enable some of these smaller truckers to stay in business and pay the tax. I suggest that a paragraph be added to that section which would read, in substance, as follows:

Any taxes assessed and collected subject to the provisions of this section shall be in lieu of any and all other taxes by State or local governments upon the same vehicle or vehicles.

I also wish to recommend that a plate procedure be established. I am sure the Treasury Department can promulgate the necessary regulations. Each vehicle paying the tax under section 203 should bear a plate so that we can tell who is paying the tax and who is not. This plate should also be in lieu of any other identification marks that may be required of other States, except, of course, the State in which the vehicle is domiciled. If that were true, it would save the truckers thousands of dollars.

Let me give you one concrete example. A trucker over in western Pennsylvania, who operates in about 20 States via irregular routes, and I guess he operates about 40 or 50 trucks, showed me a letter from the tax authorities of the State of New York enclosing a sort of a blank voucher. The letter said:

You must sign this voucher and return it to us agreeing to pay the expenses of a couple of auditors to come to your place and audit your books to see whether or not you are telling the truth in reporting your returns to the State of New York. If you do not agree to do this, then you must load your books in a truck and bring them over to Albany, N.Y., where we shall audit them.

Now, I cannot view that in any way except that it is in the form of a penalty. In other words, he pays the New York tax to use the same federally aided highways that are covered by the Federal statute. It is a use tax in New York, just as it is in the Federal statute. The accountants tell me this is what they call a third structure tax, whatever that means.

Several of the States went into this taxing field long before the Interstate Highway Act was passed, and in those cases, I believe the division of contribution was 50 percent for the State and 50 percent for the Federal Government. Now it is 90-10, and they have not changed their tax base at all; they are still taxing just as if they were contributing 50 percent.

My point is that they have no right to tax anything. The Federal Government has entered the field of taxing on the third structure, and the Federal Government should handle it exclusively. If the States feel that they should receive some additional contribution because of the fact that the Congress will make the taxing power exclusive, that is another matter entirely. But the average small trucker has to spend about \$5,000 a year, not in just paying these additional State taxes, but in maintaining an accounting department that does nothing—some of them have clerks who do nothing but account in their records for the division of the mileage operated by the trucks.

Now, I have in mind one State where they sell their State license plates to interstate truckers for 50 cents. Well, that is not burdensome. But the accounting problem is. And unless something is done to relieve the conditions that now exist, I am sure they will get worse instead of better. And when we come to the point where a trucker, whose average tax to the State of New York is \$140 a year and they tell him he has to pay the expenses of auditors to come to his place because they do not believe that he reports—and I understand that they go on tours and they are visiting offices of a large number of motor trucking companies—the large, wealthy, regular route carriers, of course, who take in more money and realize greater net profits, maybe these things do not amount to so much to them. But for the smaller and the poorer truckers, it has become a major element, and if the committee is sufficiently impressed with my suggestion, I shall be happy to draft a couple of sample paragraphs and submit them within the next day. However, I am sure that your staff is entirely competent. They can do the job better than I could.

That is all I have to say, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Adamson.

Are there any questions?

Senator DOUGLAS. May I very impishly say that I think the witness is to be congratulated in emphasizing the national nature of the trucking industry. Particularly is it nice to have a man from south of the Mason-Dixon line emphasize it for us.

Mr. ADAMSON. Well, Senator, you cannot build roads without money. I am not here asking that you reduce anything. I do believe that equity should enter into every tax bill, though, and common-sense. And I am sure that unless something is done, this situation is going to grow like a mushroom.

Take a fellow who operates in 40 States; he has a terrible problem. His accounting department, just for keeping track of the mileage, will

probably run to \$10,000 or \$15,000 a year, regardless of the money he pays out to the States, and something must be done.

Thank you.

The CHAIRMAN. Thank you, Mr. Adamson.

(The following was subsequently received for the record:)

HEAVY-SPECIALIZED CARRIERS CONFERENCE,  
Washington, D.C., June 7, 1961.

CHAIRMAN, SENATE FINANCE COMMITTEE,  
U.S. Senate, Washington, D.C.

DEAR SIR: In regard to my statement before the committee this morning, I would suggest the following additions to section 203, title II, H.R. 6713:

"Any and all taxes collected under the provisions of this section shall be in lieu of any and all taxes imposed by State or local governments, upon the same vehicles.

"Each and every vehicle subject to the provisions of this section, upon payment of taxes accruing hereunder, shall display a suitable plate or identification mark to be prepared and issued subject to reasonable regulations promulgated by the Secretary of the Treasury. Such plates or identification markers shall be in lieu of any other or further identification marks that may be required by the governments of the several States, except in the State or States wherein the vehicle or vehicles are domiciled."

Yours very truly,

ERNIE ADAMSON, Attorney.

The CHAIRMAN. The next witness is Mr. James W. Heizer, of the National Congress of Petroleum Retailers.

**STATEMENT OF JAMES W. HEIZER, ON BEHALF OF THE NATIONAL CONGRESS OF PETROLEUM RETAILERS, INC.; ACCOMPANIED BY WILLIAM D. TUCKER, BUSINESS MANAGER, ALLIED GASOLINE RETAILERS OF FLORIDA**

Mr. HEIZER. Mr. Chairman and members of the committee, my name is James W. Heizer. I am executive secretary of the Virginia Gasoline Retailers Association, with executive offices in Roanoke, Va. I am also a director and chairman of the Committee on National Legislation for the National Congress of Petroleum Retailers.

I am accompanied today by Mr. William D. Tucker, who is business manager of the Allied Gasoline Retailers of Florida.

The National Congress of Petroleum Retailers is the national trade association of the retail petroleum industry and is comprised of State and local associations of gasoline retailers and automotive service station operators in 43 States, the District of Columbia, and Puerto Rico. About 90 percent of the Nation's organized service station operators are members of our national organization, and we are by far the largest trade association in the oil industry in numbers of members and number of businesses represented.

This is our basic position:

The Nation's service station operators represented by our national organization strongly support the objectives of an adequate and expanded interstate highway system. We recognize the need for Federal financing of the roadbuilding program through highway user taxes; and we believe that the objectives of our highway building program, based on sound financing, can be realized and should be realized through means which are fair, equitable and in harmony with other objectives of our national policy—including fair treatment for small business.

Within the framework of these principles, we come to the particular concern of our testimony; namely, the gasoline tax and the inequitable burden which it imposes on service station retailers in requiring them to pay tax on gasoline lost through shrinkage and evaporation.

Service station operators are the only business group in the oil industry who are subjected to this inequitable burden.

It is a burden which Congress did not intend, and which is contrary to the basis on which extension of the present rate of the gasoline tax is sought.

The existence and extent of this burden are clearly established by surveys, technical studies and statistical evidence.

Because of this injustice, delegates at our last annual session went on record as opposing any new gas tax measures which would continue or increase this injustice. We specifically ask that this injustice be corrected in accordance with established legislative precedents, the basis of the gasoline tax as a highway user measure, and equitable treatment for small business.

Correction of this inequity with respect to Federal gasoline tax can be attained through amendment to existing statutory provisions or by incorporating such amendment in any highway user tax measure now proposed.

The amendment proposed is in harmony with existing refund provisions applicable to Federal gasoline taxes, and administrative machinery for carrying it out is already fully established and operating with respect to comparable provisions.

President Kennedy's message relative to "our Federal pay-as-you-go highway program" deals with and refers to the gasoline tax as "a highway user tax." This is in accord with the legislative history since 1955, and it accords with the basis on which extension of the present rate of gasoline tax is now proposed.

A basic inequity arises, however, in the area of discrepancy between the basis of the tax as a highway user tax and the manner in which it is actually imposed; and reenactment of the tax without correction of this injustice is inconsistent with the basis on which such reenactment is proposed.

The injustice to which we refer is the requirement under present provisions that service station retailers pay gasoline tax at time of delivery to their tanks on gasoline which is never used on the highway and never sold—because it is lost in the ground through evaporation and shrinkage which occur in accordance with the physical nature and properties of gasoline itself.

Unlike the tax on diesel fuel, which is imposed as a retailer's excise tax; i.e., on the retailer at the point of sale to the motorist, the Federal gasoline tax is imposed at the point of sale by the producer or wholesale distributor.

Internal Revenue Code, section 4081(a) imposes the tax in the following language:

There is hereby imposed on gasoline sold by the producer or importer thereof, or by any producer of gasoline, a tax of 3 cents a gallon.

Public Law 85-342 added a subsection that:

On and after October 1, 1959, and before July 1, 1961, the tax imposed by this section shall be 4 cents a gallon.

Public Law 86-342 also amended section 4082: Definitions, to define "producer" so as to include wholesale distributor, and defined "wholesale distributor" as a person who—

(1) sells gasoline to producers, to retailers or to users who purchase in bulk quantities for delivery into bulk storage tanks, and who (2) elects to register and give bond with respect to the tax imposed \* \* \*.

This latter provision was added to the law in 1959 so that oil jobbers would not be required to prepay the gasoline tax to refiners on gasoline which would be lost through evaporation and shrinkage before same was sold either to retailers or consumers. It is an equitable provision.

But contrary to an impression which is sometimes encountered, this amendment did nothing whatever to lessen the burden on service station retailers of paying tax on gasoline lost through evaporation and shrinkage.

This amendment does not permit a service station retailer to qualify as a producer or wholesale distributor through casual bulk sales or any other means. The regulations understandably specify that the bulk sales referred to must be other than casual sales and, further, that the person seeking registration as a wholesale distributor must hold himself out to the public as being engaged in the wholesale distribution of gasoline, and be actually so engaged.

Under the statutes and regulations, producers, including wholesale distributors, may purchase gasoline tax free from one another, not being liable for the tax until the point of sale to a retailer or consumer.

The cumulative effect of these provisions on the retailer is inescapable:

He cannot purchase gasoline other than on a tax-prepaid basis. In practice, this means that he must overpay the tax from the standpoint of the purpose and theory under which it is imposed—that is, that it is a highway user tax—since a certain percentage of the gasoline which he purchases and on which he pays tax will be lost in the ground through evaporation and shrinkage and cannot be resold and used on the highway.

The burden is not only harsh but discriminatory against small business, as service station operators are the only business group in the oil industry to pay tax on gasoline lost through evaporation and shrinkage.

In selling gasoline to motorists, the Nation's 200,000 service station retailers are in competition with retail service station facilities operated by their own supplying companies and other integrated oil companies, wholesale distributors, and so-called private brand chains.

The discrimination against service station retailers is clearly disclosed when we compare the impact of the tax upon the service station retailers as compared to its impact upon any of the large oil company suppliers which also operate substantial numbers of retail service station facilities. Neither the integrated companies nor the wholesale distributors suffer any loss through tax paid on evaporation and shrinkage in any form; and this is true both as to their sales to retailers, and also as to their sales to motorists from company-operated service station facilities.

Surely it is contrary to the principles of equitable and sound taxation to handicap small business retailers in the competitive struggle for survival with giant integrated companies by requiring the small business retailers to bear a tax burden from which the integrated competitors are exempt.

Congress never intended that service station retailers bear this inequitable burden.

At the time that the first gasoline tax measure was enacted, the great majority of service station facilities were operated by refining companies who suffered no tax loss on evaporation and shrinkage, as the tax did not attach until the point of sale. The first gasoline tax law set the pattern for subsequent enactments; but in the meantime the marketing structure of the industry changed from a preponderance of refinery-operated service stations to a preponderance of retailer-operated service stations. The discriminatory burden on retailers, which was small at first and arose almost unperceived, has since multiplied automatically with each successive increase in the rate of gasoline tax.

While Congress did not intend this burden to arise, there is no way in which the inequities can now be rectified except by congressional action.

Service station operators' losses through shrinkage and evaporation are established by authoritative surveys to be approximately 2 percent.

Service station operators' shrinkage and evaporation losses on gasoline are caused by the physical properties of gasoline itself.

Gasoline is a highly volatile liquid. It is this volatility which causes gasoline to mix with air and propel the piston engines of highway vehicles. This volatility also causes gasoline to escape in vapor from the tanks of the service station operator. If you go behind any service station where the exhaust vents come up out of the underground storage tanks, you can smell the fumes of the gasoline which is evaporating. If those vents were not there, the underground tanks would blow up from vapor pressure.

A number of technical and statistical surveys conclusively show the existence and extent of these losses due to evaporation alone.

Attached to this statement as exhibit A you will find "Study of Normal Evaporation Losses, Navy Exchange, U.S. Naval Base, Key West, Fla." This study was prepared and certified by Vapor Salvage Systems, Inc., and forwarded to Washington under date of August 31, 1954. It was prepared on a temperature-corrected basis so that shrinkage due to differences between above-ground and below-ground temperatures is not a factor.

Here are the conclusions set forth:

Gasoline losses due to evaporation alone at this naval exchange service station were equal to 2.2 percent of throughput (gasoline dispensed) on high test, and 2.8 percent on regular grade.

Also attached hereto is exhibit B, "Study of Normal Evaporation Losses, Fuel Depot" at the U.S. Naval Base at Key West, Fla., prepared by the same firm and certified to Washington on the same date.

The conclusion of this study is that the rate of evaporation loss from the Navy's own fuel depot was likewise equal to 2.2 percent of the total of gasoline dispensed.

Stanford Research Institute, in a recent survey of evaporation by P. A. Magill Industrial Research Chemists, found that every transfer of gasoline from one container to another will show a loss of one-half to 1 percent. The retail operator participates in two transfers and would thus show an average loss of 1 percent from this cause alone, plus the evaporation losses from storage.

Service station operators also suffer tax losses on gasoline due to temperature contraction. Official bulletins of the U.S. Bureau of Standards show the established coefficients of contraction for gasoline in various temperature ranges and according to physical properties, particularly its specific gravity. These tables show that gasoline shrinks about 6 gallons per thousand for every 10° downward change in temperature.

Service station operators' gasoline tanks are usually 6 feet underground, covered by asphalt or concrete, and are virtually a cold storage plant for gasoline at ground temperature of 60°.

Gasoline is delivered to these tanks from vehicles (transport trucks and tank trucks) which bring the gasoline from aboveground storage tanks in the heat of the day through city streets to the service station. In substantially all areas of the United States, the temperature at which gasoline is delivered to the service station is above 60° most of the year, and in some areas, particularly the Southern States, substantially all of the time; and for every 10° by which the temperature of the gasoline when delivered exceeds 60°, the service station operator suffers a loss due to contraction of six-tenths of 1 percent, or 30 gallons on a 5,000-gallon load delivery.

Even in the northern areas of the United States, authoritative studies show that combined shrinkage and evaporation losses suffered by service station retailers are between 1½ and 2 percent.

Attached as exhibit C is "Evaporation and Loss Analysis of Retail Gasoline Dealers in Macomb, Oakland, Washtenaw, and Wayne Counties of the State of Michigan." This study was prepared by L. V. Messersmith, certified public accountant, Detroit, Mich., and certified January 21, 1952.

The conclusion of this survey is that the average loss suffered by service station retailers due to shrinkage and evaporation is 1.6 percent.

Shrinkage and evaporation losses are officially recognized on State gasoline tax provisions, and were also recognized by Federal regulatory agencies during gasoline rationing.

Most State gasoline taxes are levied on gasoline at the time it goes into refiners' or wholesalers' storage tanks or is imported into the State, and 39 States grant shrinkage and evaporation allowances from 1 percent to 4 percent to refiners and wholesale distributors.

Thirteen States so far have adopted measures recognizing retailers' shrinkage and evaporation losses, granting or directing refunds therefor; and similar measures are pending in 15 other State legislatures this year.

States which have adopted such refund laws for retailers are:

	<i>Percent</i>		<i>Percent</i>
Georgia-----	2.0	North Dakota-----	1.0
Florida-----	2.0	Utah-----	1.0
Minnesota-----	1.0	Wisconsin-----	.5
Michigan-----	1.0	Tennessee-----	.5
New Hampshire-----	1.0	Colorado-----	1.0
Idaho-----	1.0	Texas-----	.5
Ohio-----	1.0		

It also should be pointed out that the U.S. Government has recognized service station operators' shrinkage and evaporation losses. During World War II, gasoline retailers' losses up to 2 percent of total gasoline purchases were allowed by the Office of Price Administration in computation of coupon credits on OPA Form R-549, "Certificate of Shortage or Overage of Stock, Coupons, or Other Evidences." See exhibit D attached, which is a photostat of the OPA Form R-549.

The inequitable burden of paying Federal gasoline tax on gasoline lost through shrinkage and evaporation, now borne by service station operators, should be corrected by amendment to the bill now under consideration by this committee.

Bills to relieve the inequitable burden now borne by service station operators through refunding their overpayment of the tax have been introduced by members of both parties in prior sessions of Congress—and an amendment embodying the basic provision of these measures for a refund to gasoline retailers of tax lost through shrinkage and evaporation was moved as an amendment before the House Ways and Means Committee to the bill now under consideration by this committee.

This amendment, which was offered, incidentally, by Representative Harrison from Virginia, received the favorable votes of nine members of the House committee when it was considered early in April; and I am confident that it would have received additional votes necessary for approval if circumstances had made it possible for us to fully acquaint all of the members of the committee with the issues and evidence involved.

Copy of the amendment which we propose is submitted herewith for your committee's consideration, marked as "exhibit E." However, I am pleased to note that the Honorable Senator from Kentucky has already introduced such an amendment, which is better written than our proposed amendment, and we shall certainly go along with it.

Present statutes provide for Federal gas tax refunds on other types of nonhighway use; and existing administrative procedures for handling such refunds can be adapted to administration of a percentage refund to retailers.

On purchases of gasoline used on farms for farming purposes, the entire amount of the gasoline tax is refunded by the Government on application therefor, pursuant to Internal Revenue Code section 6420.

On purchases of gasoline used for various other nonhighway purposes and for local transit systems, 2 cents of the present rate of Federal gasoline tax is refunded by the Government on application therefor, pursuant to section 6421 of the Code.

The regulations and administrative machinery covering such refunds have been fully operative since 1956 and similar procedures

could be applied or adapted to the proposed refund to retailers on tax lost through shrinkage and evaporation.

Moreover, the cost of a 2 percent refund to service station operators on Federal gasoline tax paid would be moderate compared to other refunds and exemptions provided under the law at present, as shown by the following Government statistics.

The CHAIRMAN. What would be the amount of loss?

Mr. HEIZER. I get into that now with the following several paragraphs, sir.

Analysis of Motor-Fuel Usage in Calendar Year 1959, prepared by the Bureau of Public Roads, U.S. Department of Commerce, show total private and commercial use of motor fuel for the year in the amount of 60.4 billion gallons. Disregarding shrinkage and evaporation losses, nonhighway use portion of this total was 5.1 billion gallons.

Approximately 55.1 billion gallons were sold for private and commercial highway uses.

Department of Commerce business census and income figures indicate that sales by service station operators were not more than 80 percent of this total or approximately 44 billion gallons.

The 2-percent shrinkage and evaporation loss on 44 billion gallons at the 4-cent gasoline tax rate equals \$35 million of gasoline tax overpayment by the Nation's service station retailers for which refund provision is sought. This is a very moderate amount of money in comparison to the refunds allowed on 5 billion gallons for other non-highway uses, or the revenue loss involved on additional 1.3 billion gallons of annual exempt sales.

But although the total amount involved is moderate with respect to other refund and exemption provisions, or in relation to the total revenues involved, it is of increasingly severe importance to the service station retailers who must bear this inequitable burden.

Mr. Chairman, there have been some questions raised—I understand it was raised in the House Ways and Means Committee—concerning the authenticity or veracity of the Florida studies referred to as exhibits A and B, and as to whether or not the storage tanks at the naval base were above ground or below ground. Mr. Tucker, who is business manager of the Allied Gasoline Retailers Association of Florida and with me today, can answer any questions this committee might have concerning the Florida studies and the losses incurred therefrom, and the fact that the storage tanks were below ground rather than above ground.

The Nation's service station operators urgently request your approval of the amendment proposed to correct this inequitable situation and we thank you for the privilege of presenting our position to your committee.

The CHAIRMAN. Thank you, Mr. Heizer. The Chair would like to state that you make a very clear statement.

Mr. HEIZER. Now, with regard to the amendment finally voted upon over there, the Harrison amendment, was for a 1 percent allowance rather than the 2 which we are asking for.

The CHAIRMAN. The 2 percent allowance would mean \$35 million, is that correct? And the 1 percent would be \$175,000?

Mr. HEIZER. Yes, sir.

The CHAIRMAN. Do you have a justification in the data you submitted with respect to the 2 percent?

Mr. HEIZER. Yes, exhibit A at Key West, the study made at Key West Naval Base, showed a 2.2 and 2.8 percent loss.

The CHAIRMAN. Was that study made in Florida, that you just spoke about?

Mr. HEIZER. At Key West, yes, sir. Exhibit B was another study made at the fuel depot at the U.S. Naval Base at Key West, Fla., showing a 2.2 percent loss, and exhibit C, attached, is a study made by certified public accountants and certified by them, showing losses in four counties in Michigan to be an average loss of 1.6 percent due to this cause.

(The exhibits referred to follow:)

## EXHIBIT A

VAPOR SALVAGE SYSTEMS, INC.,  
Miami, Fla.

*Study of normal evaporation losses, Navy Exchange, U.S. Naval Base, Key West*

Amount dispensed per stock records	Gallons	
	High test	Regular
Inventory at beginning, July 27, a.m. ....	2, 285	1, 594
Gasoline received from July 27 to Aug. 13.....	10, 355	17, 705
Total available.....	12, 640	19, 299
Less inventory at end, Aug. 13, p.m.....	2, 207	1, 832
Amount dispensed per stock records.....	10, 433	17, 467

Amount dispensed per meter readings	High test gasoline		Regular gasoline	
	A	B	A	B
Meter readings at end, Aug. 13, p.m. ....	42, 632	94, 119	101, 331	96, 456
Meter readings at beginning, July 27, a.m.....	37, 894	83, 649	88, 345	92, 508
Dispensed per meters.....	4, 738	5, 470	13, 036	3, 948
Add A and B.....		4, 738		13, 036
Total dispensed, each type.....		10, 208		16, 984
Evaporation loss, each type.....		225		483
Percent loss high test, 225/10,208.....		2.2		
Percent loss regular, 483/16,984.....				2.8

<sup>1</sup> Approximate monthly throughput 45,000 gallons.

I certify that the above is a true copy of an exhibit included in our study of evaporation losses of gasoline at the Key West Naval Base, dated August 24, 1954, and forwarded to Washington on August 31, 1954. All pump readings, tank measurements and temperature readings were taken by official U.S. Navy personnel in charge of the facilities in question.

JOSEPH ABELOW, *President.*

## EXHIBIT B

*Study of normal evaporation losses, fuel depot, building 54, U.S. Naval Base, Key West*

Start of test: August 9, 1954.

End of test: August 20, 1954.

Place of test: Fuel depot, building 54.

	Measured gallons	Gallons adjusted to 60°
Measurements at storage tank:		
Aug. 9, inventory at beginning of test.....	2,563.0	<sup>1</sup> 2,611.6
Aug. 11, received.....	1,027.0	
Aug. 12, received.....	1,616.0	
Aug. 17, received.....	1,993.5	
Total received.....	5,666.5	<sup>1</sup> 5,466.3
Total available.....	8,129.5	8,077.9
Aug. 20, inventory at end of test.....	2,728.0	<sup>1</sup> 2,685.4
Total dispensed plus evaporation, losses, per stock records.....	5,401.5	5,392.5
Meter readings at dispensing pumps:		
Aug. 20, end of test.....	7,836.0	
Aug. 9, beginning of test.....	2,443.0	
Dispensed per pump readings.....	5,393.0	
Adjusted pump reading <sup>2</sup> .....	5,360.6	<sup>1</sup> 5,277.0
Total evaporation loss Aug. 9 to Aug. 20, 1954.....		115.5
Percent evaporation, 115.5/5277.....		2.2

<sup>1</sup> Adjusted from 86° using formula  $0.0006 \times \text{gallons} \times \text{degrees over } 60^\circ$ .

<sup>2</sup> Adjusted from 90° using formula  $0.0006 \times \text{gallons} \times \text{degrees over } 60^\circ$ .

<sup>3</sup> Pump reads 0.6 percent over actual gallons passed through meter. Adjustment was made for this difference.

I certify that the above is a true copy of an exhibit included in our study of evaporation losses of gasoline at the Key West Naval Base, dated August 24, 1954, and forwarded to Washington on August 31, 1954. All pump readings, tank measurements and temperature readings were taken by official U.S. Navy personnel in charge of the facilities in question.

JOSEPH ABELow, *President.*

## EXHIBIT C

DETROIT, MICH., January 21, 1952.

RETAIL GASOLINE DEALERS ASSOCIATION OF MICHIGAN, INC.,  
Detroit 26, Mich.

DEAR SIRs: At your request, we have analyzed the evaporation and loss of gasoline sustained by retail dealers in merchandising gasoline to owners and drivers of motor vehicles.

For the purpose of this analysis, we used the gasoline marketing cost survey of retail gasoline dealers in Macomb, Oakland, Washtenaw, and Wayne Counties of the State of Michigan conducted by us for the month of September 1949.

To review for you the care with which the survey was made, we present the following facts:

- (1) The data was collected from individual dealers who completed their own questionnaires, or had them prepared by their accountants.
- (2) The completed questionnaires were sworn to by the owners or lessees.
- (3) The questionnaires were prepared so as to exclude bias and to provide for comparative and representative results.
- (4) The questionnaires were made available to all known members of the trade in the area covered.
- (5) Every return was used in the compiled results except where the facts clearly precluded the use of the return.
- (6) The returns were diversified as to area and in sufficient volume to make a representative survey.

(7) The compilation was made by acceptable accounting and statistical techniques.

(8) Conservatism was exercised throughout the survey so as not to overstate results.

(9) The list of the retail gasoline dealers was furnished to us by Mr. Harold E. Bradshaw, director of the gasoline tax division of the Michigan department of state.

The 391 questionnaires used in the previous survey for the month of September 1949, were used in the present analysis.

We made a random grouping of the 391 stations into 10 groups of 40 stations and made a comparison of the number of gallons of gasoline sold to owners and drivers of motor vehicles with the number of gallons handled by the retail dealers.

The summary of our analysis is as follows:

Number of stations <sup>1</sup>	Cost in gallons	Sales in gallons	Difference	Percent loss
40.....	530,127	522,464	7,663	1.4
40.....	633,579	631,004	2,575	4.1
40.....	536,708	525,978	10,790	2.0
40.....	600,311	603,736	2,575	4.3
40.....	552,012	543,720	9,092	1.6
40.....	720,221	688,176	32,145	4.5
40.....	619,092	610,914	8,478	1.4
40.....	665,549	658,462	7,087	1.1
40.....	587,388	580,705	6,683	1.1
31.....	469,904	464,282	5,622	1.2
Total.....	5,911,951	5,829,441	92,710	1.6

<sup>1</sup> Total number of stations, 391.

As may be seen above, the 391 stations sold 5,829,441 gallons of gasoline in September 1949, but the net purchases of gasoline during the month amounted to 5,922,151 gallons or a difference of 92,710 gallons. We may assume that this difference of 92,710 gallons represents evaporation and loss to the retail dealers on which they had paid the Michigan State gasoline tax and for which they had not been reimbursed by the owners and drivers of motor vehicles.

This difference of 92,710 gallons amounts to 1.6 percent of the cost of gasoline sold.

Even though the average percent loss varied from 1.1 percent to 4.5 percent in our analysis, in our opinion, the average loss for the 391 stations of 1.6 percent is a representative evaporation and loss of gasoline in operating retail gasoline stations for September 1949.

In addition to the above findings, we would like to submit the following observations:

The sovereign States of Georgia and Minnesota now have evaporation and loss refund laws for the retail gasoline dealers. The State legislature of Texas has also passed a similar law. The States of Mississippi, Wisconsin, Indiana, and New York have this matter under consideration. Representative Beckwith (Texas) has introduced a Federal gasoline tax bill, H.R. 1276, in the U.S. Congress for a 2-percent refund to retail gasoline dealers of the Federal gasoline tax paid.

During World War II, the Office of Price Administration, after thorough study, granted retailers of gasoline a 2-percent allowance for evaporation and loss.

In our report, we have been conservative in our computations. We have not taken into consideration any interest costs on the investment in gasoline tax paid by the dealers, nor have we considered any collection fee for the dealer in handling the tax for the State.

In conclusion we wish to state that, in view of our study and the above-mentioned facts, the retail gasoline dealers are within their rights to request a 2-percent refund of State gasoline tax under Senate bill No. 53 now pending in the State legislature.

Very truly yours,

L. V. MESSERSMITH,  
Certified Public Accountant.



## EXHIBIT E

## PROPOSED AMENDMENT TO FEDERAL HIGHWAY TAX BILL

**A BILL** To amend the Internal Revenue Code of 1954 so as to compensate retail dealers of gasoline for taxes paid on gasoline which is lost due to evaporation, shrinkage, and other causes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That (2) subchapter B of chapter 65 of the Internal Revenue Code of 1954 (relating to rules of special application for abatements, credits, and refunds) is amended by renumbering section 6421 and 6422 and by inserting after section 6420 the following new section:

**Section 6421. Gasoline lost by evaporation, shrinkage, etc.**

(a) **PAYMENTS TO RETAIL DEALERS.**—The Secretary or his delegate shall pay (without interest) to a retail dealer of gasoline, to compensate such dealer for the tax paid on gasoline which is lost by evaporation, shrinkage, and other causes, an amount equal to 1 percent of the tax paid under section 4081 on the gasoline sold by him.

(b) **TIME FOR FILING CLAIMS; PERIOD COVERED.**—Not more than one claim for payment may be filed under this section by any retail dealer with respect to gasoline sold during the 1-year period ending on June 30 of any year. No claim for payment shall be allowed under this section with respect to any 1-year period unless filed on or before September 30 of the year in which such 1-year period ends.

(c) **LIMITATIONS.**—

(1) **EXEMPT SALES; REFUNDS.**—No amount shall be paid to any retail dealer of gasoline under this section with respect to any gasoline sold by him—

(A) which the Secretary or his delegate determines was exempt from the tax imposed by section 4081, or

(B) the tax on which is refundable to any person under any provision of this title.

(2) **SALES TO OTHER DEALERS.**—No amount shall be paid to any retail dealer of gasoline under this section with respect to any gasoline sold by him to any other dealer (including any wholesaler or distributor) of gasoline.

(d) **APPLICABLE LAWS.**—

(1) **IN GENERAL.**—All provisions of law, including penalties, applicable in respect to the tax imposed by section 4081 shall, insofar as applicable and not inconsistent with this section, apply in respect of the payments provided for in this section to the same extent as if such payments constituted refunds of overpayments of the tax so imposed.

(2) **EXAMINATION OF BOOKS AND WITNESSES.**—For the purpose of ascertaining the correctness of any claim made under this section, or the correctness of any payment made in respect to any such claim, the Secretary or his delegate shall have the authority granted by paragraphs (1), (2), and (3) of section 7602 (relating to examination of books and witnesses) as if the claimant were the person liable for tax.

(e) **REGULATIONS.**—The Secretary or his delegates may by regulations prescribe the conditions, not inconsistent with the provisions of this section, under which payments may be made under this section.

(f) **EFFECTIVE DATE.**—This section shall apply only with respect to gasoline sold by retail dealers after June 30, 1961.

(g) The table of sections for subchapter B of chapter 65 of such Code is amended by striking out

“Sec. 6421. Cross references.”

and inserting in lieu thereof

“Sec. 6421. Gasoline lost by evaporation, shrinkage, etc.”

“Sec. 6422. Cross references.”

## EXHIBIT F

ALLIED GASOLINE RETAILERS ASSOCIATION OF FLORIDA,  
Jacksonville, Fla., April 28, 1961.

MR. JAMES W. HEIZER,  
Virginia Gasoline Retailers Association,  
Peoples Federal Building,  
Roanoke, Va.

DEAR JIM: I have talked with Mr. Joseph Abelow, president of Vapor Salvage Systems, Inc., in regard to the study of evaporation losses at the Navy Exchange and at the Fuel Depot, Building 54, U.S. Naval Base, Key West, Fla. Mr. Abelow states that the storage tanks were located underground at the time he made the studies.

If any additional information is needed, please let me know.

Sincerely,

WILLIAM D. TUCKER, *Business Manager.*

THE CHAIRMAN. The wholesalers do not have any reduction for shrinkage at all, do they?

MR. HEIZER. No, sir, they do not have any tax loss on shrinkage or evaporation, because they pay tax only on what they sell, rather than on what they purchase.

THE CHAIRMAN. The big oil companies that bring gasoline into a State pay on the full amount, do they not?

MR. HEIZER. They pay only on what they actually sell to the service station operator or to the fleet operator, whoever that may be.

THE CHAIRMAN. In other words, if there is any shrinkage between that and the retail operator, they do not collect for it?

MR. HEIZER. That is right.

SENATOR BENNETT. I would like to pursue that one thing. In the case of a company-owned service station, where the Gulf Oil Co., for instance, actually pumps the gas to a retail customer, what is the situation there?

MR. HEIZER. In that event, the oil company must pay only upon what actually goes through the pumps in that service station, because the way the law is written, at that particular time, it says the tax is only paid at the time of actual sale. So until they sell it and it goes into the automobile, they have no loss.

SENATOR BENNETT. I just wanted to make that clear, because you have been referring to the retailer. I wanted that in the record.

SENATOR MORTON. Mr. Heizer, I commend you on a very clear statement. For your information, the amendment which has been printed and referred to this committee is an amendment, of course, to H.R. 6713, and is identified in the Senate as 6261, amendment A. This is the same amendment, substantially, that our former colleague on the committee, our present colleague in the Senate, Senator Cotton of New Hampshire, proposed, I think, last year or the year before—whenever this amendment was last before the committee. I have consulted with him, since he is no longer a member of the committee, and it is agreeable to him. In fact, he urged me to offer this at this time.

I just want to say that I think that it is not a question of loss of revenue, because there is a question of equity involved here. If the independent retail filling stations were all out of the business and were all handled by Gulf and Standard and the big companies were running their own stations, the Government would not recover this money.

I might give a parallel in my own State. When we bottle the distilled product of Kentucky, there has been a great evaporation during the years in the barrel, and we pay the tax on what goes into the bottle, not on what first went into the barrel. The situation here is very similar. If we are going to give to these giant distilleries that some of my colleagues on the committee talk about from time to time, this kind of relief, I think we ought to give it to the retailers, also.

Senator WILLIAMS. Are the products equally explosive?

Senator MORTON. I would not say that they are equally explosive, but sometimes they are.

The CHAIRMAN. Senator Cotton was unable to be here this morning, but he will make his statement this afternoon. He is also in favor of providing for a 2 percent refund on gasoline to gasoline retailers for losses due to evaporation, or shrinkage.

Are there any other questions?

(No response.)

The CHAIRMAN. Thank you very much, sir.

Mr. HEIZER. Thank you, sir.

The CHAIRMAN. The next witness is Mr. Edward V. Kiley, American Trucking Association.

**STATEMENT OF EDWARD V. KILEY, DIRECTOR, DEPARTMENT OF RESEARCH AND TRANSPORT ECONOMICS, AMERICAN TRUCKING ASSOCIATIONS, INC., WASHINGTON, D.C.**

Mr. KILEY. Mr. Chairman, gentlemen of the committee, my name is Edward V. Kiley, and I am director of the department of research and transport economics of the American Trucking Associations, Inc., with headquarters at 1616 "P" Street NW., Washington, D.C. The American Trucking Associations, Inc., is a federation that was established in 1933 as the national trade association of the trucking industry, representing all types of motor carriers of property, for-hire and private. We have affiliated associations in 49 States and the District of Columbia. In addition, we speak for 18 affiliated motor carrier conferences.

Any truly thorough discussion of highway financing issues necessarily would be painfully historical and highly technical.

In view of the time problem facing this distinguished committee and all the rest of us seeking a solution to the questions in issue, we intend to be brief and entirely practical.

The trucking industry was one of the earliest supporters of an expanded highway program. It has always believed that an equitably financed program is necessary in terms of our national welfare, national defense, and the general well-being of our economy. We have repeatedly asserted our willingness to bear a fairly assigned share of the costs of the road program.

It is against this background that we wish to present to the committee our position on several aspects of the highway tax proposals with which the Nation's motortruck operators are deeply and seriously concerned.

When Congress enacted the Federal Highway Act of 1956, it provided, pending further study, that virtually all of the revenue going to the highway trust fund would be from special taxes on highway users. At that time, the special highway user taxes already

being levied, but which were going into the Government's general fund, were more than enough to pay for the program on a current basis. This is true today, even with the 40-percent increase in cost of the Federal program.

However, no provision has ever been made for true general fund support of the highway program. To the contrary, the only additional revenues for the highway trust fund have come from additional highway-user taxes.

The Nation's motor carriers, together with other highway-user groups, have had good reason to expect some tax relief. The present law, calling for a reduction in the motor fuel tax from 4 to 3 cents, and for greater trust fund use of the Federal highway-user taxes would have provided a major portion of this expected relief.

In addition, there was more than ample justification for the belief that the study ordered by the Congress, under section 210 of the Highway Revenue Act of 1956, would provide evidence for non-highway-user tax support of the highway program.

The nonuser benefit section of the section 210 study has been completed. A finding is made in the section 210 report that 8 percent of the total highway cost should be paid from non-highway-user taxes or, in other words, from the general fund. We believe the 8 percent to be an unrealistically low finding in view of the admitted benefits of enormous consequence clearly outlined in the Bureau of Public Roads study.

However, even this modest recognition of nonuser responsibility would mean additional trust fund revenues of more than \$250 million annually, or close to the amount we are told must be provided, over and above retention of the fuel tax at 4 cents, if the highway program is to be kept on its original schedule. But there is no provision in pending proposals that this limited contribution of 8 percent be made to the trust fund.

H.R. 6713 provides that the remaining one-half of the 10-percent tax on new trucks, buses, and trailers be placed in the highway trust fund. The other half has been in the trust fund since passage of the 1956 act. Since the revenues from remaining one-half of the 10-percent tax have been going to the general fund, this transfer to the trust fund as proposed in H.R. 6713 is regarded by some as general fund support of the highway program. This may be understandable from the standpoint of Federal fiscal problems, but the fact remains that the 10-percent tax on new trucks, buses, and trailers, is a highway-user tax and full and complete credit should be given to those who pay it. In any event, and regardless of what it is called, it is a special tax paid by trucks and buses and not by other forms of transportation.

Transfer of the remaining part of the truck and bus tax puts this money where the trucking industry believes it belongs—in the highway trust fund. It will provide an annual average revenue of \$164 million for the highway program. In addition to this, H.R. 6713 proposes to raise an additional \$198 million on an annual average basis, through increased highway-user taxes. Thus, all of the additional trust fund money being provided, \$362 million on an annual average basis, is highway-user tax revenue. This does not include the revenues that will come from continuation of the Federal motor fuel tax at 4 cents per gallon.

There is still no specific general fund support in recognition of the vast recognized non-highway-user benefits of the highway program.

H.R. 6713 proposes to raise an additional \$198 million average annually for the highway trust fund through an increase in the tax on all tires, tubes, and retread material and by doubling the special tax of \$1.50 on all vehicles having a registered gross weight greater than 26,000 pounds. This means that the tax increases fall most heavily on trucks and buses, particularly on those vehicles paying the special tax. Vehicles having a registered gross weight greater than 26,000 pounds represent approximately 1.4 percent of all motor vehicles, but they will be paying 60 percent of the tax increases.

In fact, all trucks and buses will pay 72 percent of the new taxes, or \$142 million on an annual average basis. Since these vehicles are paying all of the remaining half of the 10-percent tax on new trucks, buses, and trailers, which will go to the trust fund, this means that of the \$362 million annually, that will be added to the highway trust fund, \$306 million, or 84 percent is truck and bus tax money.

A large intercity truck, a five-axle tractor-semitrailer combination with a gross weight of 72,000 pounds, is currently paying \$1,019 in special Federal taxes to the highway trust fund. H.R. 6713 adds another \$126 annually to this truck's tax burden, an increase of 12 percent. In addition, this truck is paying \$193 annually in Federal highway-user taxes that go to the Government's general fund. H.R. 6713 would take \$156 of this and place it in the trust fund, for a total trust fund taxpayment of \$1,301 annually. In addition, this truck will continue to pay taxes on parts and accessories and lubricating oil which will go to the general fund, not to the highway trust fund.

This increase in truck taxes comes at a time when the Nation's motor carriers, like many other businesses throughout the country, are struggling hard to keep rapidly rising costs from completely overtaking ever-narrowing profit margins.

Any thought, as has been advanced by some, that increased costs of motor carrier operations are academic since they are passed on to the shippers or consumers, is completely erroneous and unrealistic. The Nation's for-hire motor carriers are engaged in a stern competitive battle with the railroads. In the last 2 years, motor carriers have been subjected to a predatory rate-cutting campaign that has placed truck operators in a desperate financial condition. Caught between a depressed rate level and rapidly increasing costs, the motor carrier industry is in no position to pass on additional costs of operation. Increased costs must be absorbed, and there is no profit sponge to absorb them today.

In testimony before the Committee on Ways and Means of the U.S. House of Representatives, we cited the record of 1960 operations of class I and II for-hire motor carriers of property. These carriers, who operate under authority granted by the Interstate Commerce Commission, had in 1960 their poorest year since 1945. One-third of the carriers operated in the red in 1960, and many more would have been in the red with only a marginal increase in costs of operation.

To give an example, the carriers' aggregate operating ratio in 1960 was 97.5 percent. Putting this in terms of dollars, it means that in 1960, the 2,666 carriers had gross operating revenues of \$5,797 million, expenses of approximately \$5,651 million, leaving a net profit of only

\$109,300,000 with \$54 million, left after Federal income taxes. The tax increases proposed in the original proposal before the Ways and Means Committee and those proposed before this committee would have eliminated this slim profit margin.

Preliminary analysis of reports, as filed with the Interstate Commerce Commission, covering the carriers' operations for the first quarter of this year indicate no improvement in their financial condition. In fact, it may prove to be a little worse.

I just developed this morning, for example, based on the first quarter of 1961, data concerning the operations of the class I and class II carriers, in two of the largest regions of the country, and half of the carriers in these regions were operating "in the red" for the first quarter.

The situation facing the class I and II for-hire motor carriers is not the full story of the impact of tax increases on the trucking industry. There are many thousands of other truck operators, private and for-hire, and many of them very small, to whom any tax increases are a tremendous economic hardship at this time.

A practical aspect of the truck tax problem which is being overlooked in the consideration of proposals for increased truck taxes is the increasingly heavy taxload resulting from the pyramiding of Federal and State taxes.

The intercity truck, mentioned above, which is currently paying a total of \$1,212 in Federal highway taxes, and which will pay an additional \$126 under the provisions of H.R. 6713, is at the same time, paying approximately \$2,155 on the average, in State highway use taxes. This makes a total highway taxpayment of \$3,493, annually. It is obvious that this vehicle is caught in a vicious squeeze play between Federal and State taxes. This has become a serious problem of far-reaching proportions.

Truck taxes cannot be considered separately by the Federal and State Governments in a vacuum, but that is precisely what is happening. Truck operators cannot afford to pay increased taxes at the Federal level, high taxes at the State level, not to mention highway taxes that do not go for highways, without any regard to the total tax burden. The Nation's truck operators have come to the end of the line. Our highway tax burden has become too great. We cannot afford to pay any more. This is why we, as an industry, were forced to recommend to the Ways and Means Committee of the U.S. House of Representatives that the highway program be stretched out if the only alternative were higher truck taxes.

We stated that if trucks were the principal beneficiaries of the highway program, as some have asserted, then trucks would be the principal losers if the program were curtailed. We were forced, reluctantly, to recommend that the program be tailored to fit available revenues. The alternative of punitive truck taxes was unacceptable. We frankly told the committee that we were being benefited to death. We could not afford any more benefits.

During the hearings before the Ways and Means Committee of the U.S. House of Representatives, in statements made before this committee, attempts were made to justify truck taxes higher than those proposed in H.R. 6713. The basis for these high truck taxes are studies, or perhaps more accurately, selected parts of studies,

made by the Bureau of Public Roads under the directive of section 210 of the Highway Revenue Act of 1956.

Findings of the Bureau of Public Roads in these studies are subject to serious challenge as to their accuracy and validity and the trucking industry challenges their accuracy and validity.

It is not possible, in a brief statement, to undertake a thorough discussion of the Bureau's studies, although we are anxious to do this in a complete and exhaustive manner. However, a few pertinent facts of a vital nature should be brought to the committee's attention.

In section 210 of the Highway Act of 1956, the Congress specifically asked for two, and only two, studies of the proper allocation of highway costs among the various classes of vehicles. In the clear language of section 210, Congress requested a study of the added costs occasioned by the larger vehicles and a study of the extent to which various vehicles benefited from highway programs. These two approaches are more commonly known as the "differential-cost" or "incremental" analysis and the "differential-benefit" analysis.

Only one of these studies, the differential-benefit analysis, has been sent to the Congress in a complete manner. Selected parts of the incremental analysis have been presented, first to the Ways and Means Committee of the House of Representatives and now to this committee. However, the complete study, showing in necessary detail how the results were obtained, is still to come.

The trucking industry has supported the incremental method as the soundest approach to determining highway cost responsibility. We have confidence in the findings of a practical incremental study, but neither the trucking industry, nor anyone else, can fully evaluate and discuss the Bureau's study until we have seen it in complete and proper form. All we have seen so far is a curve on a chart and a few paragraphs of preliminary text of a generalized nature.

What we do know, however, is that a theoretical approach to the determination of the effect of vehicles on highway costs, as differentiated from a practical approach, can be the basis for just about any conclusions one wishes to draw. For example, the elementary first step in an incremental study is a determination of the type of highway we would build if we did not have trucks. This type of facility is then compared with what we build, or would build, to accommodate truck traffic together with the millions of other vehicles on the roads.

Obviously, the development of truck tax responsibility depends heavily on where we start. If we begin with a thin road of very light design, which is completely theoretical, and which would not be built for a number of reasons even if there were no trucks, and progress to roads of a type and design actually in use, we cannot escape a finding that trucks should pay higher taxes. On the other hand, if we approach the problem practically and start from the type of highway that experience shows we build for nontruck roads, we will have entirely different findings.

We believe that a practical, realistic, incremental study will show that trucks are paying their fair share of highway costs. We need a practical study to show the extent to which this belief is valid. We cannot test it with a theoretical approach, nor, do we believe, can the Congress.

The completed "differential-benefit" study, which has been sent to the Congress, clearly refutes the charge that truck taxes should be

higher. Under the provisions of H.R. 6713, the five-axle truck combination mentioned earlier, will be paying \$1,301 in highway trust fund taxes. Its annual tax responsibility, as determined by the Bureau in the benefit study, is \$1,085, or \$216 less than it is paying or would be paying under H.R. 6713. In short, this vehicle will be paying more than its fair share.

I would like to add here that, in connection with the benefit program, which is a valid approach, we are told that higher taxes may be justified because of benefits. Eventually, these benefits will come when this highway program has reached a stage where these roads are in continual use. Today, we have only about a quarter of the roads finished in a very atomized or scattered fashion. What we are being asked to do is pay today for benefits tomorrow. Some of these taxes will be so high that trucks will not be around to reap the benefits we are paying for.

We believe that little need be said of the ton-mile studies which the Bureau saw fit to make, although they were not requested by the Congress. Needless to say, by assigning all, or practically all, elements of highway cost on the basis of weight, these studies found trucks to be underpaying. Congress has consistently rejected the ton-mile theory of highway taxation, as did the Federal Coordinator of Transportation and the late Thomas H. MacDonald, who was Commissioner of the Bureau of Public Roads for a quarter of a century.

Of more importance, however, is that the Bureau's preliminary incremental findings, incomplete though they may be, contain the Bureau's considered conclusion that approximately 80 percent of highway costs have no relation to the size or weight of vehicles. Obviously, the ton-mile theory, which treats all costs as being affected equally by vehicle weight, is a worthless measure of cost responsibility. Findings under the ton-mile theory do not merit the slightest consideration.

The financial and competitive conditions of the trucking industry: the heavy burden resulting from the pyramiding of Federal and State highway taxes; and the industry's firm belief that there is no practical basis to support the charge that trucks are not now paying their fair share of highway costs are the reasons for the industry's opposition to any tax increases.

Our position before this committee is no different from the position we took before the Ways and Means Committee of the House of Representatives, which in substance is that the trucking industry's precarious position, now and in the foreseeable future, is such that it should not be asked to pay increased levies beyond the heavy present State and Federal imposts.

As practical people, we are aware of all the strong pressures for keeping the highway program on schedule and to minimize the transfer of money from the general fund, and under the circumstances, the House bill, H.R. 6713, appears to be the best compromise that could be worked out. However, we would have to be vigorously opposed to any increases whatever beyond those proposed in H.R. 6713.

The CHAIRMAN. Thank you very much, Mr. Kiley.

Are there any questions?

(No response.)

I am placing in the record a statement by James F. Pinkney, vice president, Ryder System, Inc., of Miami, Fla.

(The statement referred to follows:)

STATEMENT OF JAMES F. PINKNEY, VICE PRESIDENT, RYDER SYSTEM, INC., MIAMI, FLA.

My name is James F. Pinkney. I am vice president, Ryder System, Inc., Miami, Fla. My Washington address is 1710 H Street NW., Washington 6, D.C.

The Ryder System owns trucking companies operating at present in more than 25 States, its principal operations being in the southeastern and central parts of the United States. It is 1 of the 10 largest trucking companies of the country, serving thousands of communities in both interstate and intrastate commerce, many of which are not being served by any other mode of transportation. It is a publicly owned company with more than 5,000 employees and 8,500 stockholders.

We must oppose the administration's proposal sharply and drastically to increase highway taxes for reasons stated by Mr. Kiley of American Trucking Associations, Inc. Furthermore I wish to point out the effect such taxes would have on our company.

Our 1960 net before tax revenue was \$257,243. We estimate 1961 net before tax earnings of approximately \$310,000 (although we lost money in the first quarter of 1961).

The taxes proposed by the administration would increase our Federal highway use taxes, which in 1960 were \$762,000 by \$637,000—an increase of 83 percent. As indicated above this increase would be more than twice our 1960, and our 1961 net before tax revenues. In addition to the figures given above we presently are paying in special State highway levies \$1,980,000 and in Federal taxes on new equipment \$424,000. We also, of course, pay all Federal and State income, property, and other normal taxes.

These special highway taxes, Federal and State, aggregated in 1960 \$3,166,000 or almost 6 percent of our gross carrier revenue of \$53 million. Our net before tax profit in 1960 from our truck operations was less than one-half of 1 percent of that revenue.

It is obvious that even the taxes proposed by the House of Representatives will be extremely burdensome. The additional taxes sought by the administration could be disastrous. This is a concrete example of a tax proposal which could destroy the agency taxed—in this case an agency which is a vital segment of our great public transportation system.

I wish next to refer specifically to the diesel fuel tax proposal. We use over 12 million gallons of diesel fuel each year as we have paid the considerably higher price for diesel equipment in order to reach for more efficient and economical power units. A differential of even 1 cent, much less the 3-cent differential sought by the administration, would so increase our highway tax burden that we would have to give serious consideration to returning to less efficient and less economical line-haul power equipment in order to stay in business, assuming we could dispose of our diesel power units.

We believe our situation to be typical of the other regulated trucklines of the country, both large and small, as the overall figures given by the ATA witness demonstrate.

Truckline earnings have been declining in recent years, not primarily because of poor general business conditions, but primarily because of (1) increased costs of labor, taxes and equipment, and (2) the competitive situation in transportation. Because of this serious competitive situation and the general decline of common carriers, both of which are currently being considered by the Senate Commerce Committee and by one of its subcommittees, freight rates have declined and there is practically no prospect of increasing them in the foreseeable future in order to offset increased costs or taxes.

Our company has already paid into the Federal Treasury many hundreds of thousands of dollars as a result of the Highway Act but to date we have received no appreciable benefits, nor do we anticipate such benefits for years to come.

It is respectfully submitted that in the interest of preserving a sound national transportation system, of which the trucking industry is an essential part, and in the long-range interest of completing the Federal Highway System, to which the truck lines contribute so substantially, the Senate should not impose the additional taxes requested by the administration.

The CHAIRMAN. The next witness is Mr. James H. Hanes, Petroleum Equipment Suppliers Association.

## STATEMENT OF JAMES H. HANES, PETROLEUM EQUIPMENT SUPPLIERS ASSOCIATION

Mr. HANES. Mr. Chairman, gentlemen, my name is James H. Hanes. I am appearing on behalf of the Petroleum Equipment Suppliers Association which has its executive offices at 1701 First City National Bank Building, Houston, Tex. I am the chairman of the tax, insurance, legal and legislative subcommittee (commonly called the TILL subcommittee) of the service companies group of that association. I am not employed by the Petroleum Equipment Suppliers Association, but work as the general attorney and member of the operating board of Dowell of Tulsa, Okla. Dowell is the oil field service division of the Dow Chemical Co. and is a member of the association.

The Petroleum Equipment Suppliers Association is a national trade association composed of companies which supply specialized equipment, material and services to the petroleum industry. The association has three subdivisions: One being composed of the manufacturers of oilfield equipment and supplies; the second being the suppliers who operate stores and sell and make delivery of such equipment and supplies to oil and gas operators; and the third being the service companies which furnish highly specialized services to the oil and gas industry. This presentation is being made on behalf of the 25 service company members, and one of the service companies which is not a member of the association.

It has long been realized in the oil industry that certain highly specialized services can only be economically and efficiently offered by organizations which are set up to furnish services to all companies drilling and producing wells in a given area. Many of these are small companies and many of them operate in only one area. These companies do not produce or sell any oil or gas themselves. In order to provide such services as well logging, cementing, fracturing, acidizing, testing, directional drilling, perforating, mud service, fishing, and specialized tool operation, highly skilled engineers and expensive specialized equipment must be used. Throughout the oil producing areas of our country companies have been organized and established to provide such specialized services to all oil producers. The investment in such specialized units, which are truck mounted to provide the necessary mobility, run from a few thousand dollars to well over \$100,000. In almost every case the equipment used by the particular service company is designed by its own engineers and built to its own specifications to perform the special services required.

Before turning to the main point in my presentation, I believe a very brief review of some of the major services performed by the industry will be of assistance to the committee in understanding our position. Almost every oil and gas well that is drilled today has a number of these specialized services performed on it. Usually a new well will be logged. This consists of running specialized tools into the well on a calibrated electric cable to measure and record the characteristics of the earth formations traversed by the well. The result of this logging operation generally determines whether or not the person drilling the well goes ahead and tries to complete it as a commercial well or abandons it as a dry hole. In either event, cementing services will be required to seal off either the area between the well casing and the earth formations, if it is a producer, or to plug the hole, if dry. This cement pre-

vents the contamination of fresh water or other zones by the flow of fluids from one formation to another through the well bore. In most cases State conservation bodies require the cementing of all wells.

If the well appears to be promising, the prevailing method of completing wells is to cement a pipe right through the producing formation and then have another service company crew bring out its specialized equipment to perforate through the pipe and the cement into the selected area in the earth. This perforation may be performed either by shooting bullets, shaped charges, or, more recently, by abrading holes through the pipe and cement by pumping a slurry containing a solid abrasive material through an orifice at very high pressures and rates.

When this process is completed a well may be tested and the owner will then determine whether or not one of the stimulation treatments will be applied to the well to increase its capacity to produce oil or gas. It has been estimated that the use of these stimulation methods, of which fracturing and acidizing are the prime examples, have increased the recoverable oil reserves in this country by approximately 5 billion barrels.

After a well has produced for some time it is often found desirable or necessary to perform additional services to remedy problems which arise or to further stimulate production. In this case, also, the service companies are called as needed to perform such tasks.

The service companies participating in the TILL Subcommittee activities operate approximately 3,338 trucks, 1,270 tractors, and 2,410 trailers.

I have briefly outlined the nature of our association and the operations performed by oil field service companies. Now, I would like to get to the reason for my appearance here today.

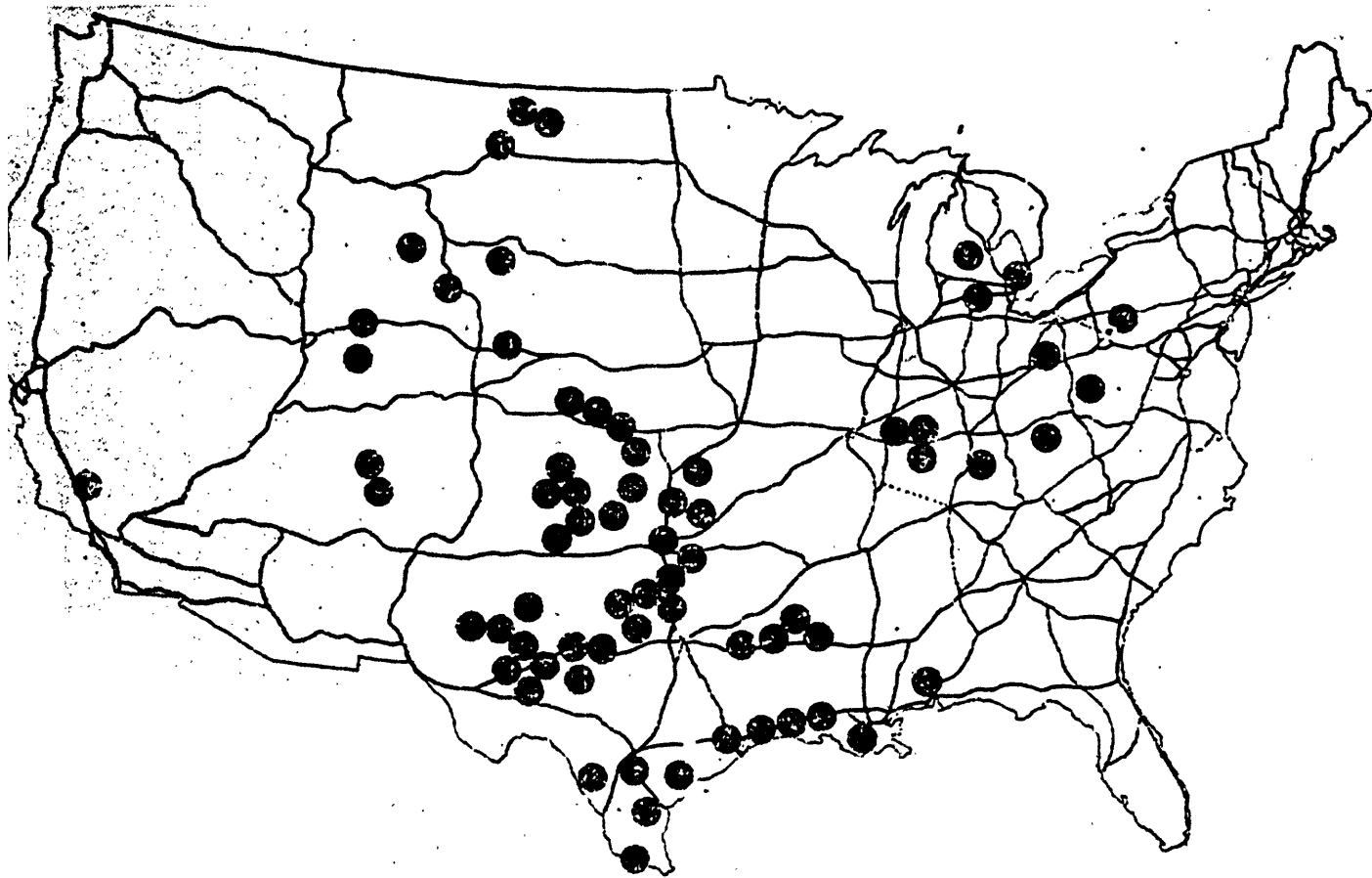
It is the belief of oil field service companies that the nature of their operations and the vehicles used in these operations warrant an exemption from the payment of the tax on use of highway motor vehicles. These vehicles are similar to vehicles which have already been given an exemption under the current regulations governing the payment of this use tax. In all of the discussions we have seen concerning the passage of H.R. 6713, which doubles the highway use tax, the basic reason for the increase of the tax has been to require trucks to pay their "fair share" of the cost of the new highway construction. In the case of the service companies serving the oil and gas industry, we feel that we are at present paying far more than our "fair share" of the tax for the new Interstate Highway System.

I have with me a map of the United States showing the Interstate Highway System as it will be when it is completed. I would like to attach that map.

The CHAIRMAN. Without objection, it is so ordered.

(The map referred to is as follows:)

MAP OF UNITED STATES SHOWING THE INTERSTATE HIGHWAY SYSTEM AS IT WILL BE WHEN IT IS COMPLETED



Petroleum Equipment Suppliers Association

Mr. HANES. Superimposed upon this map are a number of circles which show the operating stations currently in use by Dowell. I believe that Dowell's stations are representative of the industry activity, with the possible exception of the California area. We started operations out there only recently and have only one station located at Bakersfield.

I noticed after I finished the map and had it all reproduced, we also left out our station in Hattiesburg, Miss.

In a recent survey made to furnish information to the Interstate Commerce Commission, the petroleum servicing companies indicated that the average distance they travel to perform a service operation is 59.5 miles. The circles shown on the map give an approximate indication of the areas serviced by each station assuming an average distance traveled.

You will note that comparatively few of these circles are on the proposed Interstate Highway System. Even though a station may be located near the interstate highway, there will be very little use of such highways by the vehicles operating out of this station because the most direct route to the oil or gas well needing service will be followed and these wells are seldom located along such highways.

In the survey mentioned, the companies participating further indicated that approximately 26.5 percent of the total miles driven are on unimproved roads. These operations are very localized in nature, as indicated by the fact that an average of only 19 percent of the total time worked by service equipment operators is driving time and 92.5 percent of this time is strictly intrastate operations. In many of the most active areas of operation, the roads are merely bulldozed trails to provide access. In the Four Corners area it was recently found necessary for the oil industry to construct its own bridge across the San Juan River, as well as all roads in the area.

Under the present law and regulations, the oil service industry pays approximately a quarter of a million dollars per year under the highway use tax. Under the proposed increase this would, of course, be doubled and would extend over a long period of time. This industry will have no chance to recoup any of this tax money through operating efficiencies resulting from the new highway system. This system, even when completed, will very rarely be used by our vehicles.

Under the present law and regulations an exemption has been granted to certain vehicles not used for highway transportation. Examples of such vehicles are earth movers, trench diggers, and farm machinery. These units are properly recognized as having a primary purpose of off-highway operations and are exempted even though they may occasionally use public highways in moving to or from a particular site of operations.

The only difference between such exempted equipment and the type of equipment used by the oil field service industry is that in most cases oil field service companies start with a standard designed truck chassis and have it built into the type of equipment needed, whereas in the case of the presently exempted vehicles the unique design is furnished by the manufacturer. In both cases, the end result is a vehicle designed for off-highway operations.

This industry is not in the business of furnishing transportation but finds that the use of trucks is necessary to permit the performance

of services wherever they are required. We submit that the vehicles we use, as finally completed, are equally entitled to the exemption granted other off-highway vehicles.

We request the following exemption as an addition to section 4483 of the Code, as a new subparagraph (d) :

**SPECIALIZED OIL FIELD SERVICE VEHICLES.**—No tax shall be imposed by section 4481 on the use of any motor vehicles upon which is mounted specialized equipment used in the drilling, logging, completion, cementing, stimulation, testing, or reworking of oil and gas wells.

Granting us this exemption would still leave us subject to a basic excise tax on trucks, tires, inner tubes, fuel and tread rubber and all the many accessories and replacements needed in the operation of our vehicles. In addition to this, we are also paying all the applicable State and local taxes for the construction and maintenance of highway systems.

I have here a few pictures showing the type of equipment used by our company. Other companies in this industry have comparable equipment of their own design to perform similar operations. As you can readily see, these units are very highly specialized and are not designed for the hauling of commodities along the highways.

We appreciate this opportunity to appear before you today and we trust that you will recognize the reasonableness of our request and find it possible to give us the relief requested.

If there are any questions, I would be most happy to try to answer them.

I have one. Have you received this picture of the trucks? Have they been distributed?

Senator BENNETT. We have them.

Mr. HANES. There are two in the lower right-hand corner on this double sheet that look like they might be tank haulers. These actually are mixing tanks, and they are now obsolete. We have replaced this batch process of treatment by the unit shown on the blue and yellow sheets.

Senator WILLIAMS. Does this equipment—is it used on the highways?

Mr. HANES. Occasionally, yes, sir.

Senator WILLIAMS. Did you ask for exemption on the basis that you do not use the Interstate System? Is that correct?

Mr. HANES. That is correct. We use, as I pointed out, 26.5 percent of our use is on totally unimproved roads. But we do find it necessary to use highways from our stations to these points of operations.

Senator WILLIAMS. If we recognize that principle, would not most farmers come under the same classification?

Mr. HANES. I think most farm vehicles which come within this weight limitation are now exempted.

Senator WILLIAMS. Not when they use the main highways with trucks going back and forth from town.

Mr. HANES. The farm trucks you mentioned are trucks hauling standard commodities, whereas our vehicles are really our manufacturing plant. Because our customers cannot come to us, we must be mobile. So rather than being in the transportation business, we go out and treat these wells to increase their productivity or to correct other deficiencies.

Senator BENNETT. What is the tax imposed by section 4481?

Mr. HANES. That is the heavy, or 26,000 pounds. The present rate is \$1.50, and this is being doubled.

Senator BENNETT. Will you pay the gas tax?

Mr. HANES. Yes, sir.

Senator BENNETT. And all the rest of them?

Mr. HANES. The rest of them are insignificant. I guess the figure you have been hearing today, the total amount, is insignificant to you, but it is pretty important to these small companies. I think ours is the largest in this business, but the others are small.

Senator BENNETT. The farmer gets his exemptions on the gas tax.

Mr. HANES. Yes, sir.

Senator BENNETT. Are you asking for similar exemptions?

Mr. HANES. Well, the fuel we use in performing treatments actually comes within the exemptions. The fuel we use in our vehicles, we have not asked for an exemption from that.

The CHAIRMAN. Thank you very much, Mr. Hanes.

Mr. HANES. Thank you, sir.

The CHAIRMAN. The next witness is Mr. A. Lee M. Wiggins, Hartsville, S.C.

#### STATEMENT OF A. LEE M. WIGGINS, HARTSVILLE, S.C.

Mr. WIGGINS. Mr. Chairman, my statement will be informal and brief. I represent no organization and no industry. I am appearing as an individual who, you might say, is a friend of the President's highway tax program.

I might, for background, say that I served as Under Secretary of the Treasury from 1947 to 1948, and it is easy to remember those 2 years, because during those 2 years, not through my efforts, but through the action of the Congress and the administration, the public debt was reduced \$17 billion. So it is easy to remember that period.

Senator WILLIAMS. That was the 80th Congress period, was it not, sir?

Mr. WIGGINS. Yes. I also served as special assistant to the Secretary of the Treasury, and in successive administrations for a period of 5 years dealt with the Internal Revenue Service. Taxation was one of my jobs in the Treasury. Since that time, I have served in our State in many fiscal capacities on the w.o.c. basis of nonpolitical, nonpaid services; chairman of a committee on reorganization of State government; chairman of Governor Byrnes' Advisory Tax Commission, and chairman of the Fiscal Survey Commission under Governor Timmerman.

Now, I am not a tax expert. In fact, I do not believe there is such a thing any more. Certainly, there is a wide difference of opinion on who is knowledgeable in taxes today. My excuse for asking the privilege of appearing before the committee is because of my interest in and concern for a sound tax structure and sound fiscal policies of the Federal Government. In that respect, I hope that what I say represents the thinking and feeling of a great many taxpayers throughout the country.

I think that the President's program in his message to Congress is one of the most forthright and sound tax proposals I have ever read. In my opinion, the American people are in full support of the

highway program of the Federal Government under the expeditious schedule that is contemplated.

Now, the problem arises from the fact that, like many Government projects, the costs have increased about 50 percent. The question is how that is going to be taken care of.

Incidentally, taxes for the support of highway programs in the Federal Government have increased about six times in the last 10 years, so it has gotten to be quite a formidable cost. We can either postpone the completion of the program, and I think the American people do not want that—they want it completed on schedule—or we can borrow the money to make up the difference. But that is an unwise program. I think we all recognize that. We can take it from the general fund, which I think violates the fundamental concept of this type of Government expenditure. So the Congress has decided that this highway program should be paid for, as we go, by user taxes.

Studies have been made as to the benefits received by various forms of transportation on the highways and provided to the user. Now, without going into findings and studies that it seems to me have been going on for a long time, and were of a comprehensive nature and a technical nature, the Bureau of Roads and the Department of Commerce, after their study, have come up with a proposal that greater benefits are being derived by trucks than by other forms of vehicle transportation, and that they should pay an increasing part of the costs of the highway program. They get shorter mileage, less congestion, easier grades and curves, and fast operation that is safer. The question is, of course, how much of the additional costs should be borne by the heavier trucks.

Now, the interesting fact, to me, is that it is evidently worth a great deal more to the heavier trucks to use these new modern highways. The proof of that is that if we were to examine the figures on the use of toll roads, where the user charge runs from 3.75 cents per vehicle-mile up to 7.5 cents per vehicle-mile, that more and more the trucks are using the toll roads and paying this 3.5 to 7.5 cents per vehicle-mile, rather than to use the old roads. It evidently is more economical for them. And I venture to say that if the truckers had the choice of no new modern highway program at all, or their willingness to pay for it, that they would pay even more than is contemplated under the President's program.

Now, the increased costs per vehicle-mile, according to this study, is practically nothing for automobiles and small trucks. It is from four-tenths to five-tenths of a cent per vehicle-mile for the larger gasoline-powered trucks, and it runs from six-tenths to  $1\frac{1}{10}$  cents per vehicle-mile for diesel-using heavier trucks.

One of the differences in the proposal of the President, and the bill passed by the House, is the diesel fuel tax. Under the President's proposal, it was recognized that a gallon of diesel fuel will carry a truck about 60 percent further than a gallon of gasoline; therefore, a higher tax should be placed on diesel fuel than on gasoline. Now, that makes a lot of sense to me, because it is the measure of use of the highway and the utilization of this more efficient form of fuel.

They have also concluded, after these exhaustive tests, that the trucks above the 26,000 pounds gross weight should carry a relatively heavier burden. That seems, to me to be a matter of research and study, and all the studies I have seen indicate to me that those

figures are not far from right. I accept them as being an objective study of that problem. They have considered all the questions of the incremental, the money, the costs, and all that, in arriving at their final conclusions.

The point I would like to make, gentlemen, is to support the position taken by this committee, under the leadership of Senator Byrd, of pay as you go, and a use tax for those who use the highways to pay for them. In my opinion, there should be no diversion from the general fund of the Treasury of manufacturers' excise taxes to pay for highways.

In my opinion we need a complete revision of our tax structure and to give more play to excise taxes in a revision of our tax structure. But in any event, these excise taxes that represent a manufacturer's sales tax, whether on trucks or parts or anything else, in my opinion, are entirely different from the user tax on the highway itself. Any taxes collected that are not related to highway use, in my opinion, should go into the general fund, such as the aviation gas tax. There is no justification that I can see for putting that in the highway trust fund. Expenditures for highways, such as on public lands, it seems to me, should be paid out of the highway trust fund, because they are as much a part of our highway system as other roads.

According to the estimates in the Bureau study, we are placing some \$60 million of nonhighway use taxes in the highway trust fund. On the other hand, out of the general fund, we are paying something like \$139 million for roads in the public domain and access roads.

It seems to me, gentlemen, that we should separate and clearly define the use-benefit tax for the highway system from taxes of a general nature, which should go into the general tax funds of the Treasury, where the needs are even greater than they are for the increase in the highway trust fund.

I would like to make this point, also, that in diverting to the highway trust fund from the general fund, in the case of corporations subject to a 52-percent income tax rate, there is an additional 52-percent loss to the general fund because the tax becomes an expense of the corporation and reduces its taxable income by that amount. So the general fund loses 52 percent of all the taxes that you transfer and that constitute an expense to a corporation in the 52-percent bracket.

That, Mr. Chairman, is very briefly—and I am trying to conserve your time—the viewpoint I would like to express; full support of what I think is a sound approach to the completion on schedule of our highway program by having the cost met by the people who get the benefit of using highways.

The CHAIRMAN. Thank you very much, Mr. Wiggins, for a very interesting statement.

Senator HARTKE. Mr. Chairman, may I ask one question?

The CHAIRMAN. Senator Hartke.

Senator HARTKE. Mr. Wiggins, you feel that trucks should bear a heavier load, is that right?

Mr. WIGGINS. Well, I have endorsed the findings of the Department of Commerce and Bureau of Public Roads that on all yardsticks they have used, why, the heavier trucks should pay higher taxes.

Senator HARTKE. Where was your last employment?

Mr. WIGGINS. With the railroads. Before my retirement I was chairman of the board of the Atlantic Coast Line.

I might say that I have just retired as an active business executive. My experience has been in manufacturing, merchandising, farming, transportation, and a few other things.

The CHAIRMAN. I had very cordial relations with you in Washington, and remember the fine work that you did here.

Are there any further questions?

Senator DOUGLAS. Well, may I say that I think Mr. Wiggins has a distinguished record as Under Secretary of the Treasury, and I have always regarded him as a great public servant, and have a great deal of respect for him.

Mr. WIGGINS. Thank you very much.

Senator WILLIAMS. As a member of the 80th Congress at the time we were working together to save \$12.5 billion, I would like to say also that I have a great deal of respect for Mr. Wiggins.

The CHAIRMAN. The Chair has been asked to insert in the record a letter from James D. Mann, managing director of the Private Truck Council of America, Inc., enclosing his statement in behalf of that organization.

(The letter and statement referred to follow:)

PRIVATE TRUCK COUNCIL OF AMERICA, INC.,  
Washington, D.C., June 7, 1961.

HON. HARRY FLOOD BYRD,  
Chairman, Finance Committee,  
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: We will be most grateful if you will include in the record of the current hearings you are now conducting on title II of H.R. 6713 the enclosed statement containing the views of the Private Truck Council of America, Inc.

We will appreciate your careful consideration of the views expressed herein as to why we are opposing the administration's proposals to increase motor fuel and other automotive taxes.

We particularly call your attention to the several examples of how non-transportation businesses, which operate trucks as an incident to their primary business, in distributing their products and picking up their raw materials, will be burdened unduly by the administration's proposals.

If we can furnish you with additional information please do not hesitate to call upon us.

Respectfully submitted.

JAMES D. MANN, *Managing Director.*

STATEMENT OF JAMES D. MANN, MANAGING DIRECTOR, PRIVATE TRUCK COUNCIL OF AMERICA, INC., WASHINGTON, D.C.

The Private Truck Council of America, Inc., is a national, nonprofit organization of those who operate motortrucks as an incident to their principal non-transportation businesses, including farming, manufacturing, mining, wholesaling, retailing, and servicing. Council members are engaged in such diverse activities as processing and distribution of meat, carbonated beverages, bakery products, ice cream, milk, beer, petroleum, and groceries, and laundering and drycleaning, just to mention a few. The council is not part of or affiliated in any way with any organization that represents or speaks for for-hire motor carriers.

We appreciate the opportunity to submit our views to this committee and will endeavor not to burden the record by including statistics and statements that have been placed before you, as far as possible.

We again stress that council members are not part of the trucking industry but operate their trucks only as an incident to their primary nontransportation businesses. Adequate highways are an important part of their distribution systems.

The council has a long record of supporting better highways and was among the user groups which endorsed the highway program as approved by Congress in 1950. The council, as well as other highway-user groups, is concerned over the constant drift away from the original concept of that program. Prior to 1950 Federal aid for highways was provided totally out of general funds.

In approving the Federal-Aid Highway Act of 1950 Congress recognized that part of the cost of the new program should come from general revenues and it directed a study, among other things, to investigate and determine "any direct and indirect benefits accruing to any class which derives benefits from Federal-aid highways, in addition to benefits from actual use of highways, which are attributable to public expenditures for such highways."

It is the council's position that highway users and all other beneficiaries of highway construction, improvement, and maintenance should be required to assume their full and proper proportionate shares of the costs of providing those facilities.

Therefore, we believe that the administration proposal that highway users pay the entire cost of the Federal-aid program is inequitable.

In other words, we think that all interests which share in the benefits should share in the cost. We are not in position to say what these proportions should be, that will have to be left to the wisdom of this committee.

We believe there is a limit to the extent that the people can be taxed and the form of government which we cherish still be maintained. If one of the main objectives of the current Federal-aid highway program is to reduce the cost of transportation to business, as well as to aid national defense, among other things, it would be too bad if the taxes become so burdensome and oppressive that the program's aims cannot be achieved.

One of the goals of the administration is to get the economy moving. We believe that the best way to do that is to get more money into the hands of the people. Every tax increase takes more money from them and in turn reduces their purchasing power. Most members of the council are engaged in businesses that supply the essential needs of the populace. In the majority of cases when their operating costs are increased, which will result if the administration's proposals are approved, their only alternative is to pass these increases along to the consumers, if they are to stay in business.

As an example of what these proposed taxes would mean to a specific industry, a representative of the pulpwood industry has wired me:

"Proposed taxes will increase fuel costs of about 50,000 small farmers and small loggers in pulpwood industry about \$600,000 annually and the truck tax will increase trucking costs of about 10,000 large trucks annually at least \$1 million. These men have small margins for profit and risk. Proposed taxes will be inflationary and cause some additional unemployment."

A processor of good products, including milk, ice cream, and other dairy items advises:

"As manufacturers we have, by use of advanced technologies, been able to accomplish economies which have served to prevent disastrous increases in cost but we have not been able to control the cost of placing our products in the hands of consumers. It has advanced rapidly and to alarming proportions. We had hoped, and still do, that as we approached realization of the Interstate System there would be a beneficial easing of traffic congestion on urban streets and the high cost of delays and abnormally high motor fuel usage or wastage. However, this desirable result has not yet been accomplished. Any increase in the cost of distribution, whether to come from taxation or increased rates by common carriers, cannot be absorbed and must be passed on to consumers.

"The proposed increase in diesel fuel would essentially destroy the value of the diesel engine in highway vehicles. The additional investment in diesel engines and their weight as compared with the cost of gasoline engines would be difficult to justify on an economic basis. As proposed, this tax is about equal to that on gasoline, about 1 cent per vehicle-mile, and if it brings about a shift from diesel fuel to gasoline the total truck miles and total tax collection should remain about the same. However, it has been demonstrated time and time again 'Necessity is the mother of invention' and Congress should anticipate American ingenuity to develop motive power efficiency from fuels other than gasoline or diesel fuel."

A packing company in Texas, which operates 18 units advises:

"Our diesel fuel taxes would increase \$5,931.30 annually based on actual consumption of 197,710 gallons for the year 1960.

"The Federal highway tax would increase \$3,500 for units in excess of 26,000 pounds.

"Highway tires would increase \$116 based on actual purchase of 50 new tires; inner tubes by \$8.80 and recap tires by \$382.98, all based on 1960 basis.

Tax	Present annual tax	Proposed annual tax	Additional cost
Diesel fuel.....	\$7,904.40	\$13,839.70	\$5,931.30
Highway trucks.....	1,500.00	5,000.00	3,500.00
Highway tires.....	439.00	555.00	116.00
Inner tubes.....	87.20	96.00	8.80
Recap tires.....	166.52	549.50	382.98
Total.....	10,101.12	20,040.20	9,939.08

"A textile manufacturer, operating 33 tractors, has submitted the following comparison of the present tax schedules with those proposed by President Kennedy:

	Present tax	Proposed tax	Percent increase
Federal highway use tax.....	\$1.50	\$5.00	233
Tires (per pound).....	.08	.10	25
Tubes (per pound).....	.09	.10	11
Retread rubber (per pound).....	.03	.10	233
Diesel fuel (per gallon).....	.04	.07	75

"1 Per 1,000 pounds of taxable gross weight.

"We have analyzed the effect such increases would have on our private trucking operations if the President's proposal is adopted by Congress. The following comparison is based on our 1960 operations:

	Present tax cost	Proposed tax cost	Increase in cost
Federal highway use tax (33 tractors) .....	\$2,475.00	\$8,250.00	\$5,775.00
Tires and tubes.....	1,670.52	2,088.15	417.63
Retread rubber.....	589.25	1,962.20	1,372.95
Diesel fuel (416,098 gallons).....	16,643.92	29,126.86	12,482.94
Total.....	21,378.69	41,427.21	20,048.52"

These are typical examples of the way many nontransportation businesses which use the highways, in distributing their own products and picking up the raw materials necessary to their manufacture and preparation, will be adversely affected by the administration's proposals.

#### HOUSE APPROVED H.R. 6713

The Council opposed the administration's proposals when hearings were recently held on them by the Ways and Means Committee. Although title II of H.R. 6713, as approved by the House, is less objectionable than the Kennedy proposals, our strong objections to the administration's proposals apply equally to those favored by the House.

According to press reports the administration is concerned over the threats of inflation. Even the House-approved measure will result in increased private truck operating costs that will have to be passed on to the consumer, raising his living costs, thus it too is inflationary.

The matter of building and financing roads cannot be completely settled by a legislative stroke in this Congress, but the problem will be a continuing one as the Nation continues to grow and expand.

Already the taxes on highway users have reached an unconscionable state. Highway transportation cannot continue to serve the Nation's needs adequately and economically, if the highway used is singled out for special attention

every time special interests feel they need more money for highways. Already the situation exists whereby many highway users prefer forgoing all the immediate advantages of the highway program if its continuance on schedule means heavier taxes as proposed by the administration and favored by the House of Representatives. They much prefer a stretch out of the program in line with the Government's income.

The best defense in the Western World is the strongest possible United States. It cannot continue strong if taxes are continually increased without regard to future consequences. We cannot continue to be all things to all people and nations.

We feel that it is time that all demands confronting the Government—to finance highways, foreign aid, education, agriculture, public housing and countless other Federal Government activities—be reviewed and given a priority rating and that the cloth be cut to fit the pattern.

This may result in the curtailment and abandonment of some projects but we believe the highway building program will be among the top priorities. If this is done, we believe that the highway program can be maintained without the imposition of further taxes.

The CHAIRMAN. The next witness is Louis W. Prentiss, of the American Road Builders' Association.

**STATEMENT OF MAJ. GEN. LOUIS W. PRENTISS, USA (RETIRED)  
EXECUTIVE VICE PRESIDENT, AMERICAN ROAD BUILDERS' ASSOCIATION**

Mr. PRENTISS. Mr. Chairman, I am Louis W. Prentiss, executive vice president of the American Road Builders' Association, Washington, D.C. The association I am privileged to represent is a federation of highway interests representative of all segments of the highway industry with total membership in excess of 6,000. Its members include Federal, State, county and local highway officials and administrators, professors and students of highway engineering, consulting engineers, bankers, highway contractors, equipment manufacturers and distributors, and materials producers.

Mr. Chairman, we appear today in support of the measure now before your committee, H.R. 6713. Based upon our long association with the Federal-aid highway program, it is our studied opinion that the time has arrived when legislation to firm up the financing of the program is absolutely essential to the orderly progress of the National System of Interstate and Defense Highways provided for by the Congress in the Federal-Aid Highway Act of 1956. Firm financing is basic to long-range programs. Without firm financing, long-range programs revert to long-range planning. It is only when the rate of construction is established and assured by firm financing that we can have an efficient and economical construction program.

A knowledge of the rate with which Federal funds will become available for the Federal-aid interstate construction program over the next 11 years permits the officials to prepare sound expenditure schedules; permits proper coordination of right of way acquisition, engineering and construction; permits economical segments of highways to be initiated and completed on a schedule—including the construction of costly and time-consuming bridges and other major structures; permits the States to know in advance what their Federal-aid matching fund requirements will be and to take such legislative steps as may be necessary to raise the funds; and last, but certainly not least, permits industry to expand intelligently so as to give adequate support at minimum cost.

We had hoped with the enactment of the 1956 Federal-Aid Highway Act that Congress had at last provided a balanced, long range, soundly financed highway construction program. It was balanced in that it made provision for stepping up the ABC road program at a rate to keep it abreast of the accelerated interstate program. It was long range in that it provided for 13 years of authorizations with 16 years of trust fund financing through 1972. However, it was not "soundly financed" as we learned only too soon. Emergency financing legislation enacted in 1959 partially met the immediate trust fund requirements but fell far short of providing "sound financing" for the life of the contemplated program.

The on-schedule completion of the Interstate System will require the expenditure of about \$30.8 billion, with about \$10.7 billion in addition to be applied to the continuing regular program of improvements on the Federal-aid primary, secondary, and urban systems. The total revenue requirement for programs to be financed from the highway trust fund is, therefore, \$41.5 billion.

Under existing law, we can anticipate highway trust fund revenues over the 11-year period of \$31.8 billion. This total falls short of established requirements by \$9.7 billion.

H.R. 6713 makes provision for this deficit and sets up a long range revenue program for the highway trust fund which is adequate for estimated needs, both as to the total funds provided and as to the annual rate with which those funds are made available.

Furthermore, the program provided by H.R. 6713 meets, in our opinion, the test of equity, distributing the costs of the program fairly among the beneficiaries.

Our association takes the position that the vast economic and social benefits flowing from modern highways benefit every segment of our society and every individual. Over a period of many years, we have observed highway transportation produce important changes in the social and economic patterns of our society. We believe that proper development of our highway systems is the key to future progress in all areas of economic endeavor and in opening opportunities for a happier life for every citizen.

There are those who insist that the taxes provided in the bill before you are both discriminatory and destructive. We do not agree that the additional taxes proposed by H.R. 6713 will result in any economic distress. On the contrary, all of the evidence indicates that the average motorist's total transportation costs will be reduced if a somewhat larger percentage of his transportation dollar is allocated to the improvement of the highways on which he drives. At the present time, only 12 percent of the motor vehicle ownership and transportation costs are used for building and maintaining highways, as compared with 14 percent during the 1920's and 1930's. It was during those decades that reasonable progress was made in improving our Nation's highways. Since then the rate of automobile population increase has outstripped the Nation's rate of highway construction and improvement and hence we have been losing ground.

The benefit-cost ratio of the interstate program has been computed by the Bureau of Public Roads as 4 to 1 or \$4 of benefit to each \$1 of cost.

The average motorist is now paying in insurance and accident costs the equivalent of about a 20-cents-per-gallon tax on fuel consumed. He is paying it to insurance companies, body repair shops, hospitals, and mortuaries, and it is a cost that can be reduced by providing safety-engineered highways adequate for today's traffic. Highways of the interstate type reduce accident frequency by 66 $\frac{2}{3}$  percent and the fatality rate by 50 percent. For a nation killing in excess of one person every 15 minutes and experiencing 1,500,000 injuries annually in highway accidents, these are savings that must not be overlooked. Last year highway deaths totalled 38,200 and highway accidents cost \$6.4 billion, not including an undetermined number of accidents involving property damage only and not reported to the data-collecting authorities.

In addition to the safety values just cited, it is equally important that timely provision be made for the economic growth of the country, to keep our standard of living high, to provide job opportunities for the millions of young people who are entering the labor force annually, and to take steps to encourage the revitalization and orderly growth of our cities and metropolitan areas. In all of these related activities, which come under the general heading of "building America," the development of an efficient highway system plays a vital role. It is one of the most important foundation stones to a sound and lasting prosperity.

Finally, the early completion of the Interstate System is essential in order that it may serve its purpose as an element of our national defense. Since 1956, when the system was officially designated as the National System of Interstate and Defense Highways, the concept of mobility has been given increased emphasis by our defense planners. Now, more than ever before, we are basing our defense preparations on the premise that we must be able to move our defensive and retaliatory weapons, our military supplies, and our manpower with speed and precision. Our highway network plays an important role in the implementation of this concept of mobility.

H.R. 6713 will make possible—

- (a) A balanced construction program.
- (b) A long range program.
- (c) A soundly financed program, and one which will permit completion of the 41,000-mile Interstate System reasonably close to the original target date of the 1956 act.

The people of this country, in our opinion, want these roads and are willing to pay for them, and in the final analysis, it is the people who are going to pay. Who would not pay \$1 to receive \$4 back in benefits?

Our country cannot afford the price, in either lives or money, of further delay.

The CHAIRMAN. Thank you very much.

Are there any questions?

Senator HARTKE. Yes, Mr. Chairman.

Are you in a hurry to catch your plane?

Mr. PRENTISS. I was in a hurry to keep from delaying you.

Senator HARTKE. Well, I am in no hurry. I have a lot of time.

I think these general objectives of yours are quite fine and are high sounding, and who would not pay \$1 to receive \$4 back in benefits—I agree with that—and our country cannot afford to pay the price.

Yesterday, I asked the question, with all due deference to my distinguished chairman, for whom I have all the love in the world, but I disagree with his amendment, that is all. It is that simple. They said yesterday that provided the so-called Byrd amendment could be removed, the program could be accelerated by 2 years. Would you be in favor of accelerating this program and giving these benefits to the people earlier if it could be done under a method of financing which is commonly used in business concerns?

Mr. PRENTISS. I am of the opinion that the sooner our highways are built, the better it is going to be for our country, and that in my opinion, any speeding up of the highways will bring to our people a very appreciable dividend in the form of these benefits, and we shall start getting them 1 year or 2 years earlier.

Senator HARTKE. These dividends, in addition to these fringe benefits that you spoke of, are real, are they not? They are really something?

Mr. PRENTISS. The benefits are expressed in reduced operating costs for private vehicles and for trucks. They are expressed in the reduction of accident costs, which, as I said, last year amounted to \$6.4 billion.

Senator HARTKE. \$6.4 billion a year?

Mr. PRENTISS. Last year.

Senator HARTKE. This adds another feature that I did not even have. I understood the Bureau of Roads had given an estimate, which they verified for me yesterday, that this would amount to \$2.1 billion in economic losses which could be averted in property losses alone, in accidents. Is that true, sir?

Mr. PRENTISS. I want to point out the fact that the \$6.4 billion is not a loss that can be entirely eliminated, because that takes into consideration all of the losses on all of the highways and all of the streets in the country.

Senator HARTKE. The point about it is that the Bureau of Public Roads says \$2.1 billion could be averted per year. So if we can accelerate this by 2 years, as they said yesterday could be done if the Byrd amendment is removed, this would mean that we could save \$4.2 billion, or \$4,200 billion, by accelerating the program by 2 years. This, in savings to the country, would amount to about \$4,000 per minute. This is saving money pretty well, is it not?

Mr. PRENTISS. Yes, sir.

Senator HARTKE. Now, we have seen here in recent days a lot of publicity about the humanitarian aspects involved in trying to save peoples' lives with tractors. If we put our tractors to work on these highways and accelerate this program, we can save 4,000 lives a year on these highways, according to the Bureau of Public Roads estimate, which means that 8,000 lives could be saved in the period between 1970 and 1972. You would be in favor of that, would you not?

Mr. PRENTISS. Yes, sir; and I would like to say this, that the highway industry itself, all segments of it, has the capacity to build highways more rapidly than they are being built today.

Senator HARTKE. That is right. Now, on these lives alone, that means that during those years from 1970 to 1972, a life would be saved every 2 hours in the United States on the highways.

The CHAIRMAN. General, you know the addendum. You do not contend that having good roads everywhere is going to save more

lives. As a matter of fact, the better the road is, the greater the speed, and therefore, more lives are lost. That was true on the Pennsylvania Turnpike.

I am very surprised that my good friend from Indiana contends that no lives are going to be lost at all if we repeal the Byrd amendment, and go to deficit financing, because that is what you are going to have to do. We are already on a deficit basis. If you are going to keep this on a pay-as-you-go basis, we have to borrow from the Federal Government and increase other taxes in order to provide the money. That is the first time that I heard that improving the roads generally is going to avoid any accidents whatever. Nobody can do that, sir.

Mr. PRENTISS. Mr. Chairman, I would like to say that the accident history on the interstate-type highways shows that the frequency, the accident frequency, is reduced by 66 $\frac{2}{3}$  percent.

The CHAIRMAN. That is where you have three- or four-lane highways.

Mr. PRENTISS. That is the interstate-type highway.

The CHAIRMAN. That is not true of all the other roads, because if you have a two-lane road, the better you make it, frequently, the more accidents you have, because the faster the people go.

I am not arguing against good roads. But I have been in this road business since I was State senator and Governor of Virginia. Virginia has a pretty good road system on a pay-as-you-go basis. I would have to resist any effort by my good friend from Indiana to repeal the Byrd amendment.

Senator HARTKE. Let me say, Senator, that I have no delusion whatsoever that you are not going to resist it. I am not under any delusion, myself, that it probably will be repealed. But I think these facts should be known. I did not raise these figures. These figures are from the Bureau of Public Roads, that 4,000 lives could be saved each year. This means that during the period from 1970 to 1972, 8,000 people do not have to die. It also means that, according to the Bureau of Public Roads, 150,000 personal injuries a year could be averted. For a 2-year period, this would be 300,000 personal injuries that could be avoided.

Is that not right?

(Mr. Prentiss nods.)

Senator HARTKE. This means we could avoid 410 personal injuries of our fellow citizens here every year. This comes at the rate of one injury every 2 seconds.

Now, in view of the fact that we just went through—just witnessed one of the worst Memorial Day weekends in history, and I listened to these statistics and the efforts that should be made by the American people to avoid killing people on the highway, and this touches almost, in some form or another, every family in America, I would like to ask, in view of that, do you not think a real good case can be made so this might be a good investment for our fellow citizens?

Mr. PRENTISS. I feel that of all the public works programs with which I have had an experience, and I spent 35 years in the Corps of Engineers of the Army, highways have the highest benefit-cost ratio of any public works I have had any experience with.

Senator HARTKE. Then, if any of us had to answer this question—whether it would be our family or a member of our family which was

one of those 8,000 killed or the 300,000 injured between 1970 and 1972—this places an extreme burden, not alone upon those people who are opposing this thing, but upon those of us who are in Congress who had to answer to those people in that 2-year period.

Mr. PRENTISS. Yes.

The CHAIRMAN. How long have you been with the American Road Builders' Association?

Mr. PRENTISS. A little over 5 years, sir.

The CHAIRMAN. In 1958, when the Byrd amendment was suspended, you had a chaotic condition, did you not? Contracts were let and they did not have the money to pay for them.

Mr. PRENTISS. That is right. In other words, the Byrd amendment was suspended insofar as allowing contracts to be let. When it came time to pay for them, the Byrd amendment was not suspended.

The CHAIRMAN. I just want to point that out, that we tried suspending the Byrd amendment for 2 years, and we had a lot of complications, and money was not available to pay the contracts and so forth. I do think we ought to think along the lines that we are to pay for these roads as we go, because they are not permanent. They rapidly deteriorate; a new kind of roadbuilding occurs. In some places, you need six-line roads; in some places, you need four, and so forth. I have no idea that all accidents are going to be eliminated by reason of improving the roads. It just does not make sense, although I feel that the four- and six-lane roads where the traffic is better may eliminate some.

Mr. PRENTISS. I would like to say that the American Road Builders' Association feels that the progress that can be made under H.R. 6713 is reasonable, and that it will give us a reasonable date of completion of the Interstate System.

Senator DOUGLAS. Mr. Chairman, may I ask a question?

Go ahead, Senator Williams.

Senator WILLIAMS. During the last 2 or 3 years, even with the Byrd amendment, do you think we have made substantial progress in expanding our roadbuilding program?

Mr. PRENTISS. I think we have made excellent progress.

Senator WILLIAMS. In view of that fact, and accepting at face value your report that we would reduce the number of lives which are lost on an improved program, how do you account for the fact that over Memorial Day, as the Senator from Indiana pointed out, we had the highest death record? You would not attribute that to the improvement made over the last few years, would you?

Mr. PRENTISS. I think, Senator Williams, that what we have to realize is that our automobile population was greater this past Memorial Day than it was a year ago.

Senator WILLIAMS. And 3 years from now, will it be greater again?

Mr. PRENTISS. The automobile population is forecast to be on the increase. And the vehicle-miles traveled each year is on the increase. And, of course, we have been considering these highway deaths on the holidays on the basis of the number of deaths, not on the basis on the number of deaths per million vehicle-miles traveled during the holiday. As a matter of fact, in my estimation, if you consider the accident rate on a vehicle-mile basis, rather than on an hourly basis, it is probably safer to travel over these holidays when people are

alerted and aware of the accident danger than it is to travel during a weekday.

Senator WILLIAMS. And based upon those same statistics, even though we expand the roadbuilding program, or accelerate it, you are still going to get an expansion in the accident rate over a period of years in the future, is that not true? We hope it is not; is that not true?

Mr. PRENTISS. In my opinion, we are going to continue to have an increase in our accident rates so long as the automobile population and the vehicle mileage driven increases at a rate faster than we can provide engineered safety highways for those vehicles to be carried on.

Senator WILLIAMS. That is correct. The point I am making is that you just, when you say that you think there is a limit as to how fast you can accelerate this program, you are not necessarily speaking in favor of killing all these people. A lot of them are going to be killed regardless, is that not true, sir?

Mr. PRENTISS. Yes.

Senator HARTKE. Will the Senator yield at that point?

Senator WILLIAMS. Just a moment.

But assuming for the moment that there is merit to the proposal to accelerate this program, would you recommend and endorse an increase in the individual tax rate and the corporate rate on the earnings of all corporations, including the road construction companies, to pay for this program?

Mr. PRENTISS. Insofar as the road construction industry is concerned, I think that what we have got to recognize is that you get no place by setting up a vicious spiral. If you increase the cost of road construction companies doing business, you are going to increase the cost of building the roads, and you do not gain anything.

Senator WILLIAMS. Then you would not favor paying the tax necessary to finance it?

Mr. PRENTISS. I think that those engaged in the highway industry, every segment of it, should be paying their fair share of this highway program, as does every other citizen of the United States.

Senator WILLIAMS. Well, my question was direct. Would you endorse an increase in corporation taxes or individual income taxes sufficiently to pay for this expanded program which you have recommended?

Mr. PRENTISS. I think it would be a good investment for our people and for our country.

Senator WILLIAMS. Then you would recommend and endorse such an increase in taxes?

Mr. PRENTISS. As an individual I can, yes. But since I do not have such a statement of policy from my association, I can speak to you only, sir, as an individual.

Senator DOUGLAS. Mr. Chairman, the response of the general to the question Senator Williams raised provided the answer to the question I should like to ask. I would like to make it explicit.

Without going into the question of whether or not the program should be accelerated, but simply dealing with carrying out the existing program, would you favor financing under the proposal made by the President, or the proposal passed by the House?

Mr. PRENTISS. I would like to say this, sir. My association went on the record as supporting the President's proposal. I so testified

before the House Ways and Means Committee. We felt that it was an adequate and equitable solution to the problem.

We felt, however, when the House acted on what is a compromised solution to the problem, that the House had come up with a satisfactory answer. And therefore, we come here and testify before you as favoring that bill which the House has passed.

Senator DOUGLAS. Well, now, are you in favor of both of these plans simultaneously?

Mr. PRENTISS. As far as my association is concerned, we support either one.

The CHAIRMAN. Which do you prefer?

Senator DOUGLAS. Yes, that is what I want to know.

Mr. PRENTISS. I would prefer to have the one that is halfway through all ready.

Senator DOUGLAS. Could the answer to that question be read?

(The answer was read by the reporter as recorded.)

Senator DOUGLAS. Why is that?

Senator BENNETT. Halfway through the Congress.

Senator DOUGLAS. Why is that?

Senator BENNETT. Because—"the bird in hand is better than one in the bush."

Senator DOUGLAS. I do not think they have "the bird in hand."

General, you interest me very much.

Mr. PRENTISS. We studied the House compromise and came to the conclusion that it was a fair and equitable solution, and therefore, we support it.

Senator DOUGLAS. In other words, you favor having a portion of the cost met from the general fund of the Treasury, is that correct?

Mr. PRENTISS. Yes, sir.

Senator BENNETT. He has also testified, in answer to Senator Hartke, in effect, at least, that he would be perfectly satisfied to have the road program stepped up at any cost.

Senator DOUGLAS. I understand, but my question was with respect to acceleration. So on the existing program, you are in favor of having a portion of the cost met from the general funds of the Treasury.

Mr. PRENTISS. In that connection—

Senator DOUGLAS. Yes or no, General?

Mr. PRENTISS. Yes.

Senator DOUGLAS. Now, the next question. Suppose this increases the deficit for the year 1962, as it probably would, fiscal 1962.

Mr. PRENTISS. May I qualify my "Yes"? My feeling is this, that when taxes have been going into the general fund of the Treasury, and legislation proposes to take the revenue from those taxes, out of the general fund of the Treasury, and put it into the highway trust fund, to me it is immaterial as to the source of the revenue which went into the general fund. When it comes out of there, it is a contribution from the general fund to the support of the highway trust fund.

Senator DOUGLAS. And it leaves less in the general fund to meet the other purposes of the Government.

Mr. PRENTISS. Yes. I do think, however, that in order to have a program on a pay-as-you-go basis, under the Byrd amendment, that we should not and cannot be dependent upon an annual appropriation out of the general fund. In order to be able to plan 3 years in advance and make apportionments for 3 years in advance, we have to have

earmarked funds for the highway trust fund so that we know where the program is going and how fast the program is going. That is why I say I am in favor of this bill. It earmarks the money for the highway trust fund. It comes out of the general fund and this to me is mayonnaise, whether it is vinegar or oil or eggs. When it comes out of the general fund, it is money for the highway trust fund.

Senator DOUGLAS. It is less money, however, for the Government to carry out other purposes, and increases the deficit for fiscal 1962, does it not?

Mr. PRENTISS. That is why, in my opinion, it is a contribution from all of the people to the program rather than just highway users.

The CHAIRMAN. Let me ask you this question, General. Do you think the new revenue raised by the House bill is adequate to meet the situation confronting us?

Mr. PRENTISS. Yes, sir. I think this, the Congress, in its wisdom, has seen fit to direct the preparation of new cost estimates in 1966, 1967, and 1968. The Congress recognizes that the conditions existing today may not exist in 1966. So therefore, when we answer that question today, I would say, based upon today's economy and based upon the best forecast that can be made, we have an adequate program with the financing assured to permit it to proceed at what we feel is a reasonable rate of progress, and will permit a reasonable completion date if it is properly coordinated during the last 3 years of the construction program.

The CHAIRMAN. Practically all of this money, as you know, comes from use taxes, the taxes of people that use the roads, and under the Byrd pay-as-you-go, that is put into the trust fund. I gather from what you say that you think the procedure we are now taking is adequate to meet the conditions confronting us of increasing traffic on the roads within the immediate future.

Mr. PRENTISS. I think it is a reasonable solution.

The CHAIRMAN. I say in time to come, we may not have to put more. But you regard this program from the road builders' standpoint as adequate to meet the conditions that now exist?

Mr. PRENTISS. Yes.

The CHAIRMAN. Thank you very much.

Senator HARTKE. I tried to have a chance to ask a question when the Senator from Delaware was asking a question and he went on to another subject. I did not want to leave this question in the air, the question about accidents on the Interstate Highway System.

There is no real dispute, is there, among the authorities, that there is a reduction of accident ratio, a reduction of accidental deaths and personal injury and property loss, on the Interstate Highway System, is there?

Mr. PRENTISS. No. Upon the completion of the Interstate Highway System, it is anticipated that it will carry 20 percent of the total vehicle mileage of the country. The figure of 4,000 lives saved represents a savings of 50 percent on 20 percent of the fatalities, with the fatalities rounded out at 40,000. If you take 20 percent of that, you get 8,000 fatalities. If you are going to save 50 percent by reason of engineering safety in the Interstate System, you will save 50 percent of that 20 percent, or 4,000 lives a year. And if the same application is applied to total personal injuries resulting from 20 percent of the total vehicle traffic a savings of 66 $\frac{2}{3}$  percent would be re-

flected. And these figures are based upon experience, not upon theory.

Senator HARTKE. Thank you, sir.

Mr. PRENTISS. Thank you very much.

The CHAIRMAN. Thank you very much.

The next witness, Mr. Ross R. Ormsby, Rubber Manufacturers Association.

**STATEMENT OF ROSS R. ORMSBY, PRESIDENT, RUBBER MANUFACTURES ASSOCIATION, ACCOMPANIED BY W. J. SEARS, VICE PRESIDENT AND RESIDENT DIRECTOR, WASHINGTON OFFICE, RUBBER MANUFACTURERS ASSOCIATION**

The CHAIRMAN. Proceed, sir.

Mr. ORMSBY. My name is Ross R. Ormsby. I am president of the Rubber Manufacturers Association, Inc. Our principal office is in New York City. I am accompanied by W. J. Sears, vice president of the association and resident director of our Washington office. We appreciate the opportunity of appearing today on behalf of the manufacturers of tires, tubes and tread rubber products. These are products which have been singled out for further proposed increases in the Federal excise taxes.

Our industry has always vigorously supported the expanded Federal-aid highway program and the planned completion of the Interstate and Defense Highway System. We supported the 1956 Highway Act and the increased excise taxes Congress found necessary to finance the program. However, in March we appeared before the Ways and Means Committee to suggest a method of financing the program without increasing user taxes.

Although the House accepted our proposal in part, H.R. 6713 still carries excise tax increases of 25 percent on tires, 11 percent on tubes and 66 $\frac{2}{3}$  percent on tread rubber. To these increases we are opposed so long as the alternate route of financing without taxes is available to the Congress.

We oppose these increases because we believe they would put an inequitable tax burden on all customers of our industry. The House saw fit to limit the tread rubber increase to 2 cents rather than the confiscatory 7-cent increase recommended by the administration. On tires and inner tubes the administration recommendations were followed.

H.R. 6713 is a compromise measure and is clearly more acceptable than the punishing tax proposals suggested in the highway message.

However, we believe that the job could be done in complete equity without an increase in present highway user taxes.

Prior to 1956, the A-B-C System, or regular Federal-aid highway program, was financed exclusively by the general fund. During the early years, Congress held that there were some constitutional and precedential responsibilities for financing the Federal-aid highways in this manner in order to share the cost equitably among all taxpayers.

From 1932 to 1956, through the depression, World War II and Korea, special automotive excises paid into the general fund \$24.3 billion. During the same period, the total Federal appropriations for highways, including even the WPA and PWA projects, amounted to only \$11.2 billion. While there was no trust fund during this

period, the highway users' special tax revenues were more than double the Federal highway expenditures.

The Highway Act of 1956 recognized for the first time that the Interstate and Defense Highway System was an essential road requirement that had to be completed on a fixed schedule, in addition to the historical Federal-aid systems covering the A-B-C roads. Initially, this act also created the highway trust fund, to which was dedicated certain existing and increased automotive user taxes. Although the act was designed to authorize and finance the Interstate and Defense Highway System, as finally enacted, it gave first priority on the highway trust funds to the historical A-B-C road system. Any imbalance between revenues and total highway costs were to be at the expense of the Interstate System.

Had the 1956 act given first priority to the trust fund money for the new Interstate and Defense Highway System and had it authorized general appropriations for any deficits in the A-B-C system, it would have been consistent with historical precedent and there would have been no recurring crises in completing the Interstate System.

For at least 24 years, Congress considered it sound public policy to finance the regular A-B-C system exclusively from general funds. When Congress passed the 1956 act, it recognized that the general fund might have some responsibility in financing highways. That is why it ordered the so-called 210 study to investigate and determine both user and nonuser benefits.

The recent report to Congress on section 210 of the Highway Revenue Act of 1956 finds the responsibility of nonusers ranging from 5.4 percent of the Interstate System to 28.4 percent of the Federal-aid secondary roads or an average of 8 percent. Moreover, this report points out substantial additional nonuser benefits which it fails to measure and charge. No charge at all was attempted for the military standby values, or the general economic and social benefits among others.

There has been some attempt to discredit this part of the 210 study authorized by Congress with the claim that highways give benefits only to the users. To this we cannot agree.

The President's highway message pointed out very clearly the many benefits that will accrue to all of our citizens, user and nonuser alike, by completion of the Interstate System and continuation of the regular Federal-aid A-B-C systems.

The growing tendency of financing certain expensive Federal programs from special forms of taxation or by so-called back-door financing, prevents Congress and the public from assessing the relative value of all competing programs.

On this highway problem, we believe it is time to face up to the real public value of highways before considering any increase in the present tax burden on highway users.

Since we appeared before the Ways and Means Committee, even more billions of dollars are being sought for a wide variety of domestic and foreign programs. The aggregate of these demands cannot be met on a pay-as-you-go basis but can only be authorized through deficit financing and a burdensome increase in the national debt.

We hear much today about the need for growth in our economy, but we also need recognition of the factors which sustain growth in a free, capitalistic society.

No one can deny the substantial contribution of automotive transportation to the development and growth of our economy in which all of our citizens have shared. Completion of the highway program is needed to sustain the economic growth and benefits of automotive transportation.

The highway users of America are now paying in special automotive taxes in addition to all other taxes, substantially more money than is needed to support all Federal highway costs. Rather than further increase the tax burden upon highway users, we recommend that the revenues already being collected be used to balance the highway program;

If all excise taxes now dedicated to the highway trust fund are kept at current rates without any of the scheduled changes of the 1959 act—

(1) The trust fund will receive over the next 11¼ fiscal years \$37.6 billion;

(2) After paying all remaining interstate costs of \$30.8 billion, a balance of \$6.8 billion will be available for the A-B-C system;

(3) To meet the total A-B-C system cost of \$10.6 billion we recommend an additional \$3.8 billion be made available from existing revenues during the next 11¼ fiscal years;

(4) During these next 11¼ fiscal years Federal automotive taxes will pay into the general fund \$22.9 billion and after paying the \$3.8 billion for the balance of the A-B-C system there will be \$19 billion for other Federal programs.

(We have attached a table of figures which illustrates these recommendations).

We believe this proposal has these advantages:

(1) The Interstate and Defense Highway System could be completed as scheduled.

(2) It would enable Congress to settle the financing problems for the life of the program.

(3) Congress would not have to raise user taxes over current levels.

(4) It would make available to the trust fund nearly 65 percent of the funds required to finance the A-B-C system on an expanded basis.

H.R. 6713 meets our recommendation in part, since it devotes \$1.8 billion over the next 11¼ fiscal years from current general fund sources. This is an annual average of \$157 million; our proposal requires an annual average of \$339 million. This compares to the 5-year average prior to the 1956 act of \$600 million annually appropriated from the general fund.

Our recommended use of \$3.8 billion from current revenue sources over 11¼ fiscal years is 7.3 percent of the total interstate and A-B-C program costs, being less than the incomplete nonuser assignment of 8 percent in the section 210 study.

H.R. 6713 augments the general fund compared to the 1959 act, adding \$2 billion of highway user taxes over the next 3 fiscal years which becomes available for Federal programs other than highways. We are not unmindful of the many and varied calls upon the general funds of the Federal Government. However, we believe that this small portion of the total highway program—some 7.3 percent—is properly the general responsibility of all of our citizens. With respect to future economic growth, we believe that the highway pro-

gram is of substantial and significant importance and one that the public sector of our economy should finance at least in this small part.

We believe this portion of the highway program should be put into competition with all other costly programs of the Federal Government, permitting Congress to make periodic review and determination of its comparative public value.

As we see the equities in this highway problem, it is inconceivable that more tax money should be taken from highway users particularly since it is undisputed that these users will pay directly in the next 11 years more than enough to finance a construction program with a service life expectancy of from 35 to 100 years.

Mr. Chairman, that completes our statement.

(The attachment to Mr. Ormsby's statement follows:)

*Federal highway costs*

[In millions of dollars]

1. Total interstate and ABC program costs, fiscal 1957 through 1972-----	\$52,468
2. Excise taxes to highway trust fund, fiscal 1957 through 1961 (net)-----	11,006
3. Funds required, fiscal 1962 through 1972-----	41,457
4. ABC program and other requirements, fiscal 1962 through 1972-----	10,603
5. Interstate System requirements, fiscal 1962 through 1972-----	80,854
Total-----	41,457

*Federal tax revenues and their allocation, fiscal 1962 through Sept. 30, 1972*

	Receipts	Millions of dollars allocated		
		Interstate and defense	ABC	Balance
6. Current trust fund items at current rate (net).....	\$37,641	\$30,854	\$6,787	0
7. General fund, motorist taxes-----	22,870	0	3,816	\$19,054
Total-----	60,511	30,854	10,603	19,054

NOTES

1. Based on \$37 billion interstate, ABC at \$0.925 billion through 1963 and biennially increased by \$25 million to \$1 billion as provided in H.R. 6713.
2. Net excise tax payments to the highway trust fund, table 4, p. 21, H. Rept. No. 326.
5. Interstate System requirements based on total cost less actual expenditure 1957-61.
7. Based upon table 2, p. 18, H. Rept. No. 326 and reports of the Internal Revenue Service.

Senator WILLIAMS. Mr. Ormsby, you have made a proposal how we can balance the expenditures in the highway trust fund by taking from the general fund. Now, what would you do in connection with balancing the general fund after you take this \$3.6 billion from that?

Mr. ORMSBY. Well, Senator, we are speaking to what we think are the equities in the highway program, and we were saying, in effect, that the highway users are making available for general fund purposes over the next 11 years \$19 billion of highway-user money for general fund purposes. We would hope that the Congress will be able to evaluate all other costly programs of the Federal Government along with this proposal and that it will come out with a balanced budget.

Senator WILLIAMS. You are hopeful, but do you think they can do that?

Mr. ORMSBY. We leave that in the hands of Congress.

Senator WILLIAMS. What would you suggest that we eliminate—do you have any suggestions as to what we can eliminate of the existing programs elsewhere?

Mr. ORMSBY. No; I would not offer any suggestions at this time as to what you might.

Senator WILLIAMS. We get those general statements very often, but you realize we are already confronted with a deficit this year and a larger prospective deficit next year. If we divert more funds from that general fund, you are either going to increase that general deficit, increase taxes, or eliminate some other program.

I would like to have you tell me whether you are for increasing taxes, for a bigger deficit, or if you have some suggestions for a program we can eliminate; I would like to have that.

Mr. ORMSBY. Senator, we feel that the equities of the program are as we suggested. Obviously, we believe that H.R. 6713 goes part way to meeting our point. It is certainly much more acceptable to us than would be the proposals made in the tax message. If it is not possible at this time to do more than H.R. 6713 provides and still carry on with the other programs of Government, we would hope that necessary equities could be corrected in the future, and soon.

Senator WILLIAMS. Do you think that the overall expenditures of the Government should be balanced each year in periods such as we are now engaged in?

Mr. ORMSBY. Yes, we do. We would like to see them balanced each year.

Senator WILLIAMS. Even though it necessitates higher taxes?

Mr. ORMSBY. Obviously, we would hope that the balancing would come about by reducing expenditures rather than by increasing taxes.

Senator WILLIAMS. As one who has tried to support that principle unsuccessfully, we still get back to the point, what do you do if you cannot?

Mr. ORMSBY. Well, we certainly feel that—I think we would say to you, Senator, that a proper evaluation of all of the calls and demands on the Federal funds could bring about a balancing of the budget without increasing taxes.

Senator WILLIAMS. I am inclined to agree with you, but when we approach that problem we have to look at all of these programs and each of them has to give a little bit. Far too often we run into the situation that everybody is for a reevaluation of all of the programs except “the one that I am interested in.”

We have to take the “one that I am interested in,” and you are interested in, and rate that as well as solve the others, if we are going to choose that objective.

Do you not recognize that?

Mr. ORMSBY. Yes, we recognize that and, to some extent, we would say to you that we still believe in the equity of our position. But we would say in addition to that that if you could not possibly balance the budget except by passing H.R. 6713, we would think that would be appropriate at this time, but we would hope you would be able to correct the inequity at a later time.

Senator WILLIAMS. Deficit spending does create inflation, does it not?

Mr. ORMSBY. That is right.

Senator WILLIAMS. And as we increase the deficit of the U.S. Government and thereby accelerate the inflation, we raise the cost of building the roads and thereby destroy the thing we are trying to get?

Mr. ORMSBY. I do not propose deficit financing.

Senator BENNETT. It seems to me, unless you give a more definite answer to Senator Williams' question, you are not proposing deficit financing, you are accepting it; because you are not proposing how we are going to raise additional tax money to offset the tax money that would be transferred out of the general fund.

Mr. ORMSBY. I would like to consult with Mr. Sears on that.

Senator, we are not suggesting that taxes be increased. We are suggesting this: that if the Congress finds that the budget could not be balanced except through passing H.R. 6713, it does go part way in meeting our proposal and, consequently, we are prepared to accept it.

Senator BENNETT. You are prepared to accept this and probably the committee will have to accept it. But, it still does not solve the problem of building the roads without drawing on funds which, up until the time this bill is passed, will have gone into the general fund instead of into the highway fund. You are transferring over part of the excise taxes on trucks, and I can understand why you feel that that is proper. But still, that money has to come out of the general fund and we have either got to replace it with additional taxes or with additional borrowing. So you are, as I say, accepting increased deficits in the general fund in accepting this proposal. And as I said, this committee will probably have to accept it, too.

There is another very interesting argument or point of view in your presentation that interests me. You make the point on page 2 that from 1932 to 1956, taxes on automotive excises paid into the general fund about \$13 billion more than were spent on roads.

Now, I think it is proper that taxes on automotive equipment, like taxes on cabarets and taxes on cosmetics and taxes on a lot of other things, excise taxes in general, are proper contributions or proper sources of taxation for the support of the general fund. But apparently, you do not think so. Apparently, you think that the people who are paying automotive taxes are really being very generous when they contribute taxes to build roads and the Treasury will have, according to your calculations, \$19 billion left over during the next 11¼ fiscal years to use on other Federal programs.

Mr. ORMSBY. Well, we think the concept of the 1956 act was that a certain portion of these highway user taxes would be dedicated to pay for the highway program of 1956. It was my opinion—it is only an opinion—that if we had known in 1956 what actual costs were, I think that Congress probably would have dedicated sufficient of the highway user taxes to pay for the program.

That is all, in essence, that we are asking that Congress do, to dedicate sufficient of the highway user taxes, and you still have left over more money in a short period of time than you did have prior to 1956 for general fund expenditures.

Senator BENNETT. But proportionately, roughly 60 percent of the automotive taxes were available to support the general fund in the years prior to 1956. If we could at present draw on 60 percent of the automotive taxes for the general fund, we would be in much better shape than we are.

This principle, and this is not the only occasion on which you meet it, but this principle that taxes paid by a certain group should be earmarked or devoted for the benefit of that group is brought into

focus by the dedication of certain of those taxes to the highway user fund. But this is a rather dangerous principle for us to adopt, to assume that taxes paid by a certain group are sacred to benefits that may accrue to that group.

I am, to use Senator Douglas' earlier word, impishly about to ask you if you believe that the more than \$3 billion we collect in alcohol taxes should be dedicated solely to the people who use alcohol, since I do not?

Mr. ORMSBY. I am not qualified to answer that question properly.

Senator BENNETT. No, there is not an answer to that question except that, as a member of this committee, I am concerned with the idea that no particular group should make a contribution to a general fund, that the tax burden that it pays should be reserved first for those programs in which it has a direct interest.

Mr. ORMSBY. Of course, obviously, we are not requesting for all of this money to be devoted to highways. There is a lot of money going to be left over. It is just a question of how much.

Senator BENNETT. You have said that the highway user taxes reduced from approximately 60 percent left over from the fund, from 1932 down to 1956, down to about one-third. You say that general funds will receive about \$22 billion, the ABC fund about \$11 billion, and \$19 billion would be left over for other programs.

Mr. ORMSBY. Mr. Sears, would you like to answer this?

Mr. Sears prepared our table.

Mr. SEARS. On our table on page 6, you will note that without any of the increased user taxes proposed in H.R. 6713, the total amount of revenues paid, to the Federal Government, will be in the order of \$60.5 billion. Of that, \$37.6 billion goes to the trust fund and this is exclusive of the increases proposed in H.R. 6713. From the balance, as our program suggests, you would take from it, \$3.8 billion, so you would reduce the total amount going to the general fund to \$19 billion which, compared to the total of \$60.5 billion, is about a third.

Senator BENNETT. About a third, that is right.

Senator WILLIAMS. Does that include the corporate tax paid by the automobile companies?

Mr. SEARS. Oh, no.

Senator WILLIAMS. This is just excise tax?

Mr. SEARS. Only the special excises, yes.

In our statement, we are not asking for dedication of any additional amounts to the trust fund. What we are suggesting is that as far as dedication is concerned, you would leave the trust fund as it is today. This would pay for the Interstate System and leave \$6.8 billion for the ABC system. We suggest that the priority be reversed. The first priority should be the Interstate System, because that is the new system that should be completed on a fixed schedule, and we are willing to say that the balance of the ABC road requirement—\$3.8 billion over 11¼ fiscal years—should be on an annual appropriation basis from the general fund—

Senator BENNETT. In other words, you are willing to shift that back.

Mr. SEARS. In competition with foreign programs, with housing, with distressed areas and all other competing programs.

Senator BENNETT. I will not argue with you about that except that prior to 1956, when we had the ABC system on the annual appropriation basis, it only took 40 percent of the revenues that came from the highway users, and the other 60 percent was available for general revenue.

Now, by putting these two new systems together, you are leaving one-third of the so-called highway users' funds for general revenues and taking two-thirds of them. This is the problem that Senator Williams is talking about. We have to make that difference up somewhere and we realize this is our problem and not yours. But I got into this discussion just to make the point that the common experience we have in the committee is that people come before us to point out that there is inequity in the tax program from their point of view. But when we try to correct the situation with respect to the other taxpayers, created when we try to correct the inequity they talk about, then the next group comes in and says: "You have created a new inequity for us."

I think this comparison of the situation prior to 1956 and after 1956 is one of the reasons why I believe it is not fair to say that all highway user programs should be dedicated to the roads and that you are creating an inequity, an unfair application of the tax on this particular group when you do not do it.

Mr. SEARS. Well, you see, since 1956, every time you have a problem with the highway program, the only way seen fit to answer it is by increasing the taxes on the highway user. At the same time, people in our position see Federal funds used for other purposes in much larger amounts for things that we do not support. So that, to us, is an inequity.

Senator BENNETT. Yes, and one man's meat is another man's poison, as Mr. Kaufman has been quoted recently as having said. It all depends on whose ox is gored.

Mr. SEARS. We feel that automotive transportation in all its facets gives more fundamental support to our domestic economy than a lot of public spending—public sector spending for other kinds of programs with which we do not philosophically agree.

Senator BENNETT. The three men who now sit here on the committee could not agree with you more, but I have been a little disturbed with the idea that has been presented by many witnesses here that the taxes paid by the automotive industry in the form of excises on their product—and those are the taxes that are being shifted—should be shifted here without questions and we should replace them by excise taxes on someone else's product or by increased income taxes or by increased deficits, because we have to replace them.

Now, the fact that we are going to have an extravagant new housing program, a new depressed areas program, and other things which all three of us voted against, does not make it any easier. The Congress voted for these Federal spending programs in spite of our opposition. The problem has to be met.

Mr. ORMSBY. That is true. However, we do think that this small investment that might be made from the general funds over 11¼ years would pay dividends as far as this program is concerned. We think it would lead to the benefit of our country and actually inures to the benefit of new generations in the years ahead.

The CHAIRMAN. Thank you, Mr. Ormsby.

The next witness is my good old friend, George J. Burger of the National Federation of Independent Business.

**STATEMENT OF GEORGE J. BURGER, VICE PRESIDENT, NATIONAL  
FEDERATION OF INDEPENDENT BUSINESS**

Mr. BURGER. Mr. Chairman, gentlemen, I am George J. Burger, vice president in charge of legislative activities, National Federation of Independent Business, 740-742 Washington Building, Washington, D.C.

We are a national organization composed exclusively of small, independent business and professional people. We have the largest directly supporting membership of any business organization in our country. We have membership representation in federation chapters in almost all of the Nation's congressional districts, including Alaska and Hawaii. I am more than pleased to advise the committee that our membership each month is showing a very healthy increase and now totals 169,580 members, all individual members—not groups, which naturally included many independents in the tire sales and servicing field.

My appearance before the committee in behalf of our members is that we are committed to take every action to protect the business life of independent business. That is our main and principal reason for appearing.

The witness does not come before the committee as a professional trade association representative in view of the fact that I have had better than half a century active experience as an independent in the rubber tire industry, and during that period have been honored many times as the spokesman for the Nation's independent tire sales and servicing institutions, as well as during the greater portion of that time owning and operating an independent tire establishment.

It appears, up to this moment, that the greatest expression of alarm coming from independents is the injury that their businesses would suffer in inflicting an excessive tax on tread rubber.

The committee must be aware of the fact that for practical purposes, from the witness' own knowledge, the recapping of tires in the first instance originated among the ranks of independents. These stalwarts pioneered this new development where suitable, safe used tires could be adapted to recapping.

During their existence, prior to World War II these stalwarts in the many sections throughout the Nation faced some severe opposition within the ranks of certain sections of the rubber industry which could tend to discredit the safety factor of recapped tires, and still these stalwarts carried on. It is fortunate for the Nation itself they did during the critical days of World War II, and now some of these stalwarts like Mr. A. L. Sanderson of Tire Service Co., Spokane, Wash., advised us in regard to the proposal:

Again we find ourselves in the situation where the small guy is the "fall" guy.

This gentleman knows the score because he has had extensive experience over the many years.

The Paul E. Hawkinson Co. of Minneapolis, Minn., one of the original producers of tire recapping machinery, whose product is

utilized today worldwide—and the armed services is aware of it too, recently wrote me:

Economy has made our country one to be proud of.

Is this development by small business to be destroyed by discrimination in tax levy? That is the question that the committee must decide.

It is to be noted that the President of the United States, prior to his election, in September and October 1960, is reported to have stated in an exclusive interview:

We can expect a Department of Commerce report early next year, 1961.

And he further said:

I would want to review the Department of Commerce report early next year before making a final decision on this matter.

Now the question is: Were the findings in the report of the Department of Commerce on the subject matter of tax on tires, tubes and tread rubber in any way influenced by members of the Business Advisory Committee? We are making no charge but, nevertheless, it should be thoroughly checked into.

Mr. Chairman and members of the committee, as a matter of information it would be well to quote from a letter we received on March 8, from Mr. E. F. Dandy, vice president of the Oliver Tire & Rubber Co., Oakland, Calif.—one of the most responsible producers in tread rubber in the Nation, whose business we believe is confined exclusively to the independent, and who is one of the pioneer quality producers of tread rubber, where he said:

Taking an average price of 30 cents per pound paid by retreaders for raw material tread rubber, the proposed increase is equivalent to 33⅓ percent of the commodity cost. I cannot think of a single other necessity which carries such a tax burden or of a single other business so handicapped by taxation. Remove by taxation the right of retreading to compete in a free and open market and the foundation of the business is destroyed.

The application of this unfair burden of taxation could only discourage the further development of retreading and reduce the number of independent businessmen engaged in it. It would appear to be unwise since the experience of World War II and the Korean conflict thoroughly proved the extreme value of this segment of the tire and rubber industry during national emergency.

To restrict the future growth and development of retreading would serve only to eliminate an important reserve. It might be pointed out that these independent retreaders, while forming a national pool which can be tapped on an instant's notice by the Defense Department, do not today participate in any governmental defense spending, as such.

I am certain that it is not the intent of Government to penalize the small independent businessman of the Nation nor to impose additional costs on the consumers least able to afford an added tax burden. To place a tax on economy and thrift is, to my way of thinking, an assault on the American way of life.

The CHAIRMAN. I am very sorry. The Senate is voting and we must leave immediately for the Senate floor. We shall try to get back at 3 o'clock to complete the hearings.

Mr. BURGER. What time?

The CHAIRMAN. Three o'clock. We have a vote in the Senate that might cost us \$10 million. We have to vote against it.

Mr. BURGER. I will be back at 3 o'clock.

The CHAIRMAN. If any of you gentlemen have statements you want to put in the record, you may do so, but we shall be back at 3 o'clock to hear the remaining witnesses.

(Whereupon, at 1:15 p.m., the committee recessed until 3 p.m., the same day.)

## AFTERNOON SESSION

Senator BENNETT (presiding). The committee will come to order. The chairman has been required to go to another meeting and you will have the experience of being presided over by a Republican until one of my Democratic colleagues comes along. We will go forward with Mr. Burger's testimony, and pick up where he left off.

**STATEMENT OF GEORGE J. BURGER—Resumed**

Mr. BURGER. Mr. Chairman.

Then from Melim Tire & Rubber Co. in Honolulu, Hawaii, they write me on March 10, as follows:

We do, however, sight this proposed increase of excise tax on retread rubber as an example of tax laws which unknowingly jeopardize small business in their efforts to grow competitively.

We could add many more of these reported, unsolicited statements as to the seriousness of this situation as it applies to the future business life of competent, trustworthy tire sales and servicing institutions, all of which would confirm the statements we have already quoted.

It's well for us to stress on the importance of maintaining a healthy, efficient independent business in the rubber tire industry. I cite this because in the critical days when we entered World War II the cry from the housetops was the need for a conservation program on rubber stockpile, and whatever use was to be made of the rubber stockpile for essential use it must be handled with the utmost care.

Well do I recall my voluntary action at that time assisting the Small Business Committees of the Congress as it looked at that moment shortly after Pearl Harbor like the independent tire trade was through for the duration of the war. In fact some top executives of the big rubber producers believed in that theory. It happened in Great Britain.

The Small Business Committees of both the House and Senate, realizing that tire use is essential and must be maintained during the war period, resolved by unanimous action in January 1942 that all tire sales and servicing for the duration of the war be channeled exclusively through the independents. The Senate Small Business Committee in February 1942 followed with similar action, even strengthening their resolution by adding that all tire recapping equipment should be channeled exclusively through the independent tire sales and servicing agent.

It is to be noted that the late William M. Jeffers, then president of the Union Pacific Railroad, on loan by the railroad to the Government as Rubber Administrator for the War Production Board, in his appearance before the Senate Banking Committee, November 19, 1942, when a proposition was before that committee which would provide that during the duration of the war all tire sales and servicing for essential purposes be channeled through the independent dealer, said:

Gentlemen of the committee. I am not attempting to qualify as an expert on war. I think our people are doing a great job. It is our job to support them. At the same time it is equally important that we keep this country on rubber. That must be done because failure to keep this country on rubber, to my mind, would be equal to a military disaster, and maybe more than that.

It is to be noted that Mr. Jeffers, as Rubber Administrator, appearing before the Senate Small Business Committee on April 8, 1943, when the same proposition was before that committee for consideration (tire sales and servicing through the independents for the duration of the war) said, in answer to a question by Senator Ellender:

Now, you ask me as to my view on the bill. My view is this: I hold no brief for the big rubber companies. I think it is important and imperative that the independent be permitted to operate.

Finally, Mr. Chairman, the independent tire trade these many years has faced tax discrimination levy on their product that has created a most unfair competitive condition (which condition we trust the Congress will shortly correct due to corrective legislation presently being considered in the Congress). At this point I want to compliment the chairman for his position when he remarked about, I believe, the Gulf station in Utah not paying tax until it was sold. In the same situation, under the existing regulation, as these rubber companies having retail stores, they are exempt from the tax until the tires are sold, whereas the independent has to pay that tax.

And to penalize efficiency in independent ranks such as is proposed in the highway program, being raised from 3 cents to 10 cents a pound on tread rubber is the rankest kind of discrimination. The revenue the Government would secure would be meaningless compared to the danger that would destroy individual initiative of those who created in its entirety this service to all types of the automotive trade.

We are duty bound to use our best efforts to protect efficient independent business, and more important, to keep the free enterprise system functioning within our Nation's economy. And it is for this reason, in behalf of our nationwide membership, and in fact all small business, that we oppose this increase from 3 to 10 cents a pound on tread rubber.

Finally, due to my half a century experience in the rubber tire industry solely as an independent, particularly observing the increasing concentration in the hands of a few giants in the tire sales and servicing field to monopolize the sale and servicing of tires, it is most important for the welfare of our Nation that these independents, both at the production and distribution level in the tire recapping field be maintained within our economy. To levy an unjustified discriminatory tax would be playing into the hands of the concentrated interests and could go a long way to destroy the business life of efficient independents in that industry.

Senator BENNETT. Thank you, Mr. Burger. Just for the record, you remember another man Burger who always loses his case?

Mr. BURGER. Well, I am not him. He does not belong in my family.

Senator BENNETT. Just another comment from the chairman. I chose Gulf as an example because it does not have any stations in Utah so I could not be accused of doing any damage to my constituency. I appreciate your testimony.

Mr. BURGER. Thank you.

Senator BENNETT. We are happy to have Senator Norris Cotton, a former member of this committee, as our next witness.

**STATEMENT OF HON. NORRIS COTTON, U.S. SENATOR FROM  
NEW HAMPSHIRE**

Senator Corron. I appreciate the opportunity to appear before your committee to urge it, during its consideration of H.R. 6713, the Federal-aid highway bill, to provide a 2 percent refund of the tax on gasoline to gasoline retailers for losses due to evaporation, shrinkage, and other causes.

At the time of enactment of the gasoline tax law, it was the intent to tax the owner and operator of motor vehicles for the fuel used by him upon the highways of the United States.

For quite a number of years the retail gasoline dealers of New Hampshire and the Nation have actually been paying the gasoline tax on gasoline which they do not have in their possession to sell. It was not the intent of Congress to tax or penalize the retail distributor for losses incurred in his normal and common ways of dispensing this motor fuel. He is, after all, but a third person tax collector and an unremunerated one at that.

During the years referred to, the retail gasoline dealer has suffered a great injustice in that he has been required to pay the Federal Government through his wholesaler, consumer tax on gasoline which has evaporated into thin air. Gasoline retailers have thus lost their right (through no fault of their own) to pass on such tax to the motorist. We, in fact, believe that the gasoline tax law was intended to collect from the consumer or ultimate user of the fuel only, and not from the retailer, in advance of sales made.

With each increase in the size of the gasoline tax per gallon, the injustice to gasoline retailers will become more acute.

When the law was originally written to provide a tax on gasoline at the consumer level, the greatest portion of gasoline sold was sold through service stations which were operated directly by the producers and refiners of the gasoline. No injustice existed at that time because of the fact that the tax was paid by them to the Government on the basis of the actual number of gallons sold to the consumer and it was paid subsequent to the time of sale.

Today, however, by far the greatest portion of gasoline is sold through individual independent or leased stations who do not produce their own gasoline, but who, instead, purchase it for resale purposes and pay the tax at the time of purchase.

This basic change makes possible a number of conditions which work to the disadvantage of the individual reseller of gasoline.

Also, at the time of enactment of this law, the following facts were true:

1. Below ground storage tanks at service stations were not as universal as they are today.
2. Pumps which deliver gasoline directly from an underground storage tank to the customer's automobile, were not standard equipment. Instead most service stations were equipped with the old visible bowl type which permitted the gasoline to take on the temperature of the atmosphere before being sold.
3. Five hundred, and one thousand-gallon storage tanks were standard in those days, while today most service stations boast storage of from 2,000 to 5,000 gallons with the trend toward larger tanks increasing. The result of this last is that while years ago a retailer

might purchase a few hundred gallons of gasoline every day or so, today he must purchase very large quantities at a time. This means that he maintains a large inventory, a large portion of the value of which represents tax which he has paid at the time of purchase and recovery of which, rather than being assured, is subject to many conditions that present possibilities of loss. The fact that he has his money tied up in prepaid taxes means that the money is not available to him for any type of profitable investment.

Because of these changes which have come about making possible actual losses in volume of gasoline upon which tax has already been prepaid by the reseller; because the reseller is required to make payment of the tax upon the gasoline he buys at time of purchase; and because he is not otherwise permitted reimbursement for those prepaid taxes which he does not recover from the consumer through the eventual sale of the gasoline, the reseller of gasoline is entitled to a 2 percent refund of the taxes advanced by him at the time of purchase.

The gasoline retailer seldom, if ever, recovers in full by sales, the same amount of gasoline he purchases and as the tax is paid upon his purchase at the time of delivery to him he should be allowed credit for the tax collected from him upon the portion of gasoline that never reached the public highways. While this loss is variable in different sections of the country, the figure of 2 percent is generally considered reasonable across the country as a whole and surveys made by associations covering all ways of loss by service station operators tend to show that 2 percent is a reasonable figure.

Many of the States have recognized a 2-percent or higher loss in tax recovery by service station operators. In the State of Wisconsin gasoline retailers have had a 2-percent recovery for over 6 years. In the State of Georgia for over 5 years; in the States of Utah and Colorado gasoline retailers receive a 3-percent rebate; in the State of Michigan 2 percent is rebated and in almost every other State they either already have rebates or are considering similar legislation this year.

As far as our Federal Government is concerned, evaporation and spillage were recognized by the Office of Price Administration during rationing as evidenced by coupon credits of 2 percent to replace into the storage tanks gasoline lost through many causes.

Further evidence that evaporation and spillage are prevalent in large enough quantities to command attention was brought out in a recent survey made by Stanford Research Institute for the Ontario Association.

Mr. P. A. Magill, industrial engineering chemist, states that every transfer of gasoline from one container to another through a process of chemistry will show a loss of one-half of 1 percent. Thus in an ordinary transaction of gasoline to an operator of a service station, there are usually at least three transfers. One from the refiner to the tank truck, one from the tank trucks to the tanks at the service station and the last from the service station to the consumer's automobile. If each of these transfers shows a one-half of 1 percent loss, the operator of the service station participates in two of them. And this is only for transferring, not including the shrinkage because of temperature difference.

Gasoline which contracts because of differences in temperatures when the gasoline was delivered and when it was sold, is never made up by the retail dealer. A gallon of gasoline is measured correctly only at 60 degrees Fahrenheit. Refiners and wholesalers of gasoline

generally use the temperature correction method when dealing with each other, however, retail gasoline dealers are always sold on a volumetric basis of measurement. The theory is that a dealer's storage tanks are approximately 60 degrees Fahrenheit the year round and if he purchased gasoline at 60 degrees Fahrenheit corrected temperature, he would come out fairly even. However, gasoline is delivered to him during his highest sales period, the summer months, at temperatures of often 90 degrees Fahrenheit after being stored in tanks above ground and delivered by a tank truck at the same or sometimes higher temperature.

The service station operator's tanks at the service station are, by law, at least 5 to 6 feet underground, covered in the most part by asphalt or concrete thus becoming virtually a cold storage plant.

The gasoline is drawn from the bottom of the tank at the service station rapidly to the customer's car. Assuming that the gasoline after being dumped in from the tank truck stood for just a short time, to assume the underground temperature, it would shrink from three-tenths of 1 percent per degree plus or minus 60 degrees.

Assume that a delivery of 1,000 gallons was delivered at a temperature of 90 degrees Fahrenheit to a service station tank at 60 degrees Fahrenheit, in a very short time it would shrink 18.6 gallons. Thus, that which shrinks is lost to the service station operator. In addition to losing 18.6 gallons of gasoline he had bought and paid for, the service station operator has lost the ability to collect back from the consumer the tax he prepaid. Such an injustice and inequity should be corrected.

In addition to shrinkage and evaporation most service stations use gasoline with which to clean portions of their stations and also use gasoline in cleaning parts of automobiles being repaired or replaced. This is another source of loss of tax. The gasoline thus used by the service station operator, has already had the tax paid upon it by him at time of purchase. He cannot, therefore, collect back the tax on this gasoline because it never is sold to the ultimate consumer. From surveys made, the average amount used per annum per station would appear to be 80 gallons for such purposes. It never reaches the highways as fuel.

It is definitely off-highway use and represents a prepaid tax expenditure that the service station operator loses because it never can be sold to the highway user and so collected back.

Senator BENNETT. Thank you very much Senator Cotton. Our next witness is Mr. Jack E. Snodgrass who is appearing in behalf of the National Lumber Manufacturers Association.

**STATEMENT OF JACK E. SNODGRASS, SECRETARY, ROSEBURG, LUMBER CO., ROSEBURG, OREG., ON BEHALF OF NATIONAL LUMBER MANUFACTURERS ASSOCIATION; ACCOMPANIED BY FRED C. GRAGG, REGIONAL MANAGER, WOODLANDS DEPARTMENT, INTERNATIONAL PAPER CO., AND WILLIAM T. JOBE, JR., ASSISTANT GENERAL COUNSEL**

Mr. SNODGRASS. Mr. Chairman, my name is Jack E. Snodgrass. I am secretary of the Roseburg Lumber Co., Roseburg, Oreg. With me this morning is Mr. Fred C. Gragg, regional manager, Wood-

lands Department, International Paper Co., Camden, Ark., and also William T. Jobe, Jr., assistant general counsel of the National Lumber Manufacturers Association, who will assist me in answering any questions that the committee may have with regard to the proposals that we are making this afternoon.

I am appearing on behalf of the lumber manufacturing industry as represented by the National Lumber Manufacturers Association. This association is a federation of 16 regional and species associations whose members are the independent lumber producers in the Nation. The provisions in title II of H.R. 6713 are of particular significance to the lumber industry because, in most logging, trucks provide the only practical method of transportation.

Stated very simply, we endorse the concept, as stated in the President's message, that users of public highways should support highways which they use.

A pay-as-you-go tax for users of our public highways is sound economics. This is a concept of Government financing of public works with which few people quarrel.

Title II of H.R. 6713, as it is presently written, provides for pay-as-you-go financing for highway users, but in the lumber industry it also catches those of us who are nonusers. As presently written, it would tax logging trucks operating on privately constructed and maintained roads. The amendment which the lumber industry proposes, and which you gentlemen have before you, would make possible a refund of the increase in taxes for fuel, rubber, and truck weight for trucks operating on roads that lumbermen construct and maintain.

It seems to us that the best summary of the President's highway proposal is contained in the statement presented by Under Secretary of Commerce C. D. Martin, Jr., to the Congress on March 14 of this year:

It is a sound business principle that such a highway plant be paid for by charges to its customers at rates which are related as closely as possible to the amount and kind of service received by the user and the cost of providing that service. In the case of our highway system, the State and Federal Governments which provide the service must assess and collect charge for use of the facility just exactly like any other business concern. In this sense what we are talking about at this hearing is not taxes as such, but rather a schedule of rates to be charged the various users who receive varying amounts and kinds of service. It is no more proper that those who do not ride the facility be charged for a ticket on it than for everybody to be forced by law to buy a season round-trip ticket every year on the B. & O. Railroad whether they ever ride that or any other train.

This hearing, therefore, is really to set a fair schedule of rates for services to be received. The proposal of the President insures that no one is to be charged (or taxed, as some are saying) unless he chooses to use the service provided by the highway plant itself, and the price he is to be asked to pay is proportional to the amount and kind of service he buys. No user is to be allowed to use the system without paying, nor on a preferential basis, at rates lower than his fair share has been found to be. This is certainly asking or requiring nothing that is unusual or different from the normal American way of doing things, where each of us willingly expects to carry our share of the load, but demands that the other fellow also carry his share.

Senator BENNETT. May I interrupt at this point to make an observation?

Mr. SNODGRASS. Yes, sir.

Senator BENNETT. I am interested to see that there is another member of the current administration who does not like to use the word "tax." He calls this "payment for services." And when we have hearings on social security they call those "contributions." They do not call them taxes. This is just a little aside. I hope it does not throw you off.

Mr. SNODGRASS. I appreciate your remarks.

The forest products industries own and operate thousands of trucks for logging purposes. A large number of these trucks begin and end their useful life on private property, on privately constructed and maintained roads—coming only within honking distance of federally assisted highways. Consequently, the lumber industry feels that it is patently unfair and unreasonable for these trucks to be taxed to construct and maintain a road system that they will never use, when at the same time the industry must spend hundreds of thousands of dollars annually in the construction and maintenance of private road systems throughout the forested regions of our Nation. Attached to my statement is a summary of the proposal that we offer this committee for its consideration as an amendment to H.R. 6713. Mr. Chairman, I ask that this proposal be inserted as part of my statement in the record, at the conclusion of my remarks.

Senator BENNETT. That will be done.

The ringing of the bell indicates a vote, which means that I must go back to the floor. Consider your problem of having to catch a plane. If you have to be out of here by 4 o'clock, I cannot be sure of being back under 30 minutes and it might be a little longer, so, therefore, do you want to offer the rest of your statement for the record and have it accepted as though you had read it, or do you want to wait until I return?

Mr. SNODGRASS. We will await your return, Mr. Chairman.

Senator BENNETT. That is fine. I will come back as soon as I can get back. The hearing is recessed until the further call of the Chair. (Recess.)

Senator BENNETT. The committee will come to order.

Mr. Snodgrass.

Mr. SNODGRASS. Mr. Chairman, we thank you for rushing back here. We want you to know that we have come a long way too, and we do appreciate your consideration.

Without reviewing the entire proposal in detail, its contents can be summarized by stating it provides relief from the proposed increase in taxes for those that haul on privately constructed and maintained roads. It has four parts:

1. It allows a refund of the amount of the proposed increase in taxes on trucks, tires, and tubes, and 1 penny of the diesel and gasoline tax for trucks operating on private lands.

Senator BENNETT. May I ask you at this point, are you giving the same refund privileges that the farmer receives on the State level for the operation of your trucks on private lands?

Mr. SNODGRASS. Yes, sir.

2. It allows a tax refund of the increase in tax for trucks operating on public lands under an agreement requiring private construction and maintenance of the road system.

3. It allows a tax refund for trucks operating over public roads where there is a use fee paid to an agency of government administering such roads.

4. It allows a refund of the proposed tax increase for trucks operating on public roads to the extent, and limited by, the private maintenance of such public roads.

Senator BENNETT. On No. 3, I have just one question. On Nos. 1, 2, and 4 you were specific with respect to the refunds and on No. 3 you just say that it is the allowed tax refund. They all three refer to the same series of refunds, do they not?

Mr. SNODGRASS. Yes.

Senator BENNETT. Thank you.

Mr. SNODGRASS. Based upon average figures, derived from records maintained in several States that have the highway tax refund laws similar to our proposal, we estimate that the annual cost of the present proposed tax increase on heavy logging trucks that operate exclusively on the kind of roads entitling the owner to a tax refund, would be approximately \$140 per year per truck. We estimate that there are approximately 10,000 such units operating throughout the United States in our industry. Additionally, there are at least an equal number of smaller vehicles utilized and probably many times this number operating full or part time in logging operations in our industry. The additional tax load chargeable to the smaller units would be far less than the average of \$140 per unit per year. The cost of the proposed tax refund to the highway trust fund would total, we estimate, less than \$2 million per year.

I feel, after hearing the testimony this morning that this is a relatively small amount, but to us it is a very significant matter.

Gentlemen, I think it is worthy of restatement here that our proposal deals only with the proposed tax increase and does not reach the full amount of the use tax imposed under the 1956 law.

We know that such a refund provision is practical, and workable from an administrative point of view. Attached to my statement is a table showing that 49 States have such refund provisions in their fuel tax laws. In my own State of Oregon, we have such a law. This is how it operates:

The fuel tax refund is based on the actual amount of motor vehicle fuel consumed in off-highway use. In order for the secretary of state to be able to verify a claim for refund the truckowner is required to keep daily trip records setting forth where the vehicle went and the number of miles traveled on public roads and on private roads. This trip record must be signed by the person driving the vehicle. In addition, a record of all of the fuel put in each vehicle must be kept and this must be signed by the person driving the vehicle. These two records must be kept for a period of 3 years for inspection and audit by the secretary of state.

When an owner files a claim for refund he must submit a schedule showing his beginning inventory of fuel plus his purchases, supported by the original copy of the dealer's invoice, less ending inventory and less amount used on public roads, leaving the balance on which the refund is claimed for fuel used on private roads. This total claim for refund must be detailed by each vehicle involved.

Based on many years of experience in Oregon, I can state without qualification that the administration of a refund plan such as we

propose here would be very simple. Oregon requires that each truck-owner submit a copy of his monthly report to the public utilities commissioner which sets forth all of the mileage figures for off-highway and on-highway use, which also allows easy verification. I know that some other States also require other reports that allow cross-checking and verification.

Mr. Chairman, we believe that this highway system should be supported on a pay-as-you-go principle. We heartily endorse the President's view that nonusers should not bear the burden of supporting the system. Our recommendation, in the form of an amendment to H.R. 6713, is soundly conceived and easily workable. Its history of operation in several States is living evidence of its workability. It is, therefore, with deep conviction that we urge your adoption of our proposal—a tax refund of off-highway use of trucks.

Thank you.

Senator BENNETT. I suppose that you would like to have the other material attached to your statement and inserted in the record.

Mr. SNODGRASS. Yes, we would.

Senator BENNETT. I notice that the next four pages are, also, in the nature of testimony or a statement. Can you identify for the record what this is, where it came from?

Mr. SNODGRASS. This is a summarization of the proposal for the pay-as-you-go system which was prepared by the research staff.

Senator BENNETT. I see that some of it is repetitive.

Mr. SNODGRASS. Yes.

There are some additional facts in it which we feel should be here.

Senator BENNETT. On the next page is a copy of the proposed amendment and the next page is the provisions of fuel and motor vehicle user taxes in the States of Oregon and Idaho and the schedule to which you referred in your testimony, and then some additional facts about the interest rates.

Mr. SNODGRASS. Yes, sir.

Senator BENNETT. It is interesting to me to see that Utah is not on this list. Is Utah 1 State in the 50 that does not have a refund of gasoline taxes?

Or is that just a typographical error?

Mr. JOBE. Perhaps it is. Vermont is the only State.

Mr. SNODGRASS. It is a typographical error because Vermont is the State.

Senator BENNETT. I thought that we did have it. You picked the right State. I have no further questions.

I think your testimony is very clear. I appreciate your being patient with me and with the committee in waiting.

Mr. SNODGRASS. We, certainly, appreciate coming before you.

Senator BENNETT. The attachments will be made a part of the record at this point.

(The attachments follow:)

#### PROPOSED REFUND OF HIGHWAY USE TAXES IN THE CASE OF OFF-HIGHWAY USE OF VEHICLES

In order to maintain the Federal pay-as-you-go highway program at a level that will complete the Interstate System by 1975, as required in the 1956 initiating legislation, President Kennedy has called for additional income to the highway trust fund of approximately \$900 million more per year through fiscal 1972.

In his highway message to the Congress he urged the continuation of the pay-as-you-go feature of financing this long-range investment in America's highway needs. In order to accomplish this, the President asked that the present gasoline tax of 4 cents per gallon be retained beyond the current expiration date. He also called for an increase in the diesel fuel tax of from 4 cents per gallon to 7 cents per gallon; an increase in the tax on trucks over 26,000 pounds from \$1.50 per 1,000 pounds to \$5 per 1,000 pounds over 26,000 pounds; an increase in the tax on highway tires from eight cents to 10 cents per pound; an increase in the tax on innertubes from 9 cents to 10 cents per pound, and an increase in the tax on tread rubber from 3 cents per pound to 10 cents per pound.

Title II of H.R. 6713, passed by the House of Representatives on May 4, 1961, calls for the maintenance of the present 4 cents per gallon of gasoline and diesel fuel taxes; an increase of \$1.50 per 1,000 pounds to \$3 per 1,000 pounds in the tax on trucks over 26,000 pounds; the increase in tax on tires and innertubes requested by the President and an increase from 3 cents per pound to 5 cents per pound in the tax on tread rubber.

The forest products industries own and operate thousands of trucks utilized for logging purposes. These units, fueled by both gas and diesel fuel, operate largely on privately owned or privately maintained road systems in the forested regions of our Nation.

The forest products industries feel it is an unreasonable burden upon them to be called upon to build and/or maintain road systems on private and public property for their own use and at the same time to support—beyond their present level of support—construction of highways on which they have no beneficial use.

Since the revenue provisions of the highway bill, H.R. 6713, are predicated on the theory that highway users should pay the added cost of an expanded highway construction program, the attached amendment is intended to provide a refund of new or increased taxes that would have to be paid by persons operating trucks and motor vehicles exclusively or in large part off the highways. It is recognized that, in addition to the substantive amendment attached, technical amendments to the sections of the Internal Revenue Code referred to will be necessary, as well as to cross-referencing sections of the code. These are not shown.

By word of explanation, the proposed amendment is not an exemption from the highway-user taxes. It would, however, allow persons operating vehicles over private property to claim a refund of the higher or new taxes to be provided in title II of H.R. 6713. Such refund would be based upon the extent to which their vehicles operate over privately owned property or roads which are not public highways. Further, it is not proposed to allow a claim of refund to the full extent of the 4 cents a gallon tax to be paid on diesel fuel, special fuel, gasoline—or the 10 cents a pound to be paid upon tires—under the changes proposed in H.R. 6713, but only to the extent of the increase in existing tax rates. The amount of the increase for which a refund would be allowed is 1 cent a gallon for the various motor fuels and 2 cents a pound for tires, respectively.

While the manner of computing the refund might be approached in several ways, a method that some States have found administratively feasible is proposed. It was chosen as most likely to overcome objections as to administrative difficulties that might be raised by the Treasury. Refund allowances would be based upon the proportion of mileage traveled over privately owned property or other nonhighway roads. To prevent abuses, it is proposed to give the Treasury broad rulemaking power, authority to require adequate records, and to put the burden of proof upon the person claiming a refund. Fraud penalties, such as accompany section 6420 of the code (added by the law extending a similar refund allowance in the case of gasoline used by farmers in off-highway use), are also proposed but not shown in the attached amendment.

The proposed amendment would appear to follow well-established procedures and avoid any undue administrative problem. The growth of motor fuel and other similar user taxes by the States as a means of financing their own highway programs has necessitated a recognition of the need for exemption or refund provisions for nonusers, and they have developed well-defined procedures for allowing either exemptions or refunds in the case of taxes imposed upon use of a motor vehicle or upon fuel where the operation is entirely or partially over privately owned or privately maintained roads. In almost all instances, the refund method is used in preference to an original exemption in the case of fuel used off the highway.

Studies by the Federation of Tax Administrators show that all but three States have refund provisions in the case of gasoline taxes and the cost of administering such refund provisions is negligible in comparison to revenue

collections. For example, the maximum cost reported by any one State for administering its refund provision was about one-half of 1 percent of its gross gasoline collections and the cost of administering the refund provision for a third of the States making refunds was about one-tenth of 1 percent of gross collections. Numerous provisions are resorted to by the States to render these provisions administratively feasible from the tax-collecting viewpoint, such as: licensing of dealers; licensing of users or refund applicants; recordkeeping, reporting, and invoicing requirements; limitations on frequency and timing of refund claims; minimum claims both as to volume and dollars involved.

Illustrative of State provisions that meet the peculiar requirements of the logging and lumber industries, which build or maintain tens of thousands of miles of their roads over which their vehicles are operated, are the fuel refund and public highway use taxes of the States of Idaho and Oregon, both of which make allowance for refunds in the case of fuel consumed by motor vehicles operated on privately owned or maintained roads. A summary of these provisions is attached. (See exhibit A.)

The theory underlying the proposed new and additional taxes provided in H.R. 6718 is that highway users should pay for the expanded highway construction program. C. D. Martin, Jr., Under Secretary of Commerce, reinforced this judgment in his appearance before the House Ways and Means Committee on March 14, 1961:

"It is a sound business principle that such a highway plant be paid for by charges to its customers at rates which are related as closely as possible to the amount and kind of service received by the user and the cost of providing that service. In the case of our highway system, the State and Federal Governments which provide the service must assess and collect charges for use of the facility just exactly like any other business concern. In this sense, what we are talking about at this hearing is not taxes as such, but rather a schedule of rates to be charged the various users who receive varying amounts and kinds of service. It is no more proper that those who do not ride the facility be charged for a ticket on it than for everybody to be forced by law to buy a season round-trip ticket every year on the B. & O. Railroad whether they ever ride that or any other train.

"This hearing, therefore, is really to set a fair schedule of rates for services to be received. *The proposal of the President insures that no one is to be charged (or taxed, as some are saying) unless he chooses to use the service provided by the highway plant itself, and the price he is to be asked to pay is proportional to the amount and kind of service he buys.* No user is to be allowed to use the system without paying, nor on a preferential basis at rates lower than his fair share has been found to be. This is certainly asking or requiring nothing that is unusual or different from the normal American way of doing things where each of us willingly expects to carry our share of a load but demands that the other fellow also carry his share." [Italic supplied.]

The acceptance of this linkage between these taxes and the use of the highways necessitates also a recognition of the inequity of assessing the taxes on nonusers. The evidence is that such allowances for nonhighway use are both administratively feasible and practicable.

The attached amendment represents the more reasonable approach to accomplishing the equitable goal outlined by the President and his chief administrative officers charged with responsibility for the operation of the Federal highway program.

#### AMENDMENT TO OBTAIN A REFUND OF HIGHWAY USE TAXES IN THE CASE OF OFF-HIGHWAY USE OF VEHICLES

In order to achieve an equitable tax treatment of highway motor vehicles operating on private property or on privately constructed or maintained roads on public property, the following amendment is proposed for inclusion in H.R. 6718 as a new section to title II of that bill. It would amend the existing section 6416 of the Internal Revenue Code of 1954 in a manner which will permit a practical administrative manner for handling refunds. It is contemplated that an annual claim for refund would have to be substantiated by appropriate recordkeeping, comparable to that employed in one of the several States presently permitting refund for similar truck operations. The examples provided in the attachment (exhibit A) of the recordkeeping requirements in Oregon and Idaho provide an example of the proven practicability of this program.

## AMENDMENT

Section 6416(b)(2). Certain nonhighway uses:

Section 6416(b)(2) of the Internal Revenue Code 1954 (relating to special cases in which taxpayments are considered as overpayments) is amended by striking out the period at the end of subsection (Q) and substituting therefor a semicolon and adding two new subsections (R) and (S) as follows:

"(R) If a highway motor vehicle, whether licensed to operate upon a public highway or not, operates over (1) any road, thoroughfare or property in private ownership, or (2) any road or thoroughfare pursuant to an agreement with any agency of the United States or of any State or with a licensee of any such agency, or both, if the agreement imposes upon the user of such road or thoroughfare the obligation either to construct such road at his own expense, to maintain the same at his own expense, or to pay any such agency or its licensee a reasonable consideration for the use of such road or throughfare, and such highway motor vehicle uses or consumes articles in respect of which tax has been imposed under section 4041, subsections (a)(1), (3) or (4) of section 4071, or section 4081, or such highway motor vehicles is one in respect of which tax has been imposed under section 4481, the Secretary or his delegate shall refund (without interest) to the ultimate purchaser of such articles or to the person in respect of whom tax has been imposed under section 4481, a proportionate part of such tax based upon the number of miles traveled by such highway motor vehicle over such road, thoroughfare or property as compared to the total number of miles traveled by such vehicle, except that the amount of such refund shall not exceed an amount computed as though the tax imposed was at the rate of 1 cent a gallon in the case of articles under section 4041 and 4081, or at the rate of 2 cents a pound in the case of subsections (a)(1) and (a)(4) of section 4071 or 1 cent a pound in the case of subsection (a)(3) of section 4071, or at the rate of \$1.50 per year in the case of section 4481. The Secretary or his delegate shall have authority to prescribe regulations and recordkeeping requirements in respect of such refund.

"(S) If a highway motor vehicle, whether licensed to operate upon a public highway or not, operates over any public road or thoroughfare constructed by, or maintained by, the owner of such motor vehicle, and such highway motor vehicle uses or consumes articles in respect of which tax has been imposed under section 4041, subsection (a)(1), (3) or (4) of section 4071, or section 4081, or such highway motor vehicle is one in respect of which tax has been imposed under section 4481, the Secretary or his delegate shall refund (without interest) to the ultimate purchaser of such articles or to the person in respect of whom tax has been imposed under section 4481, a proportionate part of such tax based upon the number of miles traveled by such highway motor vehicle over such road or thoroughfare as compared to the total number of miles traveled by such vehicle, provided that the amount of such refund shall not exceed the share of the cost of constructing and/or maintaining such road by the refund claimant. The Secretary or his delegate shall have authority to prescribe regulations and recordkeeping requirements in respect of such refund."

## EXHIBIT A

*Provisions of fuel and motor vehicle use taxes of the States of Oregon and Idaho*

## OREGON

Tax imposed	Refunds or credits	Recordkeeping
A "mills per mile" use tax for different weight categories "for use of the highways," the tax to be used for public highway construction. (Oregon Revenue Code 767.325.)	Excludes application of tax to persons or motor vehicles "when operating over any road or thoroughfare in private ownership" or "when using any road or thoroughfare, other than a State highway or county road, pursuant to an agreement with any agency of the United States or with a licensee of such agency, or both, if the agreement imposes upon the user of such road or thoroughfare the obligation either to construct or maintain it at his own expense, or to pay such agency or licensee of such agency a reasonable consideration for the use * * * of such road * * *". (Oregon Revenue Code 767.035).	Requires daily mileage record on all vehicles and monthly report thereon; gives commissioner other broad supervisory powers. "Regulatory and Enforcement Provisions", (Oregon Revenue Code 767.405-767.990.)

## IDAHO

A "mills per mile" use tax for different weight categories of commercial vehicles based on mileage operated over State highways. (Idaho Code 49-127.)	Allow deduction at time of payment for "miles traveled on roadways maintained with private funds by agreement with the public agency or agencies having jurisdiction over the same." (Idaho Code 49-127.)	Quarterly report required on mileage operated over State roads; vehicle owner required to maintain records and to purchase documents to justify use of rate schedules in code; penalties provided. Idaho Code 49-127a.)
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## OREGON

6 cents a gallon tax on gasoline and motor vehicle fuels usable as fuel for operation of motor vehicles. (Oregon Revenue Code 319.000.)	Provides refund to person using fuel for operating a motor vehicle, whether licensed to operate upon the public highway or not, if used over privately owned, or privately built or maintained roads, such refunds being based upon a proportionate part—"the proportionate part shall be based upon the number of miles traveled over such roads" as compared to the total vehicle mileage. (Oregon Revenue Code 319.320.)	Authorizes secretary of state to impose recordkeeping and refund requirements. (Oregon Revenue Code 319.320.)
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## IDAHO

6 cents a gallon on special fuel used in "any motor vehicle while operated upon the highway" (tax is collected at time of sale by the seller from the user). (Idaho Code 49-731, 730.)	Allows refund to person who has paid fuel tax, either directly or indirectly, where fuel has been "used for purposes other than for the propulsion of motor vehicles upon the public highways * * *". (Idaho Code 49-736, 737.)	Licenses required of special fuel dealers; records and monthly reports required of both dealer and user; penalties provided for failure to keep records. (Idaho Code 733, 734, 735, 740.)
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## OREGON

6 cents a gallon use fuel tax imposed on motor vehicle fuels (diesel, etc.). (Oregon Revised Statutes 319, 520, 530.)	Provides exemption for fuel used in propelling vehicle "over any road or thoroughfare in private ownership," or over any road built or maintained by the user at his own expense under agreement with any agency. (Oregon Revised Statutes 319, 540.)	Use fuel tax license required of user; faithful performance bond required; emblem required to be displayed upon vehicle; monthly reports required. (Oregon Revised Statutes 319, 550, 570, 600, 690.)
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*Aspects of State gasoline tax refund administration*

State	All nonroad use re- funded?	Number of claims pro- cessed an- nually	Approximate annual cost of refund de- partment (salaries travel and printing)
Alabama.....	No.....	9,000	\$50,000
Alaska.....	Yes.....	338	(1)
Arizona.....	Yes.....	13,854	50,000
Arkansas.....	No.....	28,000	45,000
California.....	Yes.....	80,000	265,000
Colorado.....	Yes.....	55,500	69,000
Connecticut.....	Yes.....	12,000	12,000
Delaware.....	Yes.....	4,000	(1)
Florida.....	No.....	3,000	2,500
Georgia.....	No.....	55,500	110,000
Idaho.....	Yes.....	37,500	16,500
Illinois.....	Yes.....	330,000	(1)
Indiana.....	Yes.....	200,000	(1)
Iowa.....	Yes.....	469,553	110,000
Kansas.....	Yes.....	250,000	(1)
Kentucky.....	No.....	21,300	40,000
Louisiana.....	No.....	41,900	60,000
Maine.....	Yes.....	10,500	(1)
Maryland.....	Yes.....	60,000	50,000
Massachusetts.....	Yes.....	20,000	25,000
Michigan.....	Yes.....	170,000	90,00
Minnesota.....	Yes.....	350,000	102,000
Mississippi.....	Yes.....	13,500	52,000
Missouri.....	Yes.....	162,000	16,000
Montana.....	Yes.....	49,347	37,500
Nebraska.....	Yes.....	\$ 71,239	\$ 101,016
Nevada.....	Yes.....	5,200	5,000
New Hampshire.....	Yes.....	12,000	(1)
New Jersey.....	Yes.....	61,000	105,000
New Mexico.....	Yes.....	24,200	52,000
New York.....	Yes.....	60,000	(1)
North Carolina.....	Yes.....	21,380	29,000
North Dakota.....	No.....	66,000	54,000
Ohio.....	Yes <sup>1</sup> .....	200,000	150,000
Oregon.....	Yes.....	38,000	40,000
Pennsylvania.....	No.....	(1)	(1)
Rhode Island.....	No.....	800	6,000
South Carolina.....	No.....	25,000	25,000
South Dakota.....	Yes.....	93,000	50,000
Tennessee.....	No.....	45,000	(1)
Texas.....	Yes.....	205,618	(1)
Virginia.....	Yes.....	120,000	70,000
Washington.....	Yes.....	36,000	40,000
West Virginia.....	Yes.....	30,000	22,000
Wisconsin.....	Yes.....	204,000	(1)
Wyoming.....	No.....	4,700	4,000
District of Columbia.....	Yes.....	1,250	(1)

<sup>1</sup> Not available.<sup>2</sup> 1957.<sup>3</sup> Taxes on certain marine fuels are earmarked for harbor improvement.

Source: State Practices in Refunding Gasoline Taxes, Research Rept. No. 46, Federation of Tax Administrators, Chicago, Ill. August 1959.

## LOG TRUCKING FACT SHEET, 1960

U.S. log production, 60 billion board feet.

Logs hauled to mills on logging trucks, 60 billion board feet.

Estimated log volume hauled on private or privately maintained roads, 22.5 billion board feet.

Estimated number of logging trucks operating on private or privately maintained roads, 25,000.

Average annual volume of logs hauled per truck, 900,000 board feet.

Average miles traveled per truck, 20,000 miles.

Estimated taxes imposed per truck:

	Present	Proposed	Refund
Gasoline/diesel.....	\$120	\$120	\$30
Rubber.....	43	55	12
Weight.....	40	80	40
Total.....	203	255	82

Estimated total refund to logging truck operators utilizing private or privately maintained roads, \$2,050,000.

Source: U.S. Forest Service, Industrial Forestry Association, Western Pine Association, Southern Pine Association, National Lumber Manufacturers Association.

Senator BENNETT. We will next hear from Mr. Raymond Boll of the Cummins Engine Co., of Columbus, Ind.

#### STATEMENT OF RAYMOND BOLL, EXECUTIVE VICE PRESIDENT, MARKETING, CUMMINS ENGINE CO., INC., COLUMBUS, IND.

Mr. BOLL. Mr. Chairman and members of the committee, my name is Raymond Boll and I am executive vice president, marketing of the Cummins Engine Co. of Columbus, Ind.

I am here today as a spokesman for the Cummins Engine. I have five brief points which I should like to bring out.

In 1960, Cummins Engine Co., together with Mack Trucks, Inc., manufactured over 85 percent of the new automotive diesels in this country. Since our companies represent a major portion of the industry, I wish to present testimony pertinent to the Federal-aid highway financing proposal (H.R. 6713) now before this committee. Our industry has consistently supported the Federal highway program as being essential to the economic welfare and national defenses. However, we firmly believe that any taxes levied should be fair and applied equitably on an across-the-board basis as they relate to motor fuel.

We feel that the Ways and Means Committee of the House of Representatives exercised the greatest judgment and fairness in the difficult task of reaching their conclusions regarding the taxes that they recommended be levied to support title II of H.R. 6713 as passed by the U.S. House of Representatives. Further we concur with their conclusions to eliminate from their bill a differential tax on diesel fuel. Our industry considers such a tax discriminatory since it results in levying a tax on the efficiency and ingenuity of the automotive diesel industry.

However, since the diesel differential tax has again become an issue, we respectfully request that the following key points again be considered.

My first point is, a diesel differential tax penalizes a small segment of the truck industry.

Such taxes are aimed at heavy trucks; however, only a small portion of these are diesel powered.

- (a) Diesels are only two-tenths of 1 percent of all vehicles;
- (b) 1.3 percent of all trucks;
- (c) 15 percent of heavy duty trucks (over 26,000 pounds); and
- (d) 24.5 percent of heaviest trucks (over 50,000 pounds).

A differential tax on diesel fuel places this small number of diesel operators at a distinct competitive disadvantage, since it increases their fuel costs by \$300 to \$600 per unit per year without increasing the cost to the gasoline truck operator.

There is also a general feeling that diesel fuel is considerably cheaper than gasoline. Over the past 15 years the gap has narrowed to the point that now, on a national average, diesel fuel is only 1.7 cents less per gallon than gasoline.

My second point is, a diesel differential tax penalizes efficiency.

Diesel fuel contains only 8 percent more energy producing units than gasoline. An average diesel converts 36 percent of the energy of its fuel to useful work as compared to 29 percent for the gasoline engine, although this ratio varies widely with different types and makes of engines. However, the point I wish to make here is that the major portion of the diesel efficiency is obtained by the ingenuity of the engine design itself—not from the fuel used.

Technically speaking, the difference in efficiency between the gasoline and diesel is at a minimum at full speed and full load. However, at partial load and idling speeds, the gasoline engine becomes relatively much less efficient. As a conclusion, the difference in fuel economy between the diesel and gasoline engine is the least while traveling on the highway and the greatest when stopping, starting, idling, or operating at partial load. In general it can be stated that the diesel-powered vehicles will obtain from 15 to 40 percent more miles per gallon than corresponding gasoline vehicles. The Bureau of Public Roads in their third progress report (p. 14, table 5) indicated 5 percent less to 18 percent greater mileage for the diesel engine as compared to gasoline engines. We can appreciate the Bureau's problem in accurately determining these differences in fuel mileage because a recent survey of ours conducted on actual 1960 operating results of over 80 carriers and over 9,000 trucks in the United States indicated widely scattered figures from which no positive conclusions could be drawn.

Our experience indicates that the widely varying differences of application, operating conditions, driver training, type of trailers, maintenance, geographic locations, and ambient temperatures make the determination of a fixed differential impossible. Further, we would like to point out that there are even wider variations in miles per gallon between various classes of passenger cars than there are between diesel and gasoline trucks. For instance, some of the compacts or cars with overdrives get between 20 and 30 miles per gallon while other passenger cars obtain 10 to 15 miles per gallon. It would be far more productive, taxwise, and just as logical to levy a differential tax on these company "economy" vehicles also. However, we certainly do not propose this for the same reason that it is virtually impossible to establish a fair and equitable differential.

In summary, the diesel engine industry has worked hard to design and manufacture the most efficient engine possible. We are proud of

these developments. However, we do not believe that because of these accomplishments the diesel fuel tax should be increased over gasoline, thus putting us at a competitive disadvantage.

My third point is diesel vehicles pay additional taxes at the Federal level.

The diesel truck costs more initially—approximately \$4,500 more—and operators pay up to \$450 to \$500 additional Federal excise taxes at the time of purchase, diesel repair parts cost more and diesel engines use more lube oil, both resulting in added excise tax payments. In addition, their added weight generally results in higher Federal use tax over gasoline powered vehicles.

My fourth point is the use of diesel engines on the highway contributes to the public welfare.

Diesel fuel is less of a fire hazard since it will not vaporize and explode as will gasoline. Diesel fuel produces negligible deadly carbon monoxide and smog producing ingredients. Finally, diesel trucks and buses are less susceptible to road breakdowns and are more capable of keeping up with the normal flow of traffic.

My fifth and last point is, a diesel differential will adversely affect our company.

Cummins Engine Co. builds only diesel engines and 65 percent of our production is for truck use. Any diesel differential tax would present a serious problem to the manufacturers of truck-type diesels and particularly to Cummins as it builds only diesel engines. Our competitors build both gasoline and diesels and they would be able to shift to gasoline production without any serious loss of business. This is not true of our company and even a 1-cent differential would result in a substantial loss of engine and spare parts business.

I would like to point out that the original proposal included a differential tax on diesel of 3 cents as against gasoline which is the same as decreasing the efficiency of the engine by 14 percent. Now our company has specialized in the development of diesel engines. Last year we spent \$5 million on research in design from which came a new engine with increased efficiency of about 4 percent. We are now spending \$27 millions to tool to produce this new engine. And this is a company that does about \$136 million of business per year. So by the end of this year we will have spent \$12 million on this new product, yet in one swift blow the original increased differential is wiped out almost four times, that is, it has almost wiped out almost four times our research and development program.

In conclusion we respectfully request that any taxes that are considered on motor fuel remain uniform and across-the-board as they are today, and as they are proposed in H.R. 6713 now being considered by this committee.

Senator BENNETT. Thank you, Mr. Boll. For my education does the word "ambient" refer to the temperature of the air through which the truck passes?

Mr. BOLL. Yes.

Senator BENNETT. I would like to take you back to page 1 to straighten up these figures in my own mind.

Mr. BOLL. There is a chart on the back that illustrates a portion of the figures.

Senator BENNETT. You say that the average diesel converts 36 percent of the total energy of its fuel to useful work as compared with 29 percent for the gasoline engine. And you said earlier that diesel fuel contains only 80 percent more energy-producing units.

The difference between 29 and 36 is 24 percent.

Mr. BOLL. Yes. In one case as to the fuel itself, two gallons of fuel, gasoline and diesel, the diesel fuel itself, the chemical content actually does contain about 8 percent more heat units than does the gasoline. That is the portion in the fuel itself.

The other two figures pertain to the efficiency with which the engine itself burns the fuel that is put into it.

Senator BENNETT. And the 8 percent which is the advantage of the fuel itself that it provides, translated into a 24 percent difference between it, is used in the engine. Is that the way to interpret these figures—the difference between 29 and 36 is about 24 percent, using 29 as the base?

Mr. BOLL. You cannot do it that way because the 29 percent is the efficiency that the gasoline engine gets out of the gallon of gasoline and the 36 percent is the work that the diesel gets out of the gallon of diesel fuel.

Senator BENNETT. Then, to get the real difference, 36 times 180 is what you would have to use, because it has 8 percent more energy to start with, which widens the differential?

Mr. BOLL. Yes, it does.

Senator BENNETT. I am always interested in people who come before the committee and subtract 2 percentage figures and say that the difference represents the percentage of difference between the two figures, when, actually, it is only the mathematical digits that are used to represent it.

Mr. BOLL. Yes. Actually, the point we are making here is that one is the efficiency with which an engine mechanically burns its fuel, and the other is the fuel that you put into the engine itself. That was the distinction that I wanted to make here.

Senator BENNETT. I know that you wanted to make that. And I want to get it clearly into the record that fact, so that if you burn gasoline and diesel fuel, each under its ideal conditions, the difference in the power produced is somewhere around 25 percent. If you burn gasoline in the gasoline engine and you burn diesel fuel in the diesel engine; and compare the two in terms of their relative conversion of energy, it is about 25 percent.

Mr. BOLL. This varies with the engines.

Senator BENNETT. This is perfectly clear in the rest of the testimony, but I wanted to get that into the record, because in reading this casually you would say that there is only 8 percent difference between the efficiency of the two. That is not the total difference.

Mr. BOLL. No. Yes, there is 8 percent difference in the fuels.

Senator BENNETT. But when you move over and use this 8 percent, it is expanded by the greater efficiency of the diesel engine.

Mr. BOLL. Yes.

Senator BENNETT. Thank you very much, Mr. Boll. The chart will be made a part of the record, as you desire.

Mr. BOLL. Thank you.

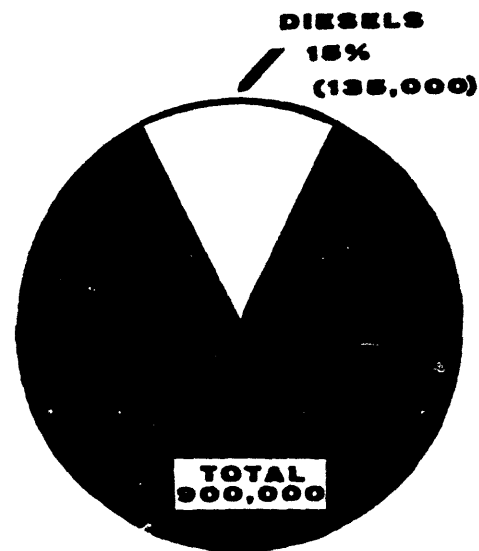
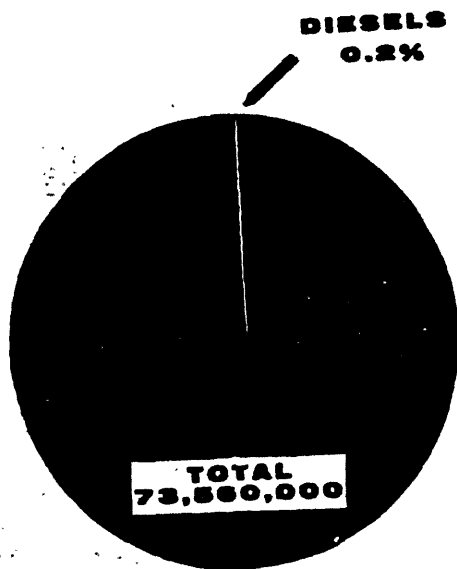
(The chart follows:)

# DIESEL TRUCKS AS PERCENT OF TOTAL

TOTAL VEHICLES

TOTAL TRUCKS

TOTAL HEAVY-DUTY \*



HIGHWAY FINANCING

SOURCE:

Bureau of Public Roads  
Research and Economic Department,  
American Trucking Association

\* (Over 26,000 lbs. GVW)

DATE March 8, 1961

Senator BENNETT. Our last witness, the most patient of the lot, is Mr. Frederick S. Hill of the National Association of Motor Bus Owners.

**STATEMENT OF FREDERICK S. HILL, COUNSEL, NATIONAL  
ASSOCIATION OF MOTOR BUS OWNERS**

Mr. HILL. Mr. Chairman, my name is Frederick S. Hill and I am appearing before you today as counsel for the National Association of Motor Bus Owners. "NAMBO," as we call it in this age of alphabetical organizations, is the national trade association of and spokesman for the intercity bus industry.

Our industry has supported the expanded highway program. At the 1956 hearings on the original Federal Aid Highway Act, we indicated our readiness to attempt to absorb the additional user taxes originally proposed despite the hardships involved. We did present evidence at that time, however, that any further tax increases would impose a serious financial burden on our industry, and would jeopardize existing transportation services. The burden is particularly onerous in our case, since the routes on which we use the limited access interstate highways must often be duplicated at added cost by other routes in order to serve bypassed communities.

As we testified in March of this year before the House Ways and Means Committee, we do not feel that additional user taxes should be imposed at this time on an essential industry which is in hard-pressed financial condition. Our essentiality is demonstrated by the fact that some 40,000 communities in this country rely on us exclusively for all public passenger transportation, for pouch mail service and for package express delivery. These are communities which are not served by railroads or airlines, and their number is being increased steadily by passenger train discontinuances. Our value to the national defense was clearly shown during World War II by service rendered to the Armed Forces and to industry. At the same time, many of our carriers are in poor economic health. Our passenger traffic has declined more than 30 percent in the past 15 years, principally because of rising costs and competition from the private automobile. This has required substantial cuts in service and in some cases abandonment of routes and liquidation of carriers.

The highway program provides substantial benefits to nonhighway users. Yet, for all practical purposes, these benefits are not now paid for by nonusers. We believe that this fact amply justifies a transfer from general funds to the highway trust fund to assist with the continuation of the program.

Our motor fuel taxes have already been doubled to pay for this highway system; yet we enjoy relatively few of its intended benefits and savings. Many of the highways for which we are paying today are not yet completed and these same highways will be used long after 1972 by succeeding generations. We therefore suggest that there is nothing sacred about the 1972 deadline for completion of the system and that some stretchout of the program is preferable to increased user taxes at this time. Indeed, it was in effect implied by Federal Highway Administrator Whitton before the House Ways and Means Committee this year that the program would go on beyond 1972. Thus, the question is not how to finance a limited and terminat-

ing program; rather it is how large a tax burden we should place on today's users to provide highways for tomorrow's users.

With respect to the recently passed House bill (H.R. 6713) before us today, we can say that we still support the highway construction program and that again we will attempt to absorb the additional user taxes proposed in the bill. However, we urge this committee to suggest no further increases in those rates and to endorse the transfer of the remaining one-half of the 10 percent excise tax on trucks and buses from the general fund to the highway trust fund. In connection with this transfer, the report of the Ways and Means Committee, while admitting that the 10 percent tax on trucks, buses and trailers is in reality a highway use tax, nevertheless states that its recommendation to dedicate the remaining 5 percentage points of this levy to the highway trust fund amounts to a diversion from general revenues in recognition of highway benefits that accrue to nonuser groups such, for example, as adjoining property owners. We cannot agree with this reasoning. This tax is one paid only by users of the highways and, as such, the proceeds should be dedicated in toto to highway construction.

I know that the time of this committee is limited and I therefore respectfully request permission to have included as an exhibit to this statement the statement of Mr. George M. Sage, a director of NAMBO, delivered before the House Ways and Means Committee on March 21 of this year, together with the tables attached thereto. Our association's position is spelled out in Mr. Sage's statement in considerably more detail than time today has permitted.

I thank the committee for this opportunity to appear on behalf of our industry.

Senator BENNETT. Mr. Hill, we appreciate your patience. You sat through the hearings this morning and heard the discussion on this question of diversion. I do not think there is any point in trying to repeat it unless you would like to make some other comment on it.

Mr. HILL. I do not believe I have any added comments, Mr. Chairman, except this: If diversion should be decided against by the committee, our industry would favor a stretchout of the program so that it could be paid for by existing taxes.

(The following letter was later received for the record:)

STEPTOE & JOHNSON,  
ATTORNEYS AT LAW,  
Washington, D.C., June 8, 1961.

Re H.R. 6713.

Hon. HARRY F. BYRD,  
Chairman, Committee on Finance,  
U.S. Senate, Washington, D.C.

DEAR SENATOR BYRD: I should like, with your gracious permission, to add one further thought to the testimony I gave before your committee yesterday on behalf of the National Association of Motor Bus Owners regarding the Federal highway use tax.

This tax is designed primarily to offset added highway construction costs necessitated by the use of very large and heavy vehicles. Most of the testimony and discussion of this levy have placed virtually all of the emphasis on the weight factor, largely ignoring the space requirements which are also extremely important. It is our view that this tax as applied to buses is discriminatory on both counts.

The median State maximum permissible gross weight for a three-axle single unit vehicle is 50,000 pounds. The largest bus of this type is 10,000 pounds lighter. It is also so constructed and powered that its impact on the highways

is far less than that of a heavy truck. Most buses that exceed the 26,000-pound minimum taxable weight, exceed it by relatively small amounts. Hence the revenue is almost inconsequential in terms of total tax receipts but highly important to the hard-pressed carriers.

It should also be noted that transit-type vehicles are exempt if operated by a local carrier but not if they are operated by an intercity carrier.

There are four States that permit the operation of vehicle combinations up to 65 feet in length and 10 more with 60-foot limits. The largest bus is 40 feet long and the majority are 35 feet or less. Further, a bus is far more maneuverable than a truck combination with respect to turning radius, acceleration, deceleration and hill-climbing ability. All of these factors combine to make the highway space requirements for buses far less than those for large trucks.

Finally, the height-clearance requirements of buses are not responsible for any additional highway costs.

Again, may I say that I appreciate the opportunity of appearing before your committee on behalf of our industry.

Sincerely,

FREDERICK S. HILL.

Senator BENNETT. Thank you. I assume that you desire to have the statement mentioned by Mr. Sage made a part of the record.

Mr. HILL. Yes, sir.

Senator BENNETT. It will be made a part of the record at this point.

(The statement of George M. Sage follows:)

STATEMENT OF GEORGE M. SAGE ON BEHALF OF THE NATIONAL ASSOCIATION OF MOTOR BUS OWNERS BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS ON FINANCING THE FEDERAL HIGHWAY PROGRAM, MARCH 21, 1961

My name is George M. Sage, and I appear today as a director of the National Association of Motor Bus Owners. Ours is the national trade association for the industry which provides intercity motorbus service. We serve as spokesmen for that industry.

I am also president of the Short Line, Inc. My company provides motorbus service from Providence, R.I., to numerous New England points. We have approximately 225 employees.

Our industry has consistently supported the expanded highway program. During the hearings on the 1956 Highway Act, we indicated our readiness to attempt to absorb the additional taxes originally proposed, despite the hardships involved. We presented irrefutable evidence at that time, however, that any further tax burdens would impose an intolerable financial burden on an already hard-pressed industry, and would jeopardize existing essential transportation services. The burden would be particularly onerous in the case of our industry, since the routes on which we use the limited-access interstate highways must be often duplicated at added cost by other routes in order to serve bypassed communities.

We still support the highway construction program, and are willing to continue to absorb the presently existing taxes. However, we urge this committee to maintain highway user taxes at 1960 rates without any further increase at this time. This would result in approximately \$300 million less per year in user taxes than the President has proposed. That \$300 million could be provided by a transfer from the general revenues. If that is not feasible, the program should be extended for a short period, as I shall suggest later.

Alternatively, if this committee should decide that an increase is advisable, despite the compelling evidence to the contrary, we strongly urge that the exemptions from increased motor fuel taxes and vehicle weight taxes which were granted to local transit companies in 1956 be extended to cover intercity bus operations because of the similarity, not only in the service provided, but also the financial plight of many of the carriers.

Any increase in highway trust fund revenues over 1960 should come from general funds.

It is our view that any increase in contributions to the highway trust fund at this time should come from general revenues and not as an additional burden on users. The excise taxes paid by users into the Treasury for general purposes

this year will exceed \$1.7 billion. A transfer of only one-sixth of those taxes, at 1960 rates, to the highway trust fund would provide all the funds requested by the President, without any further increase in user taxes.

Furthermore, no one disputes the fact that the highway program does provide substantial benefits to non-highway-users; yet for all practical purposes, none of these is now paid for by the nonusers. The President himself stressed several nonuser benefits, such as national defense and general economic development, as reason for increasing expenditures.

The Bureau of Public Roads has, in effect, taken the unconscionable position that no value should be assigned to most such nonuser benefits, since they are difficult to measure, but the Bureau was able to establish an 8-percent factor for the few nonuser benefits it could determine accurately.

We believe, along with the views of other highway user groups, that the 8-percent factor is totally inadequate. However, even an 8-percent contribution from the general fund would produce nearly the amount requested by the President without any change in the 1960 tax rates on highway users.

Based on these facts, it certainly appears to us reasonable to request that any increase in contributions to the highway fund come from the general revenues, either as a transfer of a part of the existing excise taxes on highway users, or as an appropriation from the general funds.

The only answer to such a suggestion has been that it might unbalance the budget, in view of all the other needs of the economy. If it is correct that the need for increased highway expenditures is less pressing than the need for the least urgent item in the general budget, then we urge that this committee treat the problem of increasing highway expenditures and revenues as a nonpriority matter and continue both at 1960 levels rather than increase highway user taxes further. If other demands are more urgent, we should limit the portion of our national resources that are dedicated annually to the highway program to present levels. The sums already being collected and spent on the program are very substantial.

In this connection, I want to point out that the President cites as a compelling reason for expediting the program the 38,000 persons killed each year in highway accidents. Inadequate highway facilities, however, are only one of many factors behind this problem. For example, the National Safety Council reports that nearly one out of every three fatal motor vehicle accidents in 1959 involved a drinking driver.

The rate of fatal motor vehicle accidents per 100 million vehicle-miles has been declining almost steadily since 1933. Between that year and 1956, when the expanded highway program was started, the rate declined an average of four-tenths of a fatality per 100 million vehicle-miles annually. This improvement factor was higher than it has been since 1956.

In preference to increasing user taxes, the completion date should be extended: There is nothing sacred about the 1972 target date for the program. It was established in 1956 by matching the estimated revenues from dedicated user taxes against the estimated cost of the program; but the original cost estimates since have been increased by approximately 50 percent. One thousand extra miles of highways were added by the Congress to the program after its inception. Original cost estimates, necessarily hastily arrived at, were too low and also did not allow for the inflationary spiral.

As a result, and despite the increase of one-third in the Federal fuel tax rate in 1959, the completion date of the program will be delayed slightly if revenues remain at 1960 levels. We urge that such a postponement is preferable to further increases in user taxes at this time.

In this connection, I want to point out that officials from the Bureau of Public Roads have in the past testified that the Interstate Highway System desired is not limited to the 41,000-mile system authorized in the 1956 act. I think we can safely assume, then, that new and supplementary systems will be added as the present system is completed, and that the Federal-aid highway program will not terminate in 1972, no matter how large today's taxes are made. This has already been pointed out by Highway Administrator Whitton.

Thus, the question is not how to finance a limited and terminating program. Rather, it is how large a tax burden should this committee place on today's users to provide highways for tomorrow's, not exclusively today's, users.

I turn now to our request that the exemption from increased motor fuel and vehicle weight taxes be broadened to include intercity motorbus carriers as well as local transit companies. The exemptions referred to are in sections 6421(b) and 4481 of the Internal Revenue Code.

The diesel fuel tax increase requested by the administration would add \$5,500,000 annually to our industry's fuel tax bill, an increase of about two-thirds over our 1960 Federal fuel tax cost. Since the average State tax on diesel fuel is 6.6 cents per gallon, the requested increase in the Federal levy would raise our total fuel tax to 13.6 cents per gallon on the average. This is roughly 110 percent of the cost of the fuel itself and is vital since an estimated 85 percent of our mileage is operated with diesel equipment.

Overall, the request would increase our taxes by \$6,600,000 annually. This represents a 57-percent increase over the total of user taxes we now pay into the highway trust fund and to the Federal Treasury. I have attached to my presentation an exhibit (table 1) showing the tax burdens on our industry at 1960 and at proposed rates.

Our motor fuel taxes have been doubled already to pay for this program; yet we enjoy relatively few of its intended benefits and savings. It is a fact that most of the highways for which we are paying today are not yet completed and that those same highways will be used after 1972 by succeeding generations.

Even without the requested tax increase, our industry is in poor economic health. Our passenger traffic has declined more than 80 percent in the last 15 years, principally because of our rising costs and the competition from private automobiles. This has meant substantial cuts in service, abandonment of routes, and complete liquidation of many carriers.

The Interstate Commerce Commission has found that a healthy intercity bus system requires that expenses average not more than 85 percent of revenues. Yet, during 1959, less than 20 percent of our principal carriers were able to operate at that level. Seventeen percent were in the red.

Referring to the year 1959, also is presented a profit and loss statement of my own company, which indicates that we operated at an operating loss of \$23,801 with an overall loss of \$53,141. This gave us an operating ratio for the year of 101.3 percent.

I would like to refer to the second page on the exhibit and point out that the taxes, that the highway use taxes that were paid during that year, totaled \$108,351. So it is very apparent that the already high taxation that we made in the year 1959 contributed substantially to an operating loss.

As I am going to point out in a few minutes, also, there were many communities in 1959 that were served by solely this bus company, and since then due to this already high taxation, services had to be curtailed and first increased so that we could maintain our operation.

The condition of our smaller carriers is even worse. On the average, this group operates far below this expense revenue ratio. Many of the smaller operations consist of a few buses operated and maintained as family affairs with few, if any, hired employees.

These small carriers are a large and important part of our industry since many of them provide the only service available to small communities and rural areas. About four-fifths of the carriers subject to the jurisdiction of the Interstate Commerce Commission have annual gross revenues of less than \$200,000. Yet, they are the ones in the most precarious financial condition.

Many States have become so concerned over the alarming rate of bus company failures and the consequent loss of essential service that tax-relief measures have been found necessary. In New York State, for example, it was found that 73 communities had been deprived of all or a substantial portion of their bus service since 1951 as a result of a net decrease in the number of bus companies. Recognizing that the tax burden was an important element in those failures, the State exempted the bus carriers from the 1959 increase of 50 percent in the State motor fuel tax and repealed a 2-percent tax on the gross revenues of the bus companies.

We ask that this committee likewise recognize the problems of our industry and the impact that spiraling tax costs are having on our members and the low-income groups who use our services. I have attached an exhibit (table 1) showing just how staggering our present tax burden is. On the average we pay each year \$1,480 per bus in State and local user-type taxes and another \$600 per bus in Federal user-type taxes. Thus, our total tax bill each year exceeds \$2,000 per bus even without the \$540 per bus annual increase the President's proposal would entail.

In this connection, I want to point out that the so-called final report of the Bureau of Public Roads required by the 1956 act emphasizes that any review of

tax equities should include local and State tax burdens, as well as Federal; but because of limitations in the statute authorizing the study, the Bureau made no allowance for the large amount of user taxes we pay to the States for financing their share of the highway costs. I have attached an exhibit (table 2) showing our tax burden at the State and local levels compared with the burdens on other vehicles. It can be readily seen we are already paying a disproportionately high tax at that level. This exhibit indicates that a typical intercity bus with a gross weight of 28,000 pounds is assessed \$1,910 annually in State and local highway use-type taxes. This figure is in excess of that for a tractor-semitrailer-full trailer combination with a gross weight of 78,000 pounds, or more than 35,000 pounds heavier than any intercity bus.

Our industry furnishes essential transportation to 450 million passengers annually. Many of the passengers riding the buses of companies such as mine are members of lower income groups who are commuting to and from jobs, homes of friends and relatives, schools, shopping districts, or social engagements. They are not cross-country travelers. Their trips should not bear an added tax burden over those of the local transit riders merely because they cover a few extra miles, or cost a few extra cents, or are in communities which are too small to support local transit companies.

From the facts I have given, it is clear, however, that if they are to stay in business, the bus companies must attempt to pass on the proposed increase in taxes to its passengers in increased rates.

I am sure that this committee would not want to place the cost of building the new highways upon rural communities and lower income groups, the groups least able to pay. Yet, this is the very effect of any increase in the taxes on our industry, for the lower income groups depend on buses for essential transportation services.

In more than 40 of the communities served by my company, motorbuses are the only means of intercity public transportation available. Nationwide, the number of such communities exceeds 40,000. We provide those communities with package-express and pouch mail services, in addition to essential passenger services. Often, their hospitals and industrial plants depend on us for emergency deliveries.

I am also sure that this committee does not want to finance the highway system through a tax which would defeat important objectives of the program itself. Yet this would be the effect if the taxes on our industry are increased as proposed. A major purpose is to relieve traffic congestion. That purpose is best served by encouraging greater use of public transportation. City planners all agree that this is a national need. That this is a serious problem is also emphasized by the fact that the Senate Surface Transportation Subcommittee is currently holding hearings on the continuing shift from public to private transportation and the consequent weakening of our common carrier system.

An increase in the taxes paid by our industry, however, would result in an increase in our rates and a loss of passengers at the very time when railroads are reducing their passenger service. Thus, the tax increase would aggravate the very traffic problems that the highway program is intended to alleviate. It would increase private automobile use.

In the past, the lower tax rates extended to local transit companies have been based in part, at least, on the fact that they made little use of the Federal-aid highway system. Much of the same reasoning applies to our industry with respect to any further tax increase at this time. As previously noted, the increase is occasioned by the revised estimates for the Interstate System and not by the so-called ABC highway system. Yet it is the latter system which our industry uses extensively. We have derived comparatively little benefit from the interstate limited-access expressway system. This is because the backbone of our services is rendered to the smaller communities which may be bypassed by the limited-access highways. This frequently results in duplicating services, neither of which is compensatory. Thus, my company has only one route which uses an expressway, and that route has had to be paralleled by local service for bypassed communities.

Since the ABC system represents less than one-third of the cost of the Federal highway program, and is not the reason for the new increase requested, the burden for that increase should not fall on our industry. We therefore urge that the exemptions granted to local transit companies be extended to our intercity bus service.

Extending these exemptions to cover our industry would not materially affect the highway financing plans. It would decrease the revenues from the President's

tax proposal by approximately \$6 million annually, 2 percent of the funds requested. However, to the intercity carriers themselves, to their passengers and to the communities they service, extension of the exemption is vital.

To summarize our position, our industry does support the highway program. We are willing to continue to absorb existing highway user taxes. However, we urge, as a matter of tax equity, that the requested increase of approximately \$300 million annually in highway funds be provided through a transfer of a part of the existing excise taxes on highway users, or as a direct appropriation in part payment for nonuser benefits.

If, out of budget considerations, this committee should decide against a transfer or appropriation to the highway fund then we urge that the highway program be extended as necessary to equate expenditures and revenues.

Finally, we request that intercity bus carriers be exempted from any further increase in motor fuel and vehicle weight taxes, as has been done since 1956 for local transit companies. Any increase in our taxes would place an unreasonable burden on an industry already in economic difficulty. It would place the burden of the new highways on low-income and rural groups through increased rates and reduced service. We would be taxed because of the changed cost estimates on the Interstate System from which we derive relatively little benefit.

On behalf of myself and the members of our industry, I want to thank this committee for the opportunity of appearing today.

(The documents are as follows:)

TABLE 1.—Estimated effect of increases in Federal highway use taxes proposed in President's message, intercity bus operations <sup>1</sup>

	All carriers	Class I carriers	Other carriers
<b>Federal automotive excise and highway user taxes:</b>			
At 1960 rates:			
Total amount.....	\$11,638,000	\$8,535,000	\$3,103,000
Per vehicle.....	\$600	\$770	\$380
At proposed rates:			
Total amount.....	\$18,224,000	\$13,620,000	\$4,604,000
Per vehicle.....	\$940	\$1,230	\$560
Percent increase.....	57	60	48
<b>State and local highway user type payments:</b>			
Total amount.....	\$28,497,000	\$21,085,000	\$7,412,000
Per vehicle.....	\$1,480	\$1,910	\$900
<b>Total highway user type payments, all levels of government:</b>			
At current rates:			
Total amount.....	\$40,135,000	\$29,620,000	\$10,515,000
Per vehicle.....	\$2,080	\$2,680	\$1,280
With Federal levies at proposed rates:			
Total amount.....	\$46,721,000	\$34,705,000	\$12,016,000
Per vehicle.....	\$2,420	\$3,140	\$1,460

<sup>1</sup> Based on 1959 operating data, the latest year for which adequate information is available; current Federal taxes computed on the basis of 1960 tax rates.

Source: Carrier reports to the Interstate Commerce Commission.

TABLE 2.—*Estimated averages; annual State road user payments, 1960.*

Type of vehicle	Type of fuel	Registered gross weight (pounds)	Annual travel (miles)	Estimated State road user tax-payments (medians)
Passenger car.....	Gasoline.....	4, 413	9, 500	\$52
Inter-city bus.....	Diesel.....	26, 000	70, 000	1, 910
Pickup truck.....	Gasoline.....	5, 000	9, 000	64
Stake truck.....	do.....	15, 000	12, 000	149
Van.....	do.....	19, 000	15, 000	227
Dump truck.....	do.....	40, 000	30, 000	815
Tractor-semitrailer.....	do.....	40, 000	40, 000	839
Do.....	do.....	55, 000	60, 000	1, 438
Do.....	Diesel.....	55, 000	60, 000	1, 220
Do.....	do.....	62, 000	70, 000	1, 582
Do.....	do.....	72, 000	70, 000	1, 900
Tractor-semitrailer full trailer.....	do.....	76, 000	70, 000	1, 879

<sup>1</sup> State taxes for this vehicle were not obtained in the study "Road User and Property Taxes on Selected Motor Vehicles, 1960" (BPR) which is the source for other data in this table. This figure was computed by National Association of Motor Bus Owners from carrier reports to the Interstate Commerce Commission, based on 1959 data.

Source: Final report of the highway cost allocation study, letter from Secretary of Commerce, H. Doc. No. 54, 87th Cong., 1st sess., p. 168, except as noted above.

### THE SHORT LINE, INC.

#### *Profit and loss statement, 1959*

<b>Operating revenues:</b>		
Passenger.....		\$1, 637, 973
Charter.....		102, 595
Other.....		84, 231
<b>Total operating revenues.....</b>		<b>1, 824, 799</b>
<b>Operating expenses:</b>		
Equipment maintenance and garage.....		255, 401
Transportation.....		800, 369
Station.....		88, 387
Traffic solicitation and advertising.....		84, 801
Insurance and safety.....		104, 947
Administration and general.....		163, 308
Depreciation.....		121, 665
Operating taxes and licenses.....		187, 288
Operating rents.....		92, 844
<b>Total operating expenses.....</b>		<b>1, 848, 600</b>
<b>Operating income.....</b>		<b>23, 801</b>
<b>Other income.....</b>		<b>289</b>
<b>Gross income.....</b>		<b>23, 512</b>
<b>Other deductions.....</b>		<b>35, 262</b>
<b>Total income before Federal income taxes.....</b>		<b>58, 774</b>
<b>Provision for income taxes.....</b>		<b>5, 633</b>
<b>Net income after taxes.....</b>		<b>53, 141</b>
<b>Operating ratio.....</b>		<b>101.3</b>

*Taxes paid—Federal, State, and local, 1959*

	Federal <sup>1</sup>	Connecticut	Massachusetts	Rhode Island <sup>2</sup>	New York	Other	Total
Diesel and other fuel tax.....	\$18,581	\$2,200	\$3,255	\$26,770	\$103	\$236	\$51,145
Vehicle license and registrations.....		1,214	492	7,429			9,195
Tires and tubes, Federal.....	2,760						2,760
Parts and accessories tax.....	3,746						3,746
Excise on new vehicles, Federal.....	60,604						60,604
Highway tolls.....				32,844			32,844
Highway use tax.....	436						436
Sales taxes.....				2,835			2,835
Motor vehicle excise taxes.....			4,786				4,786
Total.....	86,127	3,474	8,533	69,878	103	236	168,351

<sup>1</sup> Based on 3 cents per gallon in effect for 1st half of 1959; 4 cents per gallon in 2d half.

<sup>2</sup> Based on 6 cents per gallon in effect in 1959; 7 cents per gallon present tax.

Senator BENNETT. I assume that there are no other witnesses. I have no more names on my witness list. Under those circumstances, the hearings are adjourned.

(By direction of the chairman, the following is made a part of the record:)

SUBMITTED BY REPRESENTATIVE CLEM MILLER OF CALIFORNIA

RESOLUTION No. 1605

Resolution of the Board of Supervisors of the County of Humboldt, State of California, opposing higher taxes affecting trucks in connection with Federal highway program, and requesting more aid to county highway and bridge program.

Whereas Congress is now considering additional financing for the Federal highway program; and

Whereas the program as recommended by President Kennedy would have created a number of tax increases which would have affected the trucking industry adversely; and

Whereas the economy of the county of Humboldt is heavily dependent upon the trucking industry, both in connection with the lumber industry and as a means of transporting all types of products to and from the relatively remote areas of northwestern California in which the county of Humboldt is located; and

Whereas the Committee on Ways and Means of the House of Representatives has altered most of the proposed tax provisions downward; and

Whereas it is proposed, however, that the tax of 4 cents per gallon on gasoline and diesel fuel remain unchanged; and

Whereas this board of supervisors desires that the taxes which are being considered remain no higher than has been recommended by said Committee on Ways and Means and be made lower if possible, all to the benefit of the economy of the county of Humboldt which as aforesaid is so closely tied in with the trucking industry; and

Whereas in round figures the annual budget of the county of Humboldt for county roads and bridges amounts to the sum of \$2,250,000; and

Whereas the portion of said annual budget defrayed with Federal funds is less than 12 percent, with \$1 million per year being supplied by the county itself; and

Whereas he figures showing the source of county road and bridge funds are as follows:

From the State of California-----	\$1, 000, 000
From the Federal Government:	
Federal aid to secondary road program-----	200, 000
Forest Service-----	50, 000
Total-----	250, 000
Supplied by the county-----	1, 000, 000
Total-----	2, 250, 000

Whereas the county of Humboldt is one of the few counties in the State of California which levies a county road tax of 40 cents per \$100 assessed valuation, the maximum which is allowed by State law; and

Whereas in addition to said road tax, the county of Humboldt at the present time levies a bridge tax of 51 cents per \$100 assessed valuation; and

Whereas the county of Humboldt still has many deficiencies in its county highways and bridges, and such deficiencies together with heavy maintenance costs are caused by the topography and climate of said county, coupled with the needs of ranchers and the lumber industry to have access to the remote areas of said county; and

Whereas if the tax on gasoline and diesel fuel is continued at the rate of 4 cents per gallon it would be extremely helpful to the county of Humboldt if the extra 1 cent per gallon which is allowed to remain as a tax, or at least a portion thereof, were available for county highway and bridge purposes in order to relieve the property tax burden in the county of Humboldt and finance the correction of existing county highway and bridge deficiencies; and

Whereas there is no Federal interstate highway in the county of Humboldt and most of the trucks based in said county never use a Federal interstate highway; now, therefore, be it

*Resolved by the Board of Supervisors of the County of Humboldt, That said board of supervisors respectfully requests the Congress of the United States to consider the effect of higher taxes involving the trucking industry upon the economy of the county of Humboldt and to make every effort to keep such taxes at as low a level as possible; be it further*

*Resolved, That the Congress of the United States be and it is hereby respectfully requested to give serious consideration and study to the possibility of making a portion of the tax on gasoline and diesel fuel available to local agencies such as the county of Humboldt for use in their highway programs; be it further*

*Resolved, That the county clerk be and he is hereby requested to send a certified copy of this resolution to each of the following: The Honorable Clem Miller, Representative in Congress from the First District of California; the Honorable Clair Engle, U.S. Senator; the Honorable Thomas H. Kuchel, U.S. Senator; the Honorable William D. Mills, chairman of the Committee on Ways and Means of the House of Representatives; and the Committee on Public Works of the House of Representatives.*

Passed, approved, and adopted, this 16th day of May 1961, on the following vote, to wit:

Ayes: Supervisors: Lindley, Bareilles, Pettersen, Merryman.

Noes: Supervisors: None.

Absent: Supervisors: Robertson.

E. M. PETERSEN,

*Chairman of the Board of Supervisors of the County of Humboldt, State of California.*

Attest:

[SEAL]

FRED J. MOORE, Jr.,

*County Clerk and Ex officio Clerk of the Board of Supervisors of the County of Humboldt, State of California.*

By W. E. SCHUSSMAN, Deputy Clerk.

STATE OF CALIFORNIA,  
County of Humboldt, ss.

I, Fred J. Moore, Jr., County Clerk of the County of Humboldt, State of California, and ex officio Clerk of the Board of Supervisors of said Humboldt County,

do hereby certify that the foregoing is a full, true and correct copy of the original resolution in the above entitled matter as made by said Board of Supervisors, at a meeting held in Eureka, Calif., on May 16, 1961, and as the same now appears of record in my office.

In witness whereof, I have hereunto set my hand and affixed the seal of said Board of Supervisors this 18th day of May, 1961.

FRED J. MOORE, Jr.,  
County Clerk and ex officio Clerk of the Board of Supervisors of the  
County of Humboldt, State of California.

By W. E. SCHUSSMAN, Deputy Clerk.

AUTOMOBILE MANUFACTURERS ASSOCIATION, INC.,  
Detroit, Mich., June 7, 1961.

HON. HARRY F. BYRD,  
Chairman, Committee on Finance,  
U.S. Senate, Washington, D.C.

DEAR CHAIRMAN BYRD: We respectfully request that this letter, presenting the views of the motor vehicle manufacturing industry, be made a part of the record of committee hearings on H.R. 6713, the proposed Federal-Aid Highway Act of 1961.

The Automobile Manufacturers Association has had a continuing interest in the Federal-aid road program since its inception. During the past 2 years in particular, extensive research on the role of transportation in urban growth has been commissioned by the AMA. Two nationally recognized transportation research groups—Wilbur Smith and Associates, of New Haven, Conn., and the Northwestern University Transportation Center—have investigated many aspects of this question. We believe that their studies embodying their research and conclusions represent a genuine contribution to the understanding of many important problems relating to urban growth.

In addition, AMA, through its Highway Economics Committee, has given careful consideration and extensive study to the question of highway financing. Attached is a summary of AMA's work on highway financing, with special reference to recommended tax principles. We believe that these tax principles provide a sound foundation for future highway financing on a pay-as-you-go basis.

AMA is in complete agreement with the basic objective of H.R. 6713 to restore the long-term road construction program to a schedule that will assure its completion by 1972.

AMA also strongly endorses the retention in the general Federal Treasury of all existing revenues from passenger car excise taxes which would result from enactment of the proposed highway legislation. These excise taxes, imposed by Congress as temporary emergency revenue sources, are discriminatory and should be reduced or repealed as soon as the revenue needs of the General Treasury are met.

In a statement our association submitted on March 14, 1961, to the House Ways and Means Committee, we made certain recommendations as to a desirable level of general-fund contributions for highways, and with respect to delaying decisions on commercial vehicle taxes until the total state and Federal highway tax obligations of these vehicles could be reviewed. We continue to hold these views.

While we have reservations concerning these aspects of H.R. 6713, we believe, nevertheless, that the scheduled completion of the Interstate Highway System is of overriding importance and that H.R. 6713 is broadly in harmony with accepted principles of tax equity.

Sincerely yours,

HARRY A. WILLIAMS,  
Managing Director.

STATEMENT OF FRANK M. PORTER, PRESIDENT OF THE AMERICAN PETROLEUM  
INSTITUTE

My name is Frank M. Porter, and this statement is presented on behalf of the American Petroleum Institute of which I am president.

Speaking for the industry which the institute represents, I respectfully urge that the fourth cent added to the Federal gasoline tax, imposed on a temporary

emergency basis in 1959, be permitted to expire on the date scheduled by that legislation—June 30, 1961.

The simple fact is that the taxation of gasoline is being carried to such extremes that principles of fiscal responsibility and of equity in distributing the burdens of government virtually command a change in the attitude toward this product.

For commonsense business reasons, as well as from concern for the Nation's economic well-being, the petroleum industry supports progressive highway development. We do so now and have consistently done so over the years, being in the very forefront of the advocates of sound highway policies. We have further supported the principle of gasoline taxation as one of the fairest and most practical ways of meeting a substantial portion of highway development costs.

However, it must be recognized that there are limits to the weight of taxation any product can carry. We believe the facts show that gasoline taxation is now at or very close to these limits. In this connection, a few statistics are most revealing.

The national highway program has been widely acclaimed as the most stupendous and the costliest public works program in human history. In a departure from all past public works programs of this country or any other that I know of, the entire cost of this massive undertaking has been loaded upon one group of citizens—the motor vehicle owners. This is true despite the fact that we are discussing what is universally acknowledged to be a general benefit program, and that the key network being improved is legally designated as the National System of Interstate and Defense Highways.

Time and again we have been told of the importance of this program to the general economy, to business, to industry and to national and civil defense. In his highway message to the Congress in February, President Kennedy made 19 specific references to the broad and significant contributions made by this program to the advantage of the general public—and not just for the convenience of those who operate motor vehicles.

Now when we come to the question of financing this program, some 80 percent of the cost of the Federal share has been imposed not only on one class of citizens but on one product used by these citizens—gasoline.

This is an economic distortion by any standard. It is only magnified by the fact that the 50 State governments also tax gasoline and depend to a major extent upon this revenue source for the matching funds to participate in this program and to finance their other highway activities.

Today the combined State and Federal taxes on gasoline exceed 10 cents per gallon for the Nation as a whole. This levy is now approximately equivalent to a sales tax of 50 percent of the national average retail price of regular grade gasoline.

In the light of these facts, the petroleum industry's concern about the trend of gasoline taxation should be entirely understandable. While we are aware of the many remarkable qualities of this product, we do not believe it is exempt from the economic law of diminishing returns.

Since the start of 1951 the Federal tax on gasoline has been increased three times: In 1951 the rate was raised to 2 cents for the Korean conflict; in 1956 the Federal gasoline tax was identified with the Federal highway program for the first time in its history and the rate was increased to 3 cents per gallon; in 1959 the rate was boosted to 4 cents, with the understanding that it would revert back to 3 cents on June 30 of this year.

The Nation's motor vehicle owners were assured that, starting with fiscal 1962, not only would their Federal gasoline tax rate revert to 3 cents per gallon, but the national highway program would be financed on a more equitable basis. According to the terms of the 1959 legislation, starting on July 1, 1961, a portion of the taxes on new automobiles and on new automotive parts and accessories—now going into the general fund of the U.S. Treasury—would be allocated to the support of the road program.

Those who maintain that the entire cost of the national highway program should be borne by the Nation's highway users are fond of saying: It is only right that those who use the highways should pay for them.

We do not entirely agree with that. We contend that the cost of the program should be allocated in proportion to the benefits derived from it, and that the financing of this program should take into account the many beneficiaries other than highway users.

However, even if the argument that highway users should carry the full load is accepted, even if we all agree, for argument's sake, that those who use the highways should pay every cent of the cost, then the method of financing this program followed to date, and the method prescribed by H.R. 6713, as it passed the House on May 4, is fundamentally inequitable.

It is inequitable for the simple reason that highway users are being required to pay—in special taxes on their vehicles and fuel—much more than the cost of this program. An arbitrary and illogical distinction is being made, a distinction by which some highway user taxes are allocated to the highway program and others of exactly the same classification are being diverted from that program to the support of general, nonhighway functions of the Federal Government.

In effect this is to say: Those who use the highways should pay for them, but they will not be given full credit for the highway taxes they pay.

I submit that this is an illogical procedure and one that justly merits the protests of the Nation's car, truck and bus owners and operators.

The figures on this subject, figures compiled by the U.S. Bureau of Public Roads and the Internal Revenue Service, are most revealing. In the first 4 years of the national highway program—fiscal 1957 through fiscal 1960—the Nation's motor vehicle owners paid more than \$14 billion in special Federal taxes on their motor fuel, new vehicles, tires, tubes and tread rubber, lubricating oil, parts and accessories and use of heavy vehicles. Of this \$14 billion, some \$8 billion was allocated to the Federal highway trust fund for use in financing the national highway program.

What happened to the balance, over \$6 billion, or 43 percent of the total? It went to the general fund to support all manner of Federal functions and activities other than this national highway program for which, we are so often told, the highway users should reasonably be expected to pay.

This injustice is, to my mind, only highlighted by the fact that Federal highway aid law—the law as applied to the States—pronounces it "unfair and unjust to tax motor-vehicle transportation unless the proceeds of such taxation are applied to the construction, improvement, or maintenance of highways \* \* \*"

This Federal law even provides that States found guilty of violating this principle in their highway financing can be penalized by way of reductions in their Federal highway grants-in-aid. But when the Federal Government engages in the very same practice which it condemns at the State level—then it is the motorist who suffers the penalty.

His penalty would actually be increased by the legislation enacted by the House, legislation which would increase Federal highway user taxes so the National Government would continue the practice of diverting from the highway program year after year substantially more than \$1 billion of the special tax revenue it collects from motor vehicle owners.

The petroleum industry would be doing a disservice to its customers if it failed to protest the legislation enacted by the House and all other proposals to continue the fourth cent of the Federal gasoline tax past its scheduled expiration date. We would be doing a disservice to our customers if we failed to protest emphatically against perpetuation of the practice of diverting each year—at the Federal level—huge amounts of highway user tax collections, while at the same time making motor vehicle owners solely responsible for the entire support of the national highway program.

The legislation enacted in 1959 provided that, effective July 1 of this year, a significant step would be taken toward establishing the principles of equity in financing the national highway program. We believe that steps should be taken. We believe that failure to take it could place in jeopardy future Federal and State revenues from gasoline taxation by further discouraging consumption of this product.

We submit that the law enacted in 1959 contained a sound provision for highway progress by setting forth a financing plan under which funds available for the coming 1962 fiscal year would exceed by about a quarter of a billion dollars the amount now coming in from the temporary fourth cent of the Federal gasoline tax.

With all these considerations in mind, and with the conviction that highway users are as much entitled to fair treatment from their Government as any other group of citizens, we urge that the financing provisions of the 1959 law be permitted to stand.

Thank you.

(Whereupon, at 4:05 p.m., the hearing was adjourned.)



1932-12

**FEDERAL-AID HIGHWAY ACT OF 1961  
AND INTERNAL REVENUE CODE  
AND HIGHWAY TRUST FUND  
AMENDMENTS**

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**REPORT**

**OF THE**

**COMMITTEE ON PUBLIC WORKS  
HOUSE OF REPRESENTATIVES**

**TO ACCOMPANY**

**H.R. 6713**

**A BILL TO AMEND CERTAIN LAWS RELATING TO  
FEDERAL-AID HIGHWAYS, TO MAKE CERTAIN  
ADJUSTMENTS IN THE FEDERAL-AID  
HIGHWAY PROGRAM, AND FOR  
OTHER PURPOSES**

**TOGETHER WITH**

**MINORITY VIEWS**



**MAY 2, 1961.—Committed to the Committee of the Whole House  
on the State of the Union and ordered to be printed**

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**U.S. GOVERNMENT PRINTING OFFICE**

**WASHINGTON : 1961**

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# Union Calendar No. 107

87TH CONGRESS  
1st Session

HOUSE OF REPRESENTATIVES

REPORT  
No. 326

## FEDERAL-AID HIGHWAY ACT OF 1961 AND INTERNAL REVENUE CODE AND HIGHWAY TRUST FUND AMENDMENTS

MAY 1, 1961.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. FALLON, from the Committee on Public Works, submitted the following

### REPORT

[To accompany H.R. 6713]

The Committee on Public Works to whom was referred the bill (H.R. 6713) to amend certain laws relating to Federal-aid highways, to make certain adjustments in the Federal-aid highway program, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass:

### INTRODUCTORY STATEMENT

H.R. 6713, which is favorably reported by the committee, contains in title I certain necessary provisions for the continuation of the Federal-aid highway program. Title II of H.R. 6713 contains the recommendations of the Committee on Ways and Means to the Committee on Public Works to provide necessary tax revenues to finance the highway program.

The Committee on Public Works held public hearings on H.R. 5200, which is superseded by title I of the reported bill, on March 21 and 23, 1961, and carefully considered the legislation in executive sessions.

The Committee on Ways and Means recommended material to the Committee on Public Works for inclusion in this legislation as title II which would amend the Internal Revenue Code of 1954 and the Highway Revenue Acts of 1956 and 1959 to provide additional revenue to make the program self-financing.

The provisions of these two titles have been incorporated in H.R. 6713, after having been approved by the respective committees having jurisdiction over the subject matter in order to permit the simultaneous and orderly consideration of the highway program by Congress.

## **TITLE I. THE NATIONAL SYSTEM OF INTERSTATE AND DEFENSE HIGHWAYS**

### **A. GENERAL STATEMENT**

The Federal-Aid Highway Act of 1956 enacted into law the largest peacetime public works program in the history of the world. It was the culmination of many years of Federal interest and support in the development of an interstate network of highways in the Nation.

The committee has followed carefully the development of our Nation's highway program since the enactment of the 1916 act and is more convinced than ever that it is essential that the system be completed on the 1972 target date designated in the 1956 act. There are many reasons for such a decision. Changing patterns of living and working and the dynamic urbanization that are in evidence today are predicated to a very large extent on the comprehensiveness, flexibility, and convenience of highway transportation. An expanding economy is tied to highway development commensurate with needs. With one-seventh of our gross national product coming from highways and related industries and with our economy and way of life so closely oriented around the motor vehicle, adequate and safe highways are essential.

The committee was advised that the Interstate System, when completed, will annually save at least 4,000 lives, reduce personal injuries by 150,000 and cut economic losses by \$2.1 billion.

Highways are vital links of our production lines in the current pattern of plant location and dispersal.

The Interstate System is being designed and constructed for a time when there will be at least 50 percent more motor vehicles in operation than now and the program is planned so that the construction will be completed and the system be connected up simultaneously in all the States when this added traffic load will be making its effect felt.

This continuing increase in traffic is much more noticeable now than it was in 1956. The committee believes that to delay the completion of the Interstate System past the designated period would be to lose the fight against mounting traffic needs. Deaths, damage, and delay on our principal highways continue to increase. Any delay in the completion of the system means a continuation of the extra cost in lives and money which are the price we pay for driving on inadequate highways.

The highway system is one of the principal foundation stones for the economic growth of the country, including the enlargement of our industrial pace, the development of our natural resources, and the revitalization of our cities.

A final and most compelling reason for the completion of this system on schedule is that it may serve as intended in the 1956 act as an element of our national defense. The concept of mobility has been given increased emphasis by our defense planners. More and more the Nation is basing its defense preparations on the premise that we must be able to move our defensive and retaliatory weapons, our military supplies, and our manpower with speed and precision.

Our highway network will play an important part in the implementing of this concept of mobility.

H.R. 6713 will provide the final authorization for the completion of the Interstate System on schedule. The committee believes this bill is essential legislation and recommends its enactment at the earliest possible date.

## B. PURPOSE OF THE BILL

The purpose of H.R. 6713 is to provide for the completion of the Interstate System on schedule as originally planned by the Congress by establishing a firm program of authorizations based on the new cost estimate submitted to the Congress earlier this year. (H. Doc. 49, 87th Cong.)

Title I of the bill does the following:

(a) Gives the bill the short title of the "Federal-Aid Highway Act of 1961";

(b) Gives congressional approval to the estimate of cost of completing the Interstate System pursuant to recommendations submitted to Congress by the Secretary of Commerce on January 11, 1961, under section 104(b)(5) of title 23, United States Code, and published as House Document No. 49, 87th Congress, 1st session. This will be the basis for the apportionment of funds authorized for the Interstate System for the fiscal years ending June 30, 1963, 1964, 1965, and 1966;

(c) Revises the authorizations for appropriations for the Interstate System by increasing the overall figure by \$11.56 billion;

(d) Amends section 111, title 23, United States Code, to allow the use of airspace above and below the established gradelines of an interstate highway for purposes that would not impair or endanger the highway facility or interfere in any way with the free flow of traffic on the highway.

## C. PRESENT STATUS OF THE INTERSTATE SYSTEM

Testimony received by the committee from representatives of the Bureau of Public Roads indicates that the highway program is on schedule in relation to the revenues now available in the highway trust fund. Revenues accruing to the fund since July 1, 1956, have totaled \$10.061 billion, and expenditures have totaled \$9.916 billion. On March 1, 1961, the balance in the highway trust fund was \$145 million.

More than 10,440 miles of the Interstate System are now open to traffic. This total includes 5,135 miles adequate for 1975 traffic, 3,041 miles adequate for today's traffic, but requiring further improvement before 1975, and 2,264 miles of toll roads incorporated in the system as authorized by the Federal Aid Highway Act of 1956.

Interstate projects totaling \$4.7 billion, of which \$4 billion are Federal funds have been completed since July 1, 1956. The completed projects include construction contracts at a total cost of \$3.7 billion, of which \$3.2 billion are Federal funds, and engineering and right-of-way acquisition totaling \$1 billion, of which \$0.8 billion are Federal funds.

Interstate projects underway or authorized on December 31, 1960, total \$5.2 billion, of which \$4.5 billion were Federal funds. The work underway includes construction contracts totaling \$3.2 billion, of which \$2.9 billion were Federal funds, and engineering and right-of-way acquisition totaling \$2 billion, of which \$1.6 billion were Federal funds.

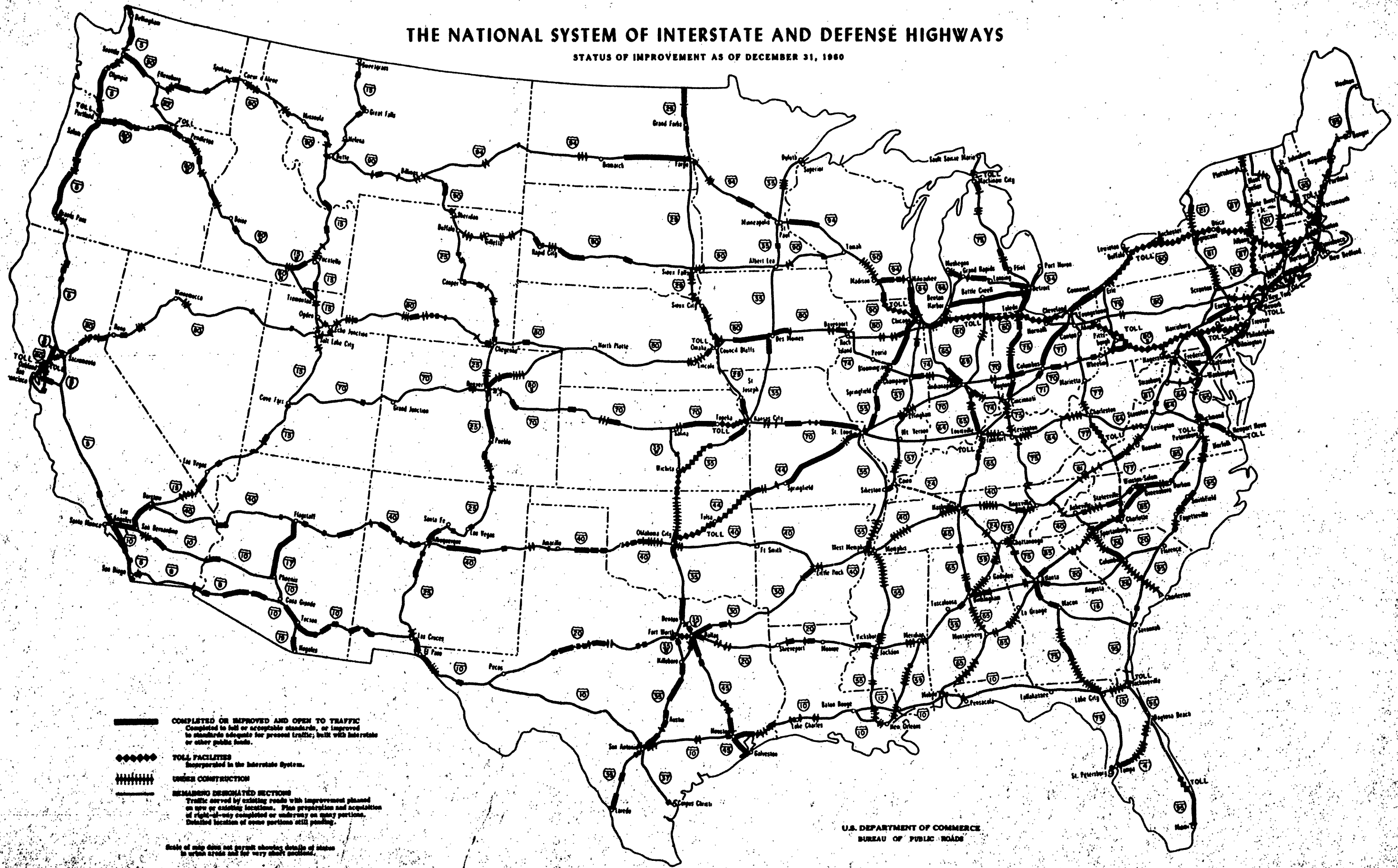
The committee is aware that this is a sizable program but it does not permit the rate of advancement necessary to complete the Interstate System by 1972. For this reason, the committee has recommended increased interstate authorizations in this bill totaling \$11.56 billion which are needed to complete the Interstate System on schedule.

Under this proposed program, the interstate apportionments will total \$37 billion. An interstate apportionment of \$2.4 billion for the fiscal year 1963 would be made this summer, and the apportionments for the succeeding fiscal years would gradually increase to a maximum of \$3 billion for each of the fiscal years 1968, 1969, and 1970, with a balancing apportionment of \$2,885 billion for the fiscal year 1971. Amounts in the highway trust fund will be available to meet obligations resulting from these apportionments until the latter part of the calendar year 1972. Following is a map showing the status of improvement of the Interstate System as of December 31, 1960.



# THE NATIONAL SYSTEM OF INTERSTATE AND DEFENSE HIGHWAYS

STATUS OF IMPROVEMENT AS OF DECEMBER 31, 1960





## D. APPROVAL OF COST OF COMPLETING THE INTERSTATE SYSTEM

Section 102 of the bill gives approval to the estimate of cost of completing the Interstate System, transmitted to the Congress on January 11, 1961, in compliance with section 104(b)(5) of title 23, United States Code, and published as House Document No. 49, 87th Congress, 1st session, as the basis for apportioning to the States the funds authorized for the Interstate System for fiscal years 1963, 1964, 1965, and 1966.

Apportionments of Federal-aid funds for the construction of the Federal-aid primary and secondary systems and extensions of those systems within urban areas (the so-called A-B-C funds) are made pursuant to a formula based upon factors of area, population, and post road mileage of each State. Apportionments of Federal funds authorized for the Interstate System, however, are based upon the estimated cost of completing the Interstate System, with the objective of bringing the Interstate System to simultaneous completion in all of the States. Successive estimates of cost of completing the Interstate System are prepared by the Secretary of Commerce in cooperation with the State highway departments and submitted to the Congress pursuant to the provisions of section 108(d) of the Federal-Aid Highway Act of 1956 (now codified as 23 U.S.C. 104(b)(5)). Under the law, these estimates are used as the basis for apportioning Interstate funds when they are approved by the Congress. Revised estimates of cost must also be submitted to Congress in 1966, 1967, and 1968.

Pursuant to the law, the first estimate of the cost of completing the Interstate System was submitted to the Congress on January 7, 1958. This estimate was approved by the Congress, and was used as the basis for apportioning interstate funds for fiscal years 1960, 1961, and 1962. The second estimate of cost was submitted to the Congress pursuant to the law on January 11, 1961.

Interstate funds authorized for fiscal year 1962 have been apportioned to the States. Funds authorized for fiscal year 1963 should be apportioned during the summer of this year, but this cannot be done until the cost estimate is approved by the Congress for use as the basis for making apportionments. The committee believes that the latest estimate of the cost of completing the Interstate System should be approved by the Congress for this purpose.

Preparation of the 1958 estimate by the States for submission to the Bureau of Public Roads took 1 full year of time, and required a total of more than 1.1 million man-hours of work by the State highway departments. The States expressed the opinion that they had reached the point of stability in estimating the cost of the designated Interstate System.

The 1961 interstate cost estimate, which this bill approves, required the use of 1.69 million man-hours over 6 months of time by the various State highway departments, and cost them approximately \$6.7 million. The committee notes that this estimate is in conformity with the estimate submitted to the Congress and approved in 1958. It is apparent that the figure of \$41 billion submitted for interstate costs is a fairly stable one and, barring unforeseen difficulties, this, in all probability, may well be the final cost of completing the system.

House Document No. 49, which contains the 1961 Interstate System cost estimate, includes two tables showing apportionment factors which would result from approval of the cost estimate. Table 5 shows the apportionment factor for each State under existing circumstances. Table 5-A shows the slightly different apportionment factors for each State which would result if the Federal funds expended upon the sections of Interstate Route 95 from Farnhurst, Del., to the Whitmarsh Interchange in Baltimore County, Md., were repaid and the highway converted to a toll facility, as is authorized by section 6 of the Federal Highway Act of 1960.

Considerable uncertainty exists as to whether and when this highway will be converted to a toll road. The committee believes that the apportionment factors derived from a particular cost estimate should remain constant. Furthermore, the committee considers it necessary that there be no uncertainty as to exactly what the apportionment factors will be for a particular year.

Accordingly, the committee recommends approval of the 1961 Interstate System cost estimate for use as the basis for apportioning interstate funds for fiscal years 1963, 1964, 1965, and 1966, with the understanding that the apportionment factors shown on table 5 in House Document No. 49, 87th Congress, 1st session, will be used for apportioning the funds to the States for each of those fiscal years.

## E. ESTIMATED COST OF COMPLETING THE INTERSTATE SYSTEM

The committee believes that a careful explanation should be included in this report as to the reasons for the difference between the original cost estimate of 1955 on which the Federal-Aid Highway Act of 1956 was based and the present estimate approved by this bill. Following are tables showing the relationship between the 1955, 1958, and 1961 Interstate System cost estimates.

*Table showing the 1955 estimate of cost, amounts by which the 1955 estimate was insufficient to cover the conditions estimated in 1957, the resultant 1958 estimate; and additional amounts to complete a 40,000-mile Interstate System*

[In billions]

Item	Total	Estimated costs	
		Federal share	State share
1955 estimate.....	\$27.6	\$25.0	\$2.6
5 percent increase due traffic.....	1.3	1.2	.1
15 percent increase due local needs.....	3.8	3.4	.4
3 percent increase due utilities and miscellaneous.....	.8	.7	.1
12 percent increase due price increase.....	4.1	3.6	.5
Subtotal.....	10.0	8.9	1.1
1958 estimate (subtotal).....	37.6	33.9	3.7
Increase due 1,452 miles added routes.....	1.6	1.5	.1
Carryover and contingency.....	.7	.6	.1
Total to complete a 40,000-mile system.....	39.9	36.0	3.9

In the tabulation above there are presented data relating to the factors involved in the \$10 billion increase in cost between the 1955 and the 1958 estimate—the effect of additional local service, the effect of change in price index, etc.

In the above tabulation the cost of the additional 1,000 miles of system authorized by the 1956 Highway Act was not included. When these costs were added, the 1958 estimate for a 41,000-mile system became \$41 billion, of which the Federal share was \$37 billion.

In 1960 a new estimate of the cost of completing the Interstate System was made in compliance with section 104(b)5, title 23, United States Code, and submitted to the Congress in January 1961 as "The 1961 Interstate System Cost Estimate, House Document No. 49, 87th Congress, 1st session." This estimate again shows a total system cost of \$41 billion. There is included in this estimate provision for the costs of State highway planning and research and for the costs of Bureau of Public Roads administration and research, both of which had been omitted from earlier estimates. The inclusion of these items within the \$41 billion total of the previous estimate was made possible by an indicated reduction of \$1 billion in the estimate of construction costs for the system.

The 1958 and 1961 estimates of cost for completion of the Interstate System are both higher than the original 1955 estimate. The 1955 estimate was of necessity a preliminary estimate because of the limited time available for its preparation. Also, as explained above, the 1955 estimate is not comparable to the 1958 and 1961 estimates in several respects. The following summary relates the original 1955 estimate to the 1958 and 1961 estimates:

*Relationship of 1955, 1958, and 1961 Interstate System cost estimates*

[In billions]

Item	Estimated costs		
	Total	Federal share	State share
1955 estimate.....	\$27.6	\$25.0	\$2.6
6 percent increase due traffic.....	1.3	1.2	.1
15 percent increase due local needs.....	3.8	3.4	.4
3 percent increase due utilities and miscellaneous.....	.8	.7	.1
12 percent increase due price increase.....	4.1	3.6	.5
Subtotal, 1958 estimate.....	37.6	33.9	3.7
Increase due 1,452 miles added routes.....	1.6	1.5	.1
Carryover and contingency.....	.7	.6	.1
Total to complete a 40,000-mile system, based on 1958 estimate.....	39.9	36.0	3.9
Additional 1,000 miles.....	1.1	1.0	.1
Total to complete a 41,000-mile system, based on 1958 estimate.....	41.0	37.0	4.0
Reduction in 1961 construction cost estimate.....	-1.0	-.9	-.1
State highway planning and research.....	.6	.5	.1
Public roads administration and research.....	.4	.4	0
Total, 1961 estimate.....	41.0	37.0	4.0

There are six basic reasons why the later estimates of the cost of completing the Interstate System differ from the 1955 estimate by some \$13.4 billion. Those reasons are as follows:

1. The 1955 estimate (actually made in 1954) was prepared in accordance with the mandate of the Congress set forth in section 13

of the Federal-Aid Highway Act of 1954. The Secretary of Commerce was directed to submit to the Congress an estimate of the costs of completing each of the several systems of highways in the States, both Federal aid and non-Federal aid. Only a limited time was available for completion of these estimates, and much of this time was necessarily consumed in preparing uniform guidelines and instructions to be followed by the States, and in tabulating the results and preparing the final report to the Congress. As a result, the States were forced to complete their individual estimates in approximately 6 weeks' time and had no opportunity to make desirable field study and reconnaissance on the various routes. Attempting the completion of a project of such magnitude in such a limited time precluded as accurate and reliable results as were obtained in the 1958 and 1961 estimates.

2. The actual miles included in the 1955 estimate made by the State highway departments totaled about 36,250 with a cost of \$23.2 billion. Another 2,300 miles reserved in 1947 for future additions at urban areas was not designated at the time and therefore was not estimated by the States. An allowance however was added to the State-prepared estimates to cover this mileage, the amount added being \$4.4 billion. Thus, the 1955 estimate actually covered about 38,500 miles and aggregated \$27.6 billion. When the 1958 estimate was made pursuant to direction of the Congress, the figure of \$41 billion included both State and Federal funds, and covered not only the 38,500 miles referred to above but also the remaining 2,500 miles to total up to the 41,000 miles authorized for the Interstate System. There was therefore a substantial difference in the miles being estimated in the 1955 and 1958 figures.

3. The Congress in the 1956 act directed that local needs be given equal consideration with those of interstate commerce. This resulted in having to assign to the Interstate System some of the traffic load previously contemplated to be handled on other highway systems; such, for example as the Federal-aid primary and secondary and their urban extensions. It has been estimated that this transfer of traffic load from the other systems and the physical construction needed to accommodate it amounted to an approximate 15-percent expansion of the previously contemplated facilities; such, for example as more interchanges for connection to local roads and streets, additional frontage road construction, increases to four lanes where two would previously have accommodated the traffic load, and other similar revisions.

4. Additionally, a larger total volume of traffic had to be estimated. The 1955 estimate was based on traffic for the year 1974 whereas the 1956 act required the estimate of 1958 to be based on adequacy for the year 1975. With an assumed continually expanding economy, population, and traffic volume the use of a later year or longer period for the assumed traffic volume to be estimated for, resulted in an overall increase in capacity to be built, such as a larger number of lanes for example. It was estimated that the additional facility to be built represented an expansion of about 5 percent from this cause.

5. Some incidentals were just not provided for in the 1955 estimate, either because of having been overlooked or because of some change in concepts or State statutes in some instances, and this necessitated an increase in the later estimates. These miscellaneous items have

been estimated to amount to about 3 percent of the total estimated cost and to involve such things as signing, lighting at complex, heavy traffic interchanges, utility adjustments, and the like.

6. The so-called 1955 estimate actually was made in the summer of 1954. The price index used in calculating the cost of construction work was that found to be in effect at the midpoint of calendar 1954. The price index had been falling for the previous 2½ years, probably due to the increased competition among contractors for highway work resulting from restrictions placed on general construction projects as a result of the Korean emergency. The mid-1954 price index climbed later on to a level approximately what it had been before it began declining to its 1954 low point. The difference between the indexes used for the 1955 and 1958 estimates was 12 percent.

The combination of all these factors has served to increase the cost estimate between 1955 and 1958 and 1961. However, it should be noted that the 1958 and 1961 estimates are in remarkably close agreement. Also the experience from actual construction contracts awarded to date substantiates the estimated construction costs reported in both 1958 and 1961 to the Congress.

It is therefore believed that the present 1961 estimate is a reliable one for the purposes of this report by the committee.

## F. REVISION OF AUTHORIZATIONS FOR INTERSTATE SYSTEM

Section 103 of the bill authorizes the appropriation of additional amounts totaling \$11.56 billion in order to complete the Interstate System by 1972, as was contemplated by the Congress when it enacted the Federal-Aid Highway Act of 1956.

Existing law has authorized the appropriation of a total of \$25.440 billion for payment of the Federal share of the cost of completing the Interstate System. The 1961 Interstate System cost estimate indicates that the total cost of completing the system will be \$41 billion, of which \$37 billion is the estimated Federal share. Section 103 of the bill would increase the total amount authorized to be appropriated for the Interstate System from \$25.440 billion to \$37 billion.

The language of section 103 contains references to "additional amounts" for fiscal years 1957 through 1962, as well as subsequent fiscal years. However, the section does not increase the amounts now authorized under existing legislation for fiscal years 1957 through 1962. The reason for the references to these fiscal years is that section 103 of the bill amends the present language of section 108(b) of the Federal-Aid Highway Act of 1956, as amended by the Federal-Aid Highway Act of 1958, which authorized the appropriation of funds for those fiscal years as well as subsequent fiscal years. Under this procedure, all of the amounts authorized for the Interstate System by the 1956 act and subsequent acts can be found in one section. It is not considered desirable to delete the provisions relative to the earlier fiscal years, even though such funds have been apportioned to the States, since there are still outstanding obligations against such funds.

The actual effect of section 103 on the amounts now authorized for each of the fiscal years mentioned is as follows: fiscal years 1957 through 1960, no change; fiscal year 1961, reduced by \$200 million to reflect the amount actually apportioned; fiscal year 1962, no change;

fiscal years 1963 through 1969, authorizations increased by varying amounts; fiscal years 1970 and 1971 are new authorizations. Following is a table showing a comparison of the amounts authorized under existing law and under section 103, for each of the fiscal years involved.

*Comparison of interstate authorizations under present law and H.R. 6713*

[Millions of dollars]

Fiscal year	Present law	Additional	H.R. 6713	Fiscal year	Present law	Additional	H.R. 6713
Balance.....	315	-----	315	1965.....	2,200	500	2,700
1957.....	1,000	-----	1,000	1966.....	2,200	600	2,800
1958.....	1,700	-----	1,700	1967.....	2,200	700	2,900
1959.....	2,200	-----	2,200	1968.....	1,500	1,500	3,000
1960.....	2,500	-----	2,500	1969.....	1,025	1,975	3,000
1961.....	2,000	-200	1,800	1970.....	-----	3,000	3,000
1962.....	2,200	-----	2,200	1971.....	-----	2,885	2,885
1963.....	2,200	200	2,400				
1964.....	2,200	400	2,600	Total.....	25,440	11,560	37,000

<sup>1</sup> Under the provisions of sec. 209(g) of the 1956 act, only \$1,800,000,000 was apportioned of the \$2,000,000,000 authorized for the fiscal year 1961.

Under the provisions of section 209(g) of the Highway Revenue Act of 1956 the full amounts authorized for the Interstate System cannot be apportioned to the States unless it is estimated that the amounts which will be available in the highway trust fund will be sufficient to defray all expenditures resulting from interstate apportionments as well as all other required expenditures. Following is a table which shows the estimated amount of interstate apportionments which could be made under the present law and under H.R. 6713.

*Comparison of interstate apportionments under present law and H.R. 6713*

[Millions of dollars]

Fiscal year	Present law	Additional	H.R. 6713	Fiscal year	Present law	Additional	H.R. 6713
Balance.....	315	-----	315	1965.....	1,500	1,200	2,700
1957.....	1,000	-----	1,000	1966.....	1,000	1,200	2,800
1958.....	1,700	-----	1,700	1967.....	1,700	1,200	2,900
1959.....	2,200	-----	2,200	1968.....	1,900	1,100	3,000
1960.....	2,500	-----	2,500	1969.....	1,900	1,100	3,000
1961.....	1,800	-----	1,800	1970.....	1,625	1,375	3,000
1962.....	2,200	-----	2,200	1971.....	-----	2,885	2,885
1963.....	2,000	400	2,400				
1964.....	1,500	1,100	2,600	Total.....	25,440	11,560	37,000

The purpose of H.R. 6713 is to provide for completion of the Interstate System by 1972, the target date originally established by the Congress. Enactment of the bill will make an appreciable difference in the amounts to be apportioned to each State for the Interstate System. Following is a table showing for fiscal years 1963 and 1964 the estimated amounts which would be apportioned to the States for the Interstate System under existing law and the amounts which will be apportioned under H.R. 6713.

## G. TABLES OF APPORTIONMENT

*Comparison of approximate apportionments of interstate funds under present law and under H.R. 6713 for fiscal years 1963 and 1964*

[In millions]

State	Fiscal year 1963			Fiscal year 1964		
	Existing law (\$2,000.0)	H.R. 6713 (\$2,400.0)	Difference (\$400.0)	Existing law (\$1,600.0)	H.R. 6713 (\$2,600.0)	Difference (\$1,100.0)
Alabama.....	\$41.4	\$49.6	\$8.2	\$31.0	\$53.8	\$22.8
Arizona.....	28.1	33.7	5.6	21.1	36.5	15.4
Arkansas.....	20.9	25.1	4.2	15.7	27.2	11.5
California.....	191.2	229.4	38.2	143.4	248.5	105.1
Colorado.....	26.5	31.8	5.3	19.9	34.5	14.6
Connecticut.....	28.2	33.9	5.7	21.2	36.7	15.5
Delaware.....	7.4	8.9	1.5	5.6	9.7	4.1
Florida.....	41.5	49.8	8.3	31.1	53.9	22.8
Georgia.....	36.8	44.2	7.4	27.6	47.9	20.3
Hawaii.....	15.7	18.8	3.1	11.8	20.4	8.6
Idaho.....	9.4	11.3	1.9	7.0	12.2	5.2
Illinois.....	104.3	125.2	20.9	78.2	135.6	57.4
Indiana.....	49.5	59.4	9.9	37.1	64.4	27.3
Iowa.....	25.3	30.4	5.1	19.0	32.9	13.9
Kansas.....	15.5	18.6	3.1	11.6	20.1	8.5
Kentucky.....	40.8	48.9	8.1	30.6	53.0	22.4
Louisiana.....	57.8	69.3	11.5	43.3	75.1	31.8
Maine.....	9.4	11.3	1.9	7.1	12.3	5.2
Maryland.....	36.6	44.0	7.4	27.5	47.6	20.1
Massachusetts.....	42.8	51.4	8.6	32.1	55.7	23.6
Michigan.....	77.9	93.5	15.6	58.4	101.3	42.9
Minnesota.....	51.7	62.1	10.4	38.8	67.2	28.4
Mississippi.....	24.3	29.1	4.8	18.2	31.0	12.8
Missouri.....	51.1	61.4	10.3	38.4	66.5	28.1
Montana.....	18.7	22.5	3.8	14.0	24.3	10.3
Nebraska.....	11.7	14.0	2.3	8.8	15.2	6.4
Nevada.....	10.1	12.1	2.0	7.6	13.1	5.5
New Hampshire.....	9.0	10.8	1.8	6.7	11.7	5.0
New Jersey.....	52.1	62.6	10.5	39.1	67.8	28.7
New Mexico.....	20.0	23.9	3.9	15.0	25.9	10.9
New York.....	94.7	113.7	19.0	71.1	123.2	52.1
North Carolina.....	16.4	19.6	3.2	12.3	21.3	9.0
North Dakota.....	8.8	10.6	1.8	6.6	11.5	4.9
Ohio.....	136.5	163.8	27.3	102.3	177.4	75.1
Oklahoma.....	24.1	28.9	4.8	18.0	31.3	13.3
Oregon.....	34.7	41.7	7.0	26.0	45.1	19.1
Pennsylvania.....	89.4	107.3	17.9	67.1	116.3	49.2
Rhode Island.....	7.4	8.8	1.4	5.5	9.6	4.1
South Carolina.....	17.3	20.7	3.4	12.9	22.4	9.5
South Dakota.....	13.1	15.8	2.7	9.8	17.1	7.3
Tennessee.....	59.4	69.5	10.1	37.8	65.5	27.7
Texas.....	90.5	108.6	18.1	67.8	117.6	49.8
Utah.....	28.9	34.7	5.8	21.7	37.6	15.9
Vermont.....	13.8	16.6	2.8	10.4	17.9	7.5
Virginia.....	69.8	72.9	3.1	45.6	79.0	33.4
Washington.....	41.7	50.0	8.3	31.3	54.2	22.9
West Virginia.....	30.1	30.1	0.0	22.6	39.1	16.5
Wisconsin.....	17.7	21.2	3.5	13.3	23.0	9.7
Wyoming.....	19.2	23.0	3.8	14.4	24.9	10.5
District of Columbia.....	28.8	34.5	5.7	21.6	37.4	15.8

## H. USE OF RIGHTS-OF-WAY ON THE INTERSTATE SYSTEM

Section 104 of the bill would amend the last sentence of section 111 of title 23, United States Code, to broaden or expand the purposes for which the airspace above and below the established gradeline of projects on the Interstate System could be used by a State or political subdivision thereof.

Under existing law all agreements between the Secretary of Commerce and a State highway department for the construction of projects on the Interstate System must contain a clause providing that the State will not permit automobile service stations or other commercial establishments for serving motor vehicle users to be constructed or located on the rights-of-way of the Interstate System. The law does authorize a State or political subdivision thereof to use the airspace above and below the established grade line of the highway pavement for the parking of motor vehicles.

Section 104 of the bill would allow a State or a political subdivision to use the airspace above and below the highway not only for parking, but for other purposes as well, provided that such use will not impair the full use and safety of the highway or otherwise interfere in any way with the free flow of traffic on the Interstate System. In addition, the section would authorize a State or political subdivision thereof to permit the use of such space by others. Thus, this space could be utilized by private interests granted permission for such use by appropriate authority, subject to the conditions relating to safety of the highways and the free flow of traffic. Use of the airspace above and below an interstate highway by either a State or political subdivision thereof or other persons would be subject to rules and regulations prescribed and promulgated by the Secretary of Commerce under section 315 of title 23, United States Code.

## **I. REIMBURSEMENT FOR STATE-CONSTRUCTED FREE AND TOLL ROADS INCORPORATED INTO THE INTERSTATE SYSTEM**

The committee considered the question of reimbursing those States for their free and toll roads which have been incorporated into the Interstate System and which were constructed by the States without the aid of the 1956 act interstate funds.

The approximate figure of total mileage involved covers some 10,593 miles of such State-constructed roads. Under a number of proposals that have been considered by the committee in the past these States would receive reimbursement for inclusion of their mileage in the Interstate System either on a monetary plan or by allowing these States additional mileage as a substitute for the mileage incorporated into the Interstate System.

The committee first considered this question at the time the 1956 Federal Aid Highway Act was before the Congress. It has been considered on a number of occasions in the intervening years but the proposition to date has not been resolved.

The committee agreed that at the present time any definite resolution of the question of State reimbursement by the Congress should be deferred until a later date. However, the committee believes that the entire question of reimbursement should be fully resolved by the Congress at an appropriate time and it hopes that eventually an equitable solution to this proposition of reimbursement will be reached.

**TITLE II. INTERNAL REVENUE CODE AND HIGHWAY TRUST  
FUND AMENDMENTS**

The Committee on Public Works has received the following letter from the Committee on Ways and Means:

COMMITTEE ON WAYS AND MEANS,  
HOUSE OF REPRESENTATIVES,  
Washington, D.C., May 1, 1961.

HON. CHARLES A. BUCKLEY,  
*Chairman, Committee on Public Works,*  
*U.S. House of Representatives.*

MY DEAR MR. CHAIRMAN: In accordance with the agreement which has been worked out between the Committee on Ways and Means and the Committee on Public Works, I am enclosing the material relative to title II of H.R. 6713, for inclusion in the committee report which your committee will make on that bill to the House of Representatives.

As you know, since the financing provisions of title II are within the jurisdiction of the Committee on Ways and Means, it was agreed that our committee would make the policy decisions on these provisions and draft language carrying out these decisions. This language is embodied in title II of H.R. 6713. The attached material constitutes the report of the Committee on Ways and Means on title II, as well as the minority views with regard to this title.

With kind personal regards, I am,  
Sincerely yours,

WILBUR D. MILLS, *Chairman.*

The explanation furnished to the Committee on Public Works by the Committee on Ways and Means is set forth below.

**A. SUMMARY**

Title II contains the financing provisions for the Federal-aid highway program.

A cost study presented to Congress by the Bureau of Public Roads, Department of Commerce, January 1, 1961, indicated that a total of \$37 billion is required to finance to completion the Federal share of the National System of Interstate and Defense Highways now provided by law so as to complete construction in 1972. Present law, after making provision for the A-B-C (primary, secondary, and urban) road program at an annual level of \$925 million, provides \$27,758 million toward this objective. The additional revenues provided by title II make possible the full financing of the \$37 billion Federal share of the Interstate System as well as permitting a gradual increase in the apportionments for the A-B-C program to a level of \$1 billion a year. This is accomplished by bringing into the trust fund \$9,825 million in revenues in addition to transferring back to the general fund \$2,492 million in revenues attributable to passenger car and auto part taxes.

The changes from present law in revenue sources provided by title II are as follows:

(1) The gasoline, special motor fuels, and diesel fuel taxes are continued at the present rate of 4 cents a gallon. These, under present law, are scheduled to revert to 3 cents a gallon as of July 1, 1961.

(2) The taxes on tires for highway-type vehicles and inner

tubes are increased to 10 cents a pound while the tax on tread rubber is increased to 5 cents a pound. Presently, the rates of these taxes are 8 cents, 9 cents, and 3 cents, respectively.

(3) The tax on highway vehicles weighing over 26,000 pounds is increased from \$1.50 to \$3 per 1,000 pounds.

(4) Five additional percentage points of the manufacturers' tax on trucks, buses, and trailers are dedicated to the highway trust fund. This presently is a general fund revenue. The first 5 percentage points of this tax already is a highway trust fund revenue source.

(5) The highway trust fund is continued for an additional 3 months beyond June 30, 1972, and all taxes now dedicated to the fund are continued as highway trust fund revenues at the proposed tax rate levels for the additional 3 months.

(6) The provisions of present law, which would for the 3 fiscal years 1962, 1963, and 1964 divert 5 percentage points of the manufacturers' taxes on passenger cars, etc., and on automobile parts and accessories to the highway trust fund, are repealed. Thus, these taxes in their entirety will remain general fund revenues.

(7) Provision is made in the bill for paying the use tax on highway motor vehicles weighing over 26,000 pounds on a quarterly basis and for the exemption of gasoline from tax where it is sold for nonfuel purposes in the manufacture of another article.

## **B. BACKGROUND OF THE HIGHWAY FINANCING PROVISIONS**

In 1956 Congress enacted a greatly expanded program of Federal aid for interstate highways. At that time Congress decided that this Interstate System, as well as the other Federal-aid highway programs (the so-called A-B-C program), should be separately financed through a special highway trust fund in order to maintain these programs on an independent basis. Such a highway trust fund was established for the 16-year period from July 1, 1956, to June 30, 1972. Into this trust fund were deposited certain highway user excise taxes; namely, all of the taxes on gasoline, diesel fuel, special motor fuel, tread rubber, tires and inner tubes, and the use tax on highway vehicles. In addition, half of the 10-percent manufacturers' tax on trucks, buses, and trailers was placed in the fund.

A special provision in the Highway Revenue Act of 1956, the so-called Byrd amendment, was designed to give assurance on a year-by-year basis that no deficit would develop in the highway trust fund. This provision requires that before apportionments of Federal-aid highway funds can be made to the States for the Interstate System, estimates must be made of the revenues expected to be in the fund at the time the expenditures arising from the apportionments can be expected to occur. To the extent that these estimates show that there will be any deficiency in the fund, the Secretary of Commerce is required to reduce the interstate apportionments to the States.

By 1959 it had become apparent that the revenues devoted to the trust fund were insufficient to finance the Interstate System in addition to the regular A-B-C program. The original 1955 estimate of the cost of the Federal share of the Interstate System was \$25 billion. This by 1959 had been increased to an estimate of \$36 billion. The

reasons for this increase are set forth in a previous section of this report. The 1959 Congress was also faced with an immediate deficit in the trust fund for the fiscal year 1960 of \$490 million which would have grown to \$1,305 million by the end of the fiscal year 1961 if the apportionments already made or planned for those years were to be carried out.

In view of the pressing nature of the immediate financing problems, Congress in 1959 attempted only a temporary solution to the highway financing problems. At that time it provided a 1-cent increase in the gasoline, special motor fuel, and diesel fuel taxes for the period from October 1, 1959, to June 30, 1961. This was expected to provide an increase in trust fund revenues of \$985 million for this 21-month period. For the fiscal years 1962 through 1964 the bill provided that 5 percentage points of the manufacturers' tax on passenger cars and automobile parts and accessories was to be dedicated to the trust fund. These funds, which presently are general fund revenues, would have increased highway trust fund revenues by about \$2.5 billion and decreased general fund revenues by the same amount.

In addition, Congress previously had requested the Bureau of Public Roads to submit to it a study on highway cost allocations, but this study was not completed in 1959. The purpose of this study was to determine what taxes should properly be imposed, and in what amounts, in order to assure, insofar as practicable, an equitable distribution of the tax burden among the various classes of persons using the Federal-aid highways or otherwise deriving benefits from these highways.

The Committee on Ways and Means now has available to it the study on highway cost allocations required by section 210 of the Highway Revenue Act of 1956 and also a report on revised costs of completing the highway program. In addition, the President has recommended a new plan for revising the financing of the highway program.

The Committee on Ways and Means has conducted 6 days of public hearings on the President's highway program, collecting over 700 pages of testimony. In addition, in executive sessions held over a period of several weeks it has analyzed the various studies which have been made on highway costs and burdens, as well as listened to further testimony from the responsible officials.

The Committee on Ways and Means was impressed with the non-highway-user benefits which will be derived from the highway program. It concluded that these costs justified the dedication of an additional amount of general fund revenues for use of the highway trust fund. The revenues dedicated in this manner by title II of the bill are those derived from the manufacturers' tax on trucks, buses, and trailers, which, of course, is itself a highway user tax. Presently, one-half of this tax already is assigned to the highway trust fund. The bill dedicates the other half to the trust fund as well.

It should be recognized that a substantial amount of revenues were taken from the general fund when the highway trust fund was established. These revenues, shown in table 1, for the period 1957 to 1961 have amounted to about \$6.4 billion. On the other hand, the cost of the A-B-C program previously was a charge upon the general fund, and if these revenues are to be considered a "diversion" from the general fund the A-B-C expenditures should likewise be considered a "diversion" of expenditures from the general fund. Table 1 shows that these A-B-C expenditures from the trust fund since its

inception have amounted to nearly \$4.8 billion. The revenues dedicated to the trust fund, however, exceed this figure by \$1.6 billion, approximately 15 percent of the highway trust fund revenues. Of course, the general fund revenues which have been dedicated to the highway trust fund are taxes imposed with respect to highway use and on that basis it can be claimed that they properly are allocable to any road program carried on by the Federal Government. In this connection it should be noted that three highway user taxes still remain among the general fund revenues. The principal taxes of this type are the 10-percent passenger car tax and the tax on auto parts and accessories. Also there is the tax on lubricating oil, perhaps half of which is attributable to oils used by motor vehicles.

TABLE 1.—Comparison of revenues which would have been available to general fund <sup>1</sup> if the interstate program had not been established, and expenditures for primary, secondary, and urban (A-B-C) highways, July 1, 1956, to June 30, 1961

(Millions of dollars)

Fiscal year	Estimated revenue	A-B-C expenditures	Fiscal year	Estimated revenue	A-B-C expenditures
1957.....	\$978	\$753	1961.....	1,448	* 967
1958.....	1,300	886	Total.....	6,371	4,752
1959.....	1,330	1,112			
1960.....	1,415	1,079			

<sup>1</sup> Based on the following excise tax rates in effect prior to 1956 act:

Gasoline and special motor fuels: 2 cents per gallon, transferred to highway trust fund beginning July 1, 1956.

Trucks, buses and trailers: 8 percent of which 3 percent was transferred to highway trust fund beginning July 1, 1957. On July 1, 1956, the tax on trucks, etc., was increased to 10 percent but this additional 2 percentage points of tax was immediately allocated to the trust fund and, therefore, never was a general fund revenue.

Tires: 5 cents per pound, transferred to highway trust fund beginning July 1, 1957.

Tubes: 9 cents per pound, transferred to highway trust fund beginning July 1, 1957.

\* Estimated.

Other factors also need to be taken into account in evaluating this problem of highway trust fund versus general fund revenues. First, there is the fact that forest and public land highways are financed from the general fund. This amounts to \$36 million a year. Second, an appreciable amount of the revenue collected under the taxes earmarked for the highway trust fund is, in fact, paid by non-highway users. A summary of these estimates (under the rates proposed in this bill) is given below:

*For calendar year 1964*

Source of payment and type of excise tax:	Thousands
Federal highway vehicles used off highway (tactical and other vehicles of Department of Defense):	
Trucks, buses, and trailers (manufacturers' tax).....	\$6, 800
Tires and innertubes.....	4, 600
Subtotal.....	11, 400
Other nonhighway uses:	
Motor fuels:	
Aircraft.....	14, 000
Industrial, marine, and other.....	12, 000
Tires and innertubes, industrial, farm, and aircraft.....	25, 800
Subtotal.....	51, 800
Total.....	63, 200

The Committee on Ways and Means has concluded that a modest diversion from the general fund of an amount equal to the remaining half of the truck tax is justified. Its analysis of the problem does not support the diversion of an amount equal to half of the tax on passenger cars and auto parts which would occur if this bill were not enacted.

## **C. GENERAL EXPLANATION OF THE HIGHWAY FINANCING PROVIDED BY THE BILL**

### *1. Fuel taxes*

Title II of this bill continues the taxes on gasoline, special motor fuel and diesel fuel in the case of highway use at the present tax of 4 cents a gallon. Without this action these taxes would revert to 3 cents a gallon as of July 1, 1961. Under the bill the 4-cent rate will continue to apply until October 1, 1972.

Table 2 shows estimated revenues to the highway trust fund under existing legislation and the additional revenues provided by this bill. It indicates that revenue collections from these motor fuel taxes under existing legislation over the period from 1957 to 1972 will amount to almost \$32 billion. It also shows that the new motor fuel taxes added by this bill are expected to raise revenues of the fund by \$8.3 billion, over the period up to October 1, 1972. This represents an annual increase of between \$600 and \$700 million. This will raise aggregate collections from the fuel taxes over the period 1957 to 1972 to \$40.3 billion.

### *2. Taxes on tires, tubes, and tread rubber*

The bill also provides an increase in the taxes on tires, tubes, and tread rubber. The present tax on tires of the type used on highway vehicles is 8 cents a pound. The bill raises this rate to 10 cents a pound. The tax on innertubes for tires now is 9 cents a pound and this also is raised by the bill to 10 cents a pound. The present tax on tread rubber is 3 cents a pound. The bill raises this rate to 5 cents a pound. All of these increases are made effective for the period from July 1, 1961, to October 1, 1972.

Table 2 shows that the increases in the taxes on tires, tubes, and tread rubber are expected to increase revenues for the highway trust fund for the period up to 1972 by \$1.1 billion. Present law revenues from these taxes for the period 1957 to 1972 will amount to \$5.1 billion. Thus, aggregate revenues from these taxes can be expected to amount to about \$6.2 billion over the entire period of the trust fund. The additional annual revenues provided by these taxes can be expected to range from \$75 to \$98 million.

TABLE 2.—Estimated highway trust fund revenues under present law and revenues added by bill

Fiscal year	Gasoline <sup>1</sup> and other motor fuels, 3 cents per gallon	Revenues under present law							Revenues added by bill									Total present and new revenues available under bill		
		Manufacturers' taxes on—						Truck use tax vehicles over 26,000 pounds \$1.50 per 1,000 pounds	Interest	Total revenues available under present law	Gasoline <sup>2</sup> and other motor fuels, 1 cent per gallon	Manufacturers' taxes on—							Truck use tax vehicles over 26,000 pounds \$1.50 per 1,000 pounds	Net total revenues added by bill
		Trucks, buses, and trailers, 5 percent	Tread rubber 3 cents per pound	Tires 8 cents or 5 cents per pound	Inner-tubes, 9 cents per pound	Automobiles 5 percent	Parts and accessories 5 percent					Trucks, buses, and trailers, 5 percent	Tread rubber 2 cents per pound	Tires 2 cents per pound	Inner-tubes, 1 cent per pound	Automobiles less 5 percent	Parts and accessories less 5 percent			
1957	1,326	34	11	82	---	---	---	26	3	1,482	---	---	---	---	---	---	---	---	---	1,482
1958	1,608	111	13	244	17	---	---	33	18	2,044	---	---	---	---	---	---	---	---	---	2,044
1959	1,657	107	14	247	15	---	---	34	13	2,087	---	---	---	---	---	---	---	---	---	2,087
1960	2,044	142	15	281	19	---	---	38	-3	2,536	---	---	---	---	---	---	---	---	---	2,536
1961	2,362	142	15	279	16	---	---	45	-2	2,857	---	---	---	---	---	---	---	---	---	2,857
1962	1,894	143	15	286	16	679	131	50	2	3,216	524	143	9	64	2	-679	-131	79	11	3,227
1963	1,969	146	16	291	16	692	137	53	3	3,223	615	146	11	67	2	-692	-137	84	96	3,319
1964	1,917	149	17	296	16	709	144	56	4	3,308	635	149	12	68	2	-709	-144	88	101	3,409
1965	1,965	153	19	301	16	---	---	59	4	2,517	649	153	13	69	2	---	---	92	978	3,495
1966	2,010	156	19	307	16	---	---	61	4	2,573	665	156	14	71	2	---	---	95	1,003	3,576
1967	2,054	159	20	313	16	---	---	63	4	2,629	679	159	14	72	2	---	---	99	1,025	3,654
1968	2,097	162	21	318	16	---	---	65	4	2,683	695	162	14	73	2	---	---	102	1,048	3,731
1969	2,142	164	22	325	16	---	---	66	4	2,739	710	164	14	75	2	---	---	103	1,068	3,807
1970	2,191	166	22	331	16	---	---	67	4	2,797	727	166	15	76	2	---	---	104	1,090	3,887
1971	2,212	169	23	339	16	---	---	68	4	2,861	744	169	15	78	2	---	---	107	1,115	3,976
1972	2,298	172	24	347	16	---	---	69	4	2,930	762	172	16	80	2	---	---	108	1,140	4,070
1973 <sup>3</sup>	319	---	---	2	---	---	---	---	---	321	931	64	11	110	4	---	---	30	1,150	1,471
Total	31,995	2,275	286	4,589	243	2,080	412	853	70	42,903	8,336	1,903	158	903	26	-2,080	-412	1,091	9,825	52,628

<sup>1</sup> Tax receipts less refunds. Temporary 4 cent rate, Oct. 1, 1959, through, June 30, 1961.<sup>2</sup> Tax receipts less refunds.<sup>3</sup> From liabilities accrued prior to July 1, 1972, less floor stock refunds where applicable,

under present law; from collections and liabilities accrued prior to Oct. 1, 1972, less floor stock refunds where applicable, under bill.

Source: U.S. Department of Commerce, Bureau of Public Roads.

### 3. *Use tax on motor vehicles*

The third source of new revenue provided by the bill is the increase made in the tax on the use of motor vehicles weighing more than 26,000 pounds. At present this use tax is imposed at the rate of \$1.50 per year. The bill raises this to \$3 a year effective for the fiscal year beginning July 1, 1961, and continues it at this level until October 1, 1972. The bill also provides for the payment of this use tax in quarterly installments. This installment procedure is described in greater detail in section D below.

Table 2 shows that for the period from 1957 to 1972 the changes made by the Committee on Ways and Means in the motor vehicle use tax will increase revenues by \$1,091 million. The tax of \$1.50 provided by present law over the period from 1957 to 1972 is shown as resulting in revenue for the fund of \$853 million. Although the tax provided by the bill is a 100 percent increase in the rate, it will be noted that the revenue increase of \$1,091 million is considerably above that which would normally be provided by a 100-percent increase. This is due to the fact that under present law a substantial proportion of tax due in this case apparently is not now being collected. The Committee on Ways and Means has requested the Treasury Department to report back by the end of this year on practical means of better enforcement for this tax, as well as asking it to consider various other possible modifications governing the liability of taxpayers for this tax. Based upon preliminary discussions which have already occurred with Treasury officials on this problem, the committee believes that it will be possible in the future to obtain substantially greater compliance with this tax and as a result in its estimates it has assumed the tax is collected in full. Also, the weight classifications for trucks now provided in the regulations are to be reviewed and this also may result in changes in the classification which will raise the revenue collected from this tax.

### 4. *Extension of life of highway trust fund*

The fourth source of revenue provided by the bill is a 3-month extension of the life of the highway trust fund beyond June 30, 1972. Thus, the revenues provided by present law, as well as the new revenues provided under the bill, will continue to be devoted to the highway trust fund until October 1, 1972. This also means that those taxes which otherwise were scheduled to revert to a lower rate or to expire as of June 30, 1972, under the bill will continue at present or proposed rates until October 1, 1972. Thus, the 4-cent tax on gasoline, special motor fuels, and diesel fuel will revert to 1½ cents as of this date. Also, the 10-cent tax on tires of the type used on highway vehicles and on inner tubes will revert to 5 and 9 cents a pound, respectively, as of that date. In addition, as of that date the 5-cent tax on tread rubber will expire as also will the use tax on highway vehicles weighing over 26,000 pounds.

The effect of continuing the highway trust fund for these additional 3 months will be to increase revenues of the highway trust fund by \$1,150 million. Thus, as is shown in table 2, all of the \$1,471 million expected to be collected in the fiscal year 1973, except the \$321 million (shown as revenues under present law) attributable to liability incurred before July 1, 1972, represents new highway trust fund revenue resulting from this extension.

*5. Dedication of truck, etc., tax to fund*

The fifth source of revenue provided by the bill is the dedication of the remaining 5 percentage points of the manufacturers' tax on trucks, buses, and trailers to the highway trust fund. Five percentage points of this tax has been dedicated to this fund since 1957. The bill dedicates the remaining 5 percentage points to the highway trust fund. As indicated in table 2, the highway trust fund is expected to derive \$1.8 billion in additional revenue as a result of this additional tax. This, together with the \$2.3 billion derived from this source under existing law (over a longer period of time), means that the highway trust fund will derive approximately \$4.1 billion from this revenue source over the life of the highway trust fund.

*6. Repeal of provision dedicating auto and parts taxes to fund*

The bill prevents the diversion from the general fund to the highway trust fund of 5 percentage points of the taxes on passenger cars, etc., and on auto parts and accessories. Under present law, as a result of the action taken by Congress in 1959, these taxes (to the extent indicated) would have been dedicated to the highway trust fund for the period beginning July 1, 1961, and ending June 30, 1964. Under the bill these revenues will remain in the general fund. The manufacturers' tax on automobiles would have raised highway trust fund revenues by between \$679 and \$709 million in each of the 3 years involved. Similarly, the revenue from the manufacturers' tax on auto parts and accessories would have increased highway fund revenues in each of these 3 years in an amount varying from \$131 to \$144 million. For the 3-year period these taxes would have increased highway trust fund revenues by about \$2.5 billion. This loss of revenue to the highway trust fund is more than compensated for by continuing the tax on gasoline at 4 cents and by the other revenue increases referred to above.

*7. Effect of changes on apportionments and expenditures*

Tables 3 and 4 show the apportionments and expenditures which can be made with the existing and proposed financing for the highway trust fund. The aggregate revenues available for the trust fund under existing legislation for the entire period it is in existence, as shown on table 3, is expected to be \$42.8 billion. The estimated total revenue over the life of the highway trust fund after the changes made by the bill is \$52.6 billion. This indicates that the bill will increase the revenues of the highway trust fund by \$9.8 billion over the period from July 1, 1961, to October 1, 1972, or, on the average, by approximately \$875 million in each of these 11¼ years.

TABLE 3.—Estimated status of highway trust fund under existing legislation

(In millions of dollars)

Fiscal year	Apportionments		Expenditures		Revenues	Balance in the fund on June 30
	Interstate	Primary, secondary, and urban <sup>1</sup>	Interstate	Primary, secondary, and urban <sup>1</sup>		
From before 1957.....	140	965				
1957.....	1,175	829	208	758	1,482	516
1958.....	1,700	859	675	830	2,044	1,049
1959.....	2,200	1,381	1,601	1,112	2,033	524
1960.....	2,500	906	1,861	1,079	2,535	119
1961.....	1,800	883	1,001	967	2,857	108
1962.....	2,200	884	2,078	913	3,216	333
1963.....	2,000	935	2,278	912	3,223	366
1964.....	1,500	935	2,141	928	3,308	605
1965.....	1,500	935	1,838	940	2,517	344
1966.....	1,500	935	1,670	941	2,573	306
1967.....	1,700	935	1,673	944	2,629	318
1968.....	1,900	935	1,705	943	2,693	353
1969.....	1,900	935	1,795	943	2,739	354
1970.....	1,625	935	1,746	943	2,797	462
1971.....		935	1,746	943	2,861	634
1972.....		935	624	943	2,930	1,997
After 1972.....					<sup>2</sup> 321	2,318
Total.....	25,440	16,057	25,440	15,045	42,803	

<sup>1</sup> Includes emergency relief as well as special funds totaling \$502,000,000 apportioned for 1959.<sup>2</sup> Receipts on tax liabilities accrued prior to July 1, 1972.

TABLE 4.—Estimated status of highway trust fund under proposed legislation

(In millions of dollars)

Fiscal year	Apportionments		Expenditures		Revenues			Balance in the fund on June 30
	Interstate	Primary, secondary, and urban <sup>1</sup>	Interstate	Primary, secondary, and urban <sup>1</sup>	Present sources	Additional	Total	
From before 1957....	140	965						
1957.....	1,175	829	208	758	1,482		1,482	516
1958.....	1,700	859	675	836	2,044		2,044	1,049
1959.....	2,200	1,381	1,601	1,112	2,087		2,087	523
1960.....	2,500	906	1,861	1,079	2,536		2,536	119
1961.....	1,800	883	1,001	967	2,857		2,857	108
1962.....	2,200	884	2,139	913	3,216	11	3,227	283
1963.....	2,400	930	2,326	898	3,223	96	3,319	378
1964.....	2,600	955	2,451	927	3,308	101	3,409	409
1965.....	2,700	955	2,552	923	2,517	978	3,495	429
1966.....	2,800	980	2,645	932	2,573	1,003	3,576	428
1967.....	2,900	980	2,739	949	2,629	1,025	3,654	394
1968.....	3,000	1,005	2,838	958	2,683	1,048	3,731	329
1969.....	3,000	1,005	2,880	972	2,739	1,068	3,807	298
1970.....	3,000	1,005	2,901	977	2,797	1,090	3,887	307
1971.....	2,885	1,005	2,992	979	2,861	1,115	3,976	312
1972.....		1,005	3,104	966	2,930	1,140	4,070	312
Through Sept. 30, 1972.....			1,301	317	321	<sup>2</sup> 1,150	1,471	165
Total.....	37,000	16,532	37,000	15,463	42,803	9,825	52,628	

<sup>1</sup> Includes emergency relief program, as well as special funds totaling \$502,000,000 apportioned for 1959.<sup>2</sup> Includes receipts on tax liabilities accrued prior to Sept. 30, 1972.

Cost estimates submitted to Congress this last January pursuant to provisions of section 104(b)(5) of title 23, United States Code (H. Doc. 49, 87th Cong., 1st sess.), indicate that additional interstate authorizations totaling \$11.56 billion are needed for completion of the \$37 billion interstate highway program. The President in his message on the highway program also requested that the apportionment for the regular A-B-C systems of primary, secondary, and urban roads now fixed at an annual level of \$925 million be increased by \$25 million a year every 2 years beginning in 1964 until the \$1 billion level is reached and then that these apportionments be maintained at that level. The additional funds required in future years for the step-up in A-B-C expenditures and for emergency relief and special funds are \$418 million (the difference between the A-B-C expenditures shown on table 3 and those shown on table 4). This \$418 million, plus the \$11,560 million of additional funds required by the Interstate System indicates a need for \$11,978 million in additional expenditures. This amount is provided under the bill by the trust fund balance (see table 3) of \$2,318 million plus new revenues of \$9,825 million (see table 4). These sources provide \$12,143 million for additional expenditures or \$165 million more than the requirement of \$11,978 million.

#### **D. INSTALLMENT PAYMENTS OF TAX ON THE USE OF HIGHWAY VEHICLES**

The bill adds a new provision to the Internal Revenue Code (sec. 6156) providing that those subject to the tax on the use of highway motor vehicles weighing over 26,000 pounds may elect to pay this tax in installments. This provision has been added to title II of the bill because it was recognized that, in the case of truckers operating on quite limited funds, the requirement that this entire tax be paid in one payment works a real financial hardship.

This tax, like other similar taxes imposed by the Federal Government, is imposed on a fiscal year basis beginning July 1. If liability for the tax is first incurred in July, August, or September, the bill permits the tax to be paid in four equal installments. If the liability is first incurred in October, November, or December, it may be paid in three equal installments, and if the liability is first incurred in January, February, or March, it may be paid in two equal installments. If the liability is first incurred in April, May, or June, the installment privilege for payment of the tax is not available.

Under existing regulations, any person incurring liability for this use tax is required to file a return on or before the last day of the next month after that in which the first use of any motor vehicle occurs. (Under this, of course, a taxpayer may be required to file more than one return during the year and under the new provision a separate election to pay an installment may be made with each such return unless the return is filed in the last 3 months of the fiscal year.) Under the bill the first installment of tax is due at the same time the return must be filed. The second installment is due on or before the last day of the third month following the calendar quarter in which liability was incurred. The third installment, if any is due, must be paid on or before the last day of the sixth month following the calendar quarter in which liability was incurred, and the fourth installment, if

any is due, must be paid on or before the last day of the ninth month following the calendar quarter in which liability was incurred. The tabulation presented below has been worked out to show the installment due dates described by the bill based on the presently prescribed date for filing the return. This table of payments, it will be noted, presents a plan for regularizing all payments after the initial payment which, of course, is determined by the month in which liability is first incurred.

If the liability was incurred in—	1st installment is due on or before the last day of—	2d installment is due on or before the last day of—	3d installment is due on or before the last day of—	4th installment is due on or before the last day of—
July.....	August.....	December.....	March.....	June.....
August.....	September.....	December.....	March.....	June.....
September.....	October.....	December.....	March.....	June.....
October.....	November.....	March.....	June.....	
November.....	December.....	March.....	June.....	
December.....	January.....	March.....	June.....	
January.....	February.....	June.....		
February.....	March.....	June.....		
March.....	April.....	June.....		

Where a vehicle subject to this tax is sold during the year, it is possible for two persons to become liable for this tax. However, provision is made to prevent doubling up of tax payments in such cases. The person in whose name the vehicle is registered at the time of the first taxable use incurs liability for the total tax at the time of such first use of the vehicle. This liability is for the total tax even though he elects to pay the tax in installments, and sells the vehicle to another person before the end of the taxable year. Although the first owner of the vehicle is liable for the full payment of the tax (even for installments due after selling the vehicle), if he fails to pay either the total tax or any installment when due, the second owner may be required to pay any tax remaining due. His liability begins in the month in which he is notified of it by the District Director of Internal Revenue. He may then pay the tax in installments if more than 3 months remain in the fiscal year.

Technical provisions added in connection with this installment privilege are similar to those applicable in other cases where taxes are paid in installments. Thus, where any part of a tax is omitted from a return filed by a taxpayer who has elected the installment privilege, this additional tax is prorated equally to all installments, whether paid or unpaid, for which the election has been made. The additional tax prorated to the installments already due must be paid upon notice and demand from the Secretary of the Treasury or his delegate. Also, where a taxpayer fails to pay an installment on or before the date prescribed for payment, the bill provides that the entire unpaid tax must be paid upon notice and demand from the Secretary of the Treasury or his delegate.

Interest on underpayments of installments runs from the due date for the installment. However, where the installment privilege has been terminated, and the time for payment of remaining installments accelerated by the issuance of a notice and demand, interest on these installments runs from the date of the notice and demand. Interest on additional tax prorated as described above is to run from the date prescribed for the payment of the first installment.

## **E. GASOLINE SOLD FOR USE FOR NONFUEL PURPOSES AS MATERIAL IN MANUFACTURE OF ANOTHER ARTICLE**

At the present time petroleum products, other than gasoline, such as methane, pentane, and propane are widely used as raw feed stock by chemical companies in the manufacture of plastics and petrochemicals. Under present law these products when sold for use or used by any person for the propulsion of a motor vehicle, motor boat or airplane are subject to the same 4-cent tax as gasoline. However, when these products are sold to chemical companies for uses such as those referred to above, no tax is applicable. Gasoline, on the other hand, under present law is subject to a 4-cent tax, except that where it is used for nonhighway purposes a 2-cent refund may be claimed.

The chemical companies have found that natural gasoline also is capable of being used in the manufacture of plastics and other petrochemicals. It has been reported to the Committee on Ways and Means that it is an excellent charging stock for petrochemical manufacturing, being suitable to supplement existing chemical raw feed stocks. Pilot plant experiments in the use of casinghead and natural gasoline in the manufacture of plastics and other petrochemicals also have proved successful. However, gasoline has not been used in this manner commercially primarily because of the net 2-cent-a-gallon tax which must be paid.

The Committee on Ways and Means believes that it is unfortunate to in effect prevent the use of gasoline in the manufacture of other nonfuel articles. This is contrary to the policy the committee has followed in generally not taxing articles which are used in the manufacture of other articles.

As a result of these considerations, title II of the bill provides an exemption from the gasoline tax in the case of gasoline sold for use by the purchaser (or his purchaser) for nonfuel purposes as a material in the manufacture of another article to be produced by the purchaser (or second purchaser).

For the exemption to apply, the gasoline must be sold for use as an ingredient of the article being manufactured or produced, as would be the case where it is used as an ingredient in plastics or petrochemicals. The exemption does not apply if the gasoline is consumed in the manufacturing process rather than being an ingredient in the finished product. Thus, for example, gasoline used to power machinery at a plant would not be considered as used as a material in the manufacture or production of an article being manufactured or produced at such a plant.

The phrase "for nonfuel purposes" is intended to make it clear that this exemption does not apply even though the gasoline becomes a component part, or is used as a material in, another article if the gasoline serves as a fuel either by itself, or as a fuel additive to another product. No change in present law is intended in this respect.

The bill also amends the code (sec. 4218) to permit a similar exemption from tax where the producer or importer of the gasoline himself makes a nonfuel use of the gasoline as a material in the manufacture or production of another article. In addition the bill amends the code (sec. 6416(b)(3)) to permit a credit or refund of the tax paid on gasoline where the purchaser uses it for nonfuel purposes as a material in the manufacture or production of another article.

Since gasoline presently is not being used for the purposes described above, and since it appears unlikely that it will be so used so long as the present tax applies, it is believed that this exemption will not result in any loss of revenue. This exemption, or credit, or refund, in the case of gasoline used by a person other than the producer or importer is to apply with respect to gasoline sold on or after October 1, 1961, and in the case of gasoline used by the producer or importer himself is to apply to gasoline used on or after that date.

## MINORITY VIEWS

We are opposed to the financing recommendations contained in title II of the bill H.R. 6713. Our opposition is based on conclusions reached during the public hearings and executive sessions held by the Committee on Ways and Means and is predicated on information presented to the committee during those hearings. We support the development of a federally aided highway system under a program that does not contain shortcomings present in the existing program and as it would be amended by the bill H.R. 6713.

It is proposed under the bill to provide additional revenue amounting to \$9.8 billion for the alleged purpose of completing the present Federal-aid highway program by June 30, 1972. We are concerned that the general burden of taxation is already too heavy on our taxpayers—on individual incomes and on business earnings—at all earnings levels. We are particularly of the opinion that present tax burdens are too severe in regard to small business. We are concerned that the total tax burden has reached the point that a tax increase could well result in diminishing returns. Onerous tax burdens contribute to high prices, impair incentive, and cause inadequate capital accumulation necessary for business growth.

With respect to the highway user taxes, we are convinced that the taxes imposed under present law including the reductions scheduled to take effect on July 1, 1961, are high enough. Higher taxes should not be imposed on the family motorists. Furthermore, convincing evidence was presented to the Committee on Ways and Means in executive session by representatives of the Interstate Commerce Commission that the imposition of higher taxes on truck operators will result in their losing business. These Government witnesses presented informed testimony to that effect. We believe that the 1-cent-per-gallon decrease in the excises applicable to gasoline and diesel fuel should be allowed to occur as scheduled on July 1, 1961.

Our recommendation that taxes not be increased over present law necessitates that we offer an alternative proposal to meet the highway financing requirements. It is our conviction that highway development should be at a rate that will be in conformity with the principle of pay-as-you-go financing. We are also of the view that highway taxes should be used to build highways and we, therefore, favor earmarking for highway purposes those tax receipts now going into the general fund of the Treasury that arise from taxes imposed on highway users. We also support the proposal that the general fund of the Treasury should contribute to the highway program because of recognized benefits from the program that accrue to nonhighway users. Our voting record in support of Government economy warrants the advocacy of the highway financing arrangement recommended in these views. In making this recommendation for the greater utilization of Federal highway-user taxes, we acknowledge and accept the possible necessity for a temporary stretchout of the program so that proper budgetary adjustments can be made to avoid

deficit financing. Another improvement that should be undertaken in financing the highway program is a downward adjustment in the Federal share of the 90-10 Federal-State cost allocation on the Interstate System. Greater financial participation by the respective States would tend to encourage improved administration and contracting practices by the States.

The majority proposal would impose an excessive tax burden on the average motorist and would unfairly impair the competitive position of the truck operators. We believe the recommendations set forth in these minority views would provide a more equitable solution to the problem of highway financing. Therefore, we commend our suggestion to the consideration of our colleagues.

NOAH M. MASON.

JAMES B. UTT.

JACKSON E. BETTS.

BRUCE ALGER.

## SEPARATE MINORITY VIEWS OF HON. THOMAS B. CURTIS

In general, I concur in the views expressed by the signatories to the foregoing minority views.

However, on two points I have a different attitude as follows: First, I believe that the earmarking of Federal taxes is not a sound method of Federal budgeting in that it impairs the flexibility necessary to give proper recognition to priorities in scheduling Federal expenditures. Secondly, it is my viewpoint that with respect to public improvements with the lifetime of 30 to 40 years, it is appropriate to finance such improvements by bond issues payable over the life of the improvement.

I am in favor of a highway program that is properly financed and soundly administered so that we attain the maximum highway mileage at the minimum cost to our taxpayers.

### CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in *roman*):

### FEDERAL-AID HIGHWAY ACT OF 1956

#### SEC. 108. NATIONAL SYSTEM OF INTERSTATE AND DEFENSE HIGHWAYS.

(a) **INTERSTATE SYSTEM.**—It is hereby declared to be essential to the national interest to provide for the early completion of the "National System of Interstate Highways", as authorized and designated in accordance with section 7 of the Federal-Aid Highway Act of 1944 (58 Stat. 838). It is the intent of the Congress that the Interstate System be completed as nearly as practicable over a thirteen-year period and that the entire System in all the States be brought to simultaneous completion. Because of its primary importance to the national defense, the name of such system is hereby changed to the "National System of Interstate and Defense Highways". Such National System of Interstate and Defense Highways is hereinafter in this Act referred to as the "Interstate System".

(b) **AUTHORIZATION OF APPROPRIATIONS.**—For the purpose of expediting the construction, reconstruction, or improvement, inclusive of necessary bridges and tunnels, of the Interstate System, including extensions thereof through urban areas, designated in accordance with the provisions of [section 7 of the Federal-Aid Highway Act of 1944 (58 Stat. 838)] *subsection (d) of section 108 of title 23, United States Code*, there is hereby authorized to be appropriated the additional sum of \$1,000,000,000 for the fiscal year ending June 30, 1957, which sum shall be in addition to the authorization heretofore made for that year, the additional sum of \$1,700,000,000 for the fiscal year

ending June 30, 1958, the additional sum of \$2,200,000,000 for the fiscal year ending June 30, 1959, the additional sum of \$2,500,000,000 for the fiscal year ending June 30, 1960, the additional sum of ~~[\$2,000,000,000]~~ \$1,800,000,000 for the fiscal year ending June 30, 1961, the additional sum of \$2,200,000,000 for the fiscal year ending June 30, 1962, the additional sum of ~~[\$2,200,000,000]~~ \$2,700,000,000 for the fiscal year ending June 30, 1963, the additional sum of ~~[\$2,200,000,000]~~ \$2,600,000,000 for the fiscal year ending June 30, 1964, the additional sum of ~~[\$2,200,000,000]~~ \$2,700,000,000 for the fiscal year ending June 30, 1965, the additional sum of ~~[\$2,200,000,000]~~ \$2,800,000,000 for the fiscal year ending June 30, 1966, the additional sum of ~~[\$2,200,000,000]~~ \$2,900,000,000 for the fiscal year ending June 30, 1967, the additional sum of ~~[\$1,500,000,000]~~ \$3,000,000,000 for the fiscal year ending June 30, 1968, ~~[and]~~ the additional sum of ~~[\$1,025,000,000]~~ \$3,000,000,000 for the fiscal year ending June 30, 1969, the additional sum of \$3,000,000,000 for the fiscal year ending June 30, 1970, and the additional sum of \$2,885,000,000 for the fiscal year ending June 30, 1971.

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#### SEC. 209. HIGHWAY TRUST FUND.

(a) CREATION OF TRUST FUND.—There is hereby established in the Treasury of the United States a trust fund to be known as the "Highway Trust Fund" (hereinafter in this section called the "Trust Fund"). The Trust Fund shall consist of such amounts as may be appropriated or credited to the Trust Fund as provided in this section.

(b) DECLARATION OF POLICY.—It is hereby declared to be the policy of the Congress that if it hereafter appears—

(1) that the total receipts of the Trust Fund (exclusive of advances under subsection (d)) will be less than the total expenditures from such Fund (exclusive of repayments of such advances); or

(2) that the distribution of the tax burden among the various classes of persons using the Federal-aid highways, or otherwise deriving benefits from such highways, is not equitable, the Congress shall enact legislation in order to bring about a balance of total receipts and total expenditures, or such equitable distribution, as the case may be.

(c) TRANSFER TO TRUST FUND OF AMOUNTS EQUIVALENT TO CERTAIN TAXES.—

(1) IN GENERAL.—There is hereby appropriated to the Trust Fund, out of any money in the Treasury not otherwise appropriated, amounts equivalent to the following percentages of the taxes received in the Treasury before ~~[July 1, 1972]~~ October 1, 1972, under the following provisions of the Internal Revenue Code of 1954 (or under the corresponding provisions of prior revenue laws)—

(A) 100 percent of the taxes received after June 30, 1956, under sections 4041 (taxes on diesel fuel and special motor fuels), 4071(a)(4) (tax on tread rubber), and 4081 (tax on gasoline);

(B) 20 percent of the tax received after June 30, 1956, and before July 1, 1957, under section 4061(a)(1) (tax on trucks, buses, etc.);

(C) 50 percent of the tax received after June 30, 1957, and before July 1, 1961, under section 4061(a)(1) (tax on trucks, buses, etc.), and 100 percent of the tax received after June 30, 1961, under section 4061(a)(1);

(D) 37½ percent of the tax received after June 30, 1956, and before July 1, 1957, under section 4071(a)(1) (tax on tires of the type used on highway vehicles);

(E) 100 percent of the taxes received after June 30, 1957, under section 4071(a) (1), (2), (3), and (5) (taxes on tires of the type used on highway vehicles, other tires, and inner tubes);

(F) 100 percent of the tax received under section 4481 (tax on use of certain vehicles); and

(G) 100 percent of the floor stocks taxes imposed by section 4226(a).

In the case of any tax described in subparagraph (A), (B), or (D), amounts received during the fiscal year ending June 30, 1957, shall be taken into account only to the extent attributable to liability for tax incurred after June 30, 1956.

[(2) EXCISE TAX ON AUTOMOBILES, PARTS AND ACCESSORIES, ETC.—There is hereby appropriated to the Trust Fund, out of money in the Treasury not otherwise appropriated, amounts equivalent to that portion of the taxes received in the Treasury after June 30, 1961, and before July 1, 1964, under subsection (a)(2) (tax on passenger automobiles, etc.) and (b) (tax on parts and accessories) of section 4061 of the Internal Revenue Code of 1954 which is equal to the amount which would have been so received if the tax rate under each such subsection had been 5 percent in lieu of the applicable rate.]

(3) LIABILITIES INCURRED BEFORE [JULY 1,] OCTOBER 1, 1972, FOR NEW OR INCREASED TAXES.—There is hereby appropriated to the Trust Fund, out of any money in the Treasury not otherwise appropriated, amounts equivalent to the following percentages of the taxes which are received in the Treasury [after June 30, 1972, and before July 1, 1973, and which are attributable to liability for tax incurred before July 1, 1972,] after September 30, 1972, and before July 1, 1973, and which are attributable to liability for tax incurred before October 1, 1972, under the following provisions of the Internal Revenue Code of 1954—

(A) 100 percent of the taxes under sections 4041 (taxes on diesel fuel and special motor fuels), 4071(a)(4) (tax on tread rubber), and 4081 (tax on gasoline);

(B) 20 percent of the tax under section 4061(a)(1) (tax on trucks, buses, etc.);

[(C) 37½ percent of the tax under section 4071(a)(1) (tax on tires of the type used on highway vehicles); and]

(C) 50 percent of the tax under section 4071(a)(1) (tax on tires of the type used on highway vehicles) and 10 percent of the tax under section 4071(a)(3) (tax on inner tubes for tires); and

(D) 100 percent of the tax under section 4481 (tax on use of certain vehicles).

(4) METHOD OF TRANSFER.—The amounts appropriated by paragraphs (1), (2), and (3) shall be transferred at least monthly from the general fund of the Treasury to the Trust Fund on the basis of estimates by the Secretary of the Treasury of the

amounts, referred to in paragraphs (1), (2), and (3) received in the Treasury. Proper adjustments shall be made in the amounts subsequently transferred to the extent prior estimates were in excess of or less than the amounts required to be transferred.

\* \* \* \* \*

**(f) EXPENDITURES FROM TRUST FUND.—**

**(1) FEDERAL-AID HIGHWAY PROGRAM.**—Amounts in the Trust Fund shall be available, as provided by appropriation Acts, for making expenditures after June 30, 1956, and before **[July 1, October 1, 1972]**, to meet those obligations of the United States heretofore or hereafter incurred under the Federal-Aid Road Act approved July 11, 1916, as amended and supplemented, which are attributable to Federal-aid highways (including those portions of general administrative expenses of the Bureau of Public Roads payable from such appropriations).

**(2) REPAYMENT OF ADVANCES FROM GENERAL FUND.**—Advances made pursuant to subsection (d) shall be repaid, and interest on such advances shall be paid, to the general fund of the Treasury when the Secretary of the Treasury determines that moneys are available in the Trust Fund for such purposes. Such interest shall be at rates computed in the same manner as provided in subsection (e)(2) for special obligations and shall be compounded annually.

**(3) TRANSFERS FROM TRUST FUND FOR GASOLINE USED ON FARMS AND FOR CERTAIN OTHER PURPOSES.**—The Secretary of the Treasury shall pay from time to time from the Trust Fund into the general fund of the Treasury amounts equivalent to the amounts paid before July 1, 1973, under sections 6420 (relating to amounts paid in respect of gasoline used on farms) and 6421 (relating to amounts paid in respect of gasoline used for certain nonhighway purposes or by local transit systems) of the Internal Revenue Code of 1954 on the basis of claims filed for periods beginning after June 30, 1956, and ending before **[July 1, October 1, 1972]**.

**(4) 1972 FLOOR STOCKS REFUNDS.**—The Secretary of the Treasury shall pay from time to time from the Trust Fund into the general fund of the Treasury amounts equivalent to the following percentages of the floor stocks refunds made before July 1, 1973, under section 6412(a)(2) of the Internal Revenue Code of 1954 —

(A) 40 percent of the refunds in respect of articles subject to the tax imposed by section 4061(a)(1) of such Code (trucks, buses, etc.);

(B) 100 percent of the refunds in respect of articles subject to tax under **[section 4071(a) (1) or (4) of such Code (tires of the type used on highway vehicles and tread rubber)]** *section 4071(a) (1), (3), or (4) of such Code (certain tires, tubes, and tread rubber)*; and

(C) **[60%]** 80 percent of the refunds in respect of gasoline subject to tax under section 4081 of such Code.

**[(5) 1961 FLOOR STOCKS REFUNDS ON GASOLINE.]**—The Secretary of the Treasury shall pay from time to time from the Trust Fund into the general fund of the Treasury amounts equivalent to the floor stocks refunds made before July 1, 1962, under section 6412(a)(3).]

## SECTION 111 OF TITLE 23, UNITED STATES CODE

## § 111. AGREEMENTS RELATING TO USE OF AND ACCESS TO RIGHTS-OF-WAY—INTERSTATE SYSTEM

All agreements between the Secretary and the State highway department for the construction of projects on the Interstate System shall contain a clause providing that the State will not add any points of access to, or exit from, the project in addition to those approved by the Secretary in the plans for such project, without the prior approval of the Secretary. Such agreements shall also contain a clause providing that the State will not permit automotive service stations or other commercial establishments for serving motor vehicle users to be constructed or located on the rights-of-way of the Interstate System. [Such agreements may, however, authorize a State or political subdivision thereof to use the airspace above and below the established grade line of the highway pavement for the parking of motor vehicles provided such use does not interfere in any way with the free flow of traffic on the Interstate System.] *Such agreements may, however, authorize a State or political subdivision thereof to use or permit the use of the airspace above and below the established grade line of the highway pavement for such purposes as will not impair the full use and safety of the highway, as will not require or permit vehicular access to such space directly from such established grade line of the highway, or otherwise interfere in any way with the free flow of traffic on the Interstate System.*

## INTERNAL REVENUE CODE OF 1954

## CHAPTER 31—RETAILERS EXCISE TAXES

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 Subchapter E—Special Fuels

Sec. 4041. Imposition of tax.

Sec. 4042. Cross reference.

## SEC. 4041. IMPOSITION OF TAX.

(a) DIESEL FUEL.—There is hereby imposed a tax of [3 cents] 4 cents a gallon upon any liquid (other than any product taxable under section 4081)—

(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).

In the case of a liquid taxable under this subsection sold for use or used as a fuel in a diesel-powered highway vehicle (A) which (at the time of such sale or use) is not registered, and is not required to be registered, for highway use under the laws of any State or for any country, or (B) which, in the case of a diesel-powered highway vehicle owned by the United States, is not used on the highway, the tax imposed by paragraph (1) or by paragraph (2) shall be 2 cents a gallon. If a liquid on which tax was imposed by paragraph (1) at the rate of 2 cents a gallon by reason of the preceding sentence is used as a fuel in

a diesel-powered highway vehicle (A) which (at the time of such use) is registered, or is required to be registered, for highway use under the laws of any State or foreign country, or (B) which, in the case of a diesel-powered highway vehicle owned by the United States, is used on the highway, a tax of **[1 cent]** *2 cents* a gallon shall be imposed under paragraph (2).

(b) **SPECIAL MOTOR FUELS.**—There is hereby imposed a tax of **[3 cents]** *4 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 4081 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).

In the case of a liquid taxable under this subsection sold for use or used otherwise than as a fuel for the propulsion of a highway vehicle (A) which (at the time of such sale or use) is registered, or is required to be registered, for highway use under the laws of any State or foreign country, or (B) which, in the case of a highway vehicle owned by the United States, is used on the highway, the tax imposed by paragraph (1) or by paragraph (2) shall be 2 cents a gallon. If a liquid on which tax was imposed by paragraph (1) at the rate of 2 cents a gallon by reason of the preceding sentence is used as a fuel for the propulsion of a highway vehicle (A) which (at the time of such use) is registered, or is required to be registered, for highway use under the laws of any State or foreign country, or (B) which, in the case of a highway vehicle owned by the United States, is used on the highway, a tax of **[1 cent]** *2 cents* a gallon shall be imposed under paragraph (2).

(c) **RATE REDUCTION.**—On and after **[July 1.]** *October 1, 1972*—

(1) the taxes imposed by this section shall be  $1\frac{1}{2}$  cents a gallon; and

(2) the second and third sentences of subsections (a) and (b) shall not apply.

(d) **EXEMPTION FOR FARM USE.**—

(1) **EXEMPTION.**—Under regulations prescribed by the Secretary or his delegate—

(A) no tax shall be imposed under subsection (a)(1) or (b)(1) on the sale of any liquid sold for use on a farm for farming purposes, and

(B) no tax shall be imposed under subsection (a)(2) or (b)(2) on the use of any liquid used on a farm for farming purposes.

(2) **USE ON A FARM FOR FARMING PURPOSES.**—For purposes of paragraph (1) of this subsection, use on a farm for farming purposes shall be determined in accordance with paragraphs (1), (2), and (3) of section 6420(c).

(e) **EXEMPTION FOR USE AS SUPPLIES FOR VESSELS.**—Under regulations prescribed by the Secretary or his delegate, no tax shall be imposed under subsection (b) in the case of any fuel sold for use or used as supplies for vessels or aircraft (within the meaning of section 4221(d)(3)).

**[(f) TEMPORARY INCREASES IN TAX.—**On and after October 1, 1959, and before July 1, 1961—

**[(1)** if (without regard to this subsection) the tax imposed by subsection (a) or (b) is 3 cents a gallon, the tax imposed by such subsection shall be 4 cents a gallon, and

**[(2)** if (without regard to this subsection) the tax imposed under paragraph (2) of subsection (a) or (b) is 1 cent a gallon, the tax imposed under such paragraph shall be 2 cents a gallon.]

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## CHAPTER 32—MANUFACTURERS EXCISE TAXES

SUBCHAPTER A.	Automotive and related items.
SUBCHAPTER B.	Household type equipment, etc.
SUBCHAPTER C.	Entertainment equipment.
SUBCHAPTER D.	Recreational equipment.
SUBCHAPTER E.	Other items.
SUBCHAPTER F.	Special provisions applicable to manufacturers tax.
SUBCHAPTER G.	Exemptions, registration, etc.

### Subchapter A—Automotive and Related Items

Part I.	Motor vehicles.
Part II.	Tires and tubes.
Part III.	Petroleum products.

#### PART I—MOTOR VEHICLES

Sec. 4061.	Imposition of tax.
Sec. 4062.	Definitions.
Sec. 4063.	Exemptions.

#### SEC. 4061. IMPOSITION OF TAX.

(a) **AUTOMOBILES.**—There is hereby imposed upon the following articles (including in each case parts or accessories therefor sold on or in connection therewith or with the sale thereof) sold by the manufacturer, producer, or importer a tax equivalent to the specified percent of the price for which so sold:

(1) Articles taxable at 10 percent, except that on and after [July 1,] *October 1, 1972*, the rate shall be 5 percent—

Automobile truck chassis.

Automobile truck bodies.

Automobile bus chassis.

Automobile bus bodies.

Truck and bus trailer and semitrailer chassis.

Truck and bus trailer and semitrailer bodies.

Tractors of the kind chiefly used for highway transportation in combination with a trailer or semitrailer.

A sale of an automobile truck, bus, truck or bus trailer or semitrailer shall, for the purposes of this paragraph, be considered to be a sale of the chassis and of the body.

(2) Articles taxable at 10 percent except that on and after July 1, 1961, the rate shall be 7 percent—

Automobile chassis and bodies other than those taxable under paragraph (1).

Chassis and bodies for trailers and semitrailers (other than house trailers) suitable for use in connection with passenger automobiles.

A sale of an automobile, trailer, or semitrailer shall, for the purposes of this paragraph, be considered to be a sale of the chassis and of the body.

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## PART II—TIRES AND TUBES

Sec. 4071. Imposition of tax.

Sec. 4072. Definitions.

Sec. 4073. Exemptions.

### SEC. 4071. IMPOSITION OF TAX.

(a) **IMPOSITION AND RATE OF TAX.**—There is hereby imposed upon the following articles, if wholly or in part of rubber, sold by the manufacturer, producer, or importer, a tax at the following rates:

(1) Tires of the type used on highway vehicles, **[8 cents]** 10 cents a pound.

(2) Other tires (other than laminated tires to which paragraph (5) applies), 5 cents a pound.

(3) Inner tubes for tires, **[9 cents]** 10 cents a pound.

(4) Tread rubber, **[3 cents]** 5 cents a pound.

(5) Laminated tires (not of the type used on highway vehicles) which consist wholly of scrap rubber from used tire casings with an internal metal fastening agent, 1 cent a pound.

(b) **DETERMINATION OF WEIGHT.**—For purposes of this section, weight shall be based on total weight, except that in the case of tires such total weight shall be exclusive of metal rims or rim bases. Total weight of the articles shall be determined under regulations prescribed by the Secretary or his delegate.

(c) **RATE REDUCTION.**—On and after **[July 1,]** *October 1, 1972*—

(1) the tax imposed by paragraph (1) of subsection (a) shall be 5 cents a pound; **[and]**

(2) the tax imposed by paragraph (3) of subsection (a) shall be 9 cents a pound; and

**[(2)]** (3) paragraph (4) of subsection (a) shall not apply.

\* \* \* \* \*

## PART III—PETROLEUM PRODUCTS

Subpart A. Gasoline.

Subpart B. Lubricating oil.

Subpart C. Special provisions applicable to petroleum products.

### Subpart A—Gasoline

Sec. 4081. Imposition of tax.

Sec. 4082. Definitions.

Sec. 4083. Exemption of sales to producer.

Sec. 4084. Cross references.

### SEC. 4081. IMPOSITION OF TAX.

(a) **IN GENERAL.**—There is hereby imposed on gasoline sold by the producer or importer thereof, or by any producer of gasoline, a tax of **[3 cents]** 4 cents a gallon.

(b) **RATE REDUCTION.**—On and after **[July 1,]** *October 1, 1972*, the tax imposed by this section shall be 1½ cents a gallon.

[(c) TEMPORARY INCREASE IN TAX.—On and after October 1, 1959, and before July 1, 1961, the tax imposed by this section shall be 4 cents a gallon.]

\* \* \* \* \*

**Subchapter F—Special Provisions Applicable to Manufacturers Tax**

\* \* \* \* \*

**SEC. 4218. USE BY MANUFACTURER OR IMPORTER CONSIDERED SALE.**

(a) **GENERAL RULE.**—If any person manufactures, produces, or imports an article (other than an article specified in subsection (b), (c), or (d)) and uses it (otherwise than as material in the manufacture or production of, or as a component part of, another article taxable under this chapter to be manufactured or produced by him), then he shall be liable for tax under this chapter in the same manner as if such article were sold by him. *This subsection shall not apply in the case of gasoline used by any person, for nonfuel purposes, as a material in the manufacture or production of another article to be manufactured or produced by him.*

(b) **TIRES, TUBES, AND AUTOMOBILE RECEIVING SETS.**—Except as provided in subsection (d), if any person manufactures, produces, or imports a tire or inner tube taxable under section 4071, or an automobile radio or television receiving set taxable under section 4141, and sells it on or in connection with the sale of any article, or uses it, then he shall be liable for tax under this chapter in the same manner as if such article were sold by him.

(c) **AUTOMOBILE PARTS, RADIO COMPONENTS, CAMERA LENSES, ETC.**—If any person manufactures, produces, or imports a part or accessory taxable under section 4061(b), a radio or television component taxable under section 4141, or a camera lens taxable under section 4171, and uses it (otherwise than as material in the manufacture or production of, or as a component part of, any other article to be manufactured or produced by him), then he shall be liable for tax under this chapter in the same manner as if such article were sold by him.

(d) **BICYCLE TIRES AND TUBES.**—If any person manufactures, produces, or imports a bicycle tire (as defined in section 4221(e)(4)(B)) or an inner tube for such a tire, and uses it (otherwise than as material in the manufacture or production of, or as a component part of, a bicycle, other than a rebuilt or reconditioned bicycle, to be manufactured or produced by him), then he shall be liable for tax under this chapter in the same manner as if such article were sold by him.

(e) **COMPUTATION OF TAX.**—Except as provided in section 4223(b), in any case in which a person is made liable for tax by the preceding provisions of this section, the tax (if based on the price for which the article is sold) shall be computed on the price at which such or similar articles are sold, in the ordinary course of trade, by manufacturers, producers, or importers, thereof, as determined by the Secretary or his delegate.

**SEC. 4219. APPLICATION OF TAX IN CASE OF SALES BY OTHER THAN MANUFACTURER OR IMPORTER.**

In case any person acquires from the manufacturer, producer, or importer of an article, by operation of law or as a result of any trans-

action not taxable under this chapter, the right to sell such article, the sale of such article by such person shall be taxable under this chapter as if made by the manufacturer, producer, or importer, and such person shall be liable for the tax.

### Subchapter G—Exemptions, Registration, Etc.

Sec. 4221. Certain tax-free sales.

Sec. 4222. Registration.

Sec. 4223. Special rules relating to further manufacture.

Sec. 4224. Exemption for articles taxable as jewelry.

Sec. 4225. Exemption of articles manufactured or produced by Indians.

Sec. 4226. Floor stocks taxes.

Sec. 4227. Cross references.

#### SEC. 4221. CERTAIN TAX-FREE SALES.

(a) **GENERAL RULE.**—Under regulations prescribed by the Secretary or his delegate, no tax shall be imposed under this chapter on the sale by the manufacturer of an article—

(1) for use by the purchaser for further manufacture, or for resale by the purchaser to a second purchaser for use by such second purchaser in further manufacture,

(2) for export, or for resale by the purchaser to a second purchaser for export,

(3) for use by the purchaser as supplies for vessels or aircraft,

(4) to a State or local government for the exclusive use of a State or local government, or

(5) to a nonprofit educational organization for its exclusive use,

but only if such exportation or use is to occur before any other use.

(b) **PROOF OF RESALE FOR FURTHER MANUFACTURE; PROOF OF EXPORT.**—Where an article has been sold free of tax under subsection (a)—

(1) for resale by the purchaser to a second purchaser for use by such second purchaser in further manufacture, or

(2) for export, or for resale by the purchaser to a second purchaser for export,

subsection (a) shall cease to apply in respect of such sale of such article unless, within the 6-month period which begins on the date of the sale by the manufacturer (or, if earlier, on the date of shipment by the manufacturer), the manufacturer receives proof that the article has been exported or resold for use in further manufacture.

(c) **MANUFACTURER RELIEVED FROM LIABILITY IN CERTAIN CASES.**—In the case of any article sold free of tax under this section (other than a sale to which subsection (b) applies), and in the case of any article sold free of tax under section 4063(b), 4083, or 4093, if the manufacturer in good faith accepts a certification by the purchaser that the article will be used in accordance with the applicable provisions of law, no tax shall thereafter be imposed under this chapter in respect of such sale by such manufacturer.

(d) **DEFINITIONS.**—For purposes of this section—

(1) **MANUFACTURER.**—The term “manufacturer” includes a producer or importer of an article.

(2) **EXPORT.**—The term “export” includes shipment to a possession of the United States; and the term “exported” includes shipped to a possession of the United States.

(3) **SUPPLIES FOR VESSELS OR AIRCRAFT.**—The term "supplies for vessels or aircraft" means fuel supplies, ships' stores, sea stores, or legitimate equipment on vessels of war of the United States or of any foreign nation, vessels employed in the fisheries or in the whaling business, or vessels actually engaged in foreign trade or trade between the Atlantic and Pacific ports of the United States or between the United States and any of its possessions. For purposes of the preceding sentence, the term "vessels" includes civil aircraft employed in foreign trade or trade between the United States and any of its possessions, and the term "vessels of war of the United States or of any foreign nation" includes aircraft owned by the United States or by any foreign nation and constituting a part of the armed forces thereof.

(4) **STATE OR LOCAL GOVERNMENT.**—The term "State or local government" means any State, any political subdivision thereof, or the District of Columbia.

(5) **NONPROFIT EDUCATIONAL ORGANIZATION.**—The term "non-profit educational organization" means an educational organization described in section 503(b)(2) which is exempt from income tax under section 501(a). The term also includes a school operated as an activity of an organization described in section 501(c)(3) which is exempt from income tax under section 501(a), if such school normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on.

(6) **USE IN FURTHER MANUFACTURE.**—An article shall be treated as sold for use in further manufacture if—

(A) such article (other than an article referred to in subparagraph (B)) is sold for use by the purchaser as material in the manufacture or production of, or as a component part of, another article taxable under this chapter to be manufactured or produced by him; [or]

(B) in the case of a part or accessory taxable under section 4061(b), a radio or television component taxable under section 4141, or a camera lens taxable under section 4171, such article is sold for use by the purchaser as material in the manufacture or production of, or as a component part of, another article to be manufactured or produced by him[.]; or

(C) *in the case of gasoline taxable under section 4081, such gasoline is sold for use by the purchaser, for nonfuel purposes, as a material in the manufacture or production of another article to be manufactured or produced by him.*

\* \* \* \* \*

## SEC. 4226. FLOOR STOCKS TAXES.

(a) **IN GENERAL.**—

(1) **1956 TAX ON TRUCKS, TRUCK TRAILERS, BUSES, ETC.**—On any article subject to tax under section 4061(a)(1) (relating to tax on trucks, truck trailers, buses, etc.) which, on July 1, 1956, is held by a dealer for sale, there is hereby imposed a floor stocks tax at the rate of 2 percent of the price for which the article was purchased by such dealer. If the price for which the article

was sold by the manufacturer, producer, or importer is established to the satisfaction of the Secretary or his delegate, then in lieu of the amount specified in the preceding sentence, the tax imposed by this paragraph shall be at the rate of 2 percent of the price for which the article was sold by the manufacturer, producer, or importer.

(2) 1956 TAX ON TIRES OF THE TYPE USED ON HIGHWAY VEHICLES.—On tires subject to tax under section 4071(a)(1) (as amended by the Highway Revenue Act of 1956) which, on July 1, 1956, are held—

(A) by a dealer for sale,

(B) for sale on, or in connection with, other articles held by the manufacturer, producer, or importer of such other articles, or

(C) for use in the manufacture or production of other articles,

there is hereby imposed a floor stocks tax at the rate of 3 cents a pound. The tax imposed by this paragraph shall not apply to any tire which is held for sale by the manufacturer, producer, or importer of such tire or which will be subject under section 4218(a)(2) or 4219 to the manufacturers excise tax on tires.

(3) 1956 TAX ON TREAD RUBBER.—On tread rubber subject to tax under section 4071(a)(4) (as amended by the Highway Revenue Act of 1956) which, on July 1, 1956, is held by a dealer, there is hereby imposed a floor stocks tax at the rate of 3 cents a pound. The tax imposed by this paragraph shall not apply in the case of any person if such person establishes, to the satisfaction of the Secretary or his delegate, that all tread rubber held by him on July 1, 1956, will be used otherwise than in the recapping or retreading of tires of the type used on highway vehicles (as defined in section 4072(c)).

(4) 1956 TAX ON GASOLINE.—On gasoline subject to tax under section 4081 which, on July 1, 1956, is held by a dealer for sale, there is hereby imposed a floor stocks tax at the rate of 1 cent a gallon. The tax imposed by this paragraph 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.

(5) 1959 TAX ON GASOLINE.—On gasoline subject to tax under section 4081 which, on October 1, 1959, is held by a dealer for sale, there is hereby imposed a floor stocks tax at the rate of 1 cent a gallon. The tax imposed by this paragraph 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.

(6) 1961 TAXES ON CERTAIN TIRES AND INNER TUBES.—On tires subject to tax under section 4071(a)(1), and on inner tubes subject to tax under section 4071(a)(3), which, on July 1, 1961, are held—

(A) by a dealer for sale,

(B) for sale on, or in connection with, other articles held by the manufacturer, producer, or importer of such other articles, or

(C) for use in the manufacture or production of other articles, there is hereby imposed a floor stocks tax at the rate of 2 cents a

pound in the case of such tires, and a floor stocks tax at the rate of 1 cent a pound in the case of such inner tubes. The taxes imposed by this paragraph shall not apply to any tire or inner tube which is held for sale by the manufacturer, producer, or importer of such tire or tube, or which will be subject under section 4218(b) or 4219 to the manufacturers excise tax on tires or inner tubes.

(7) **1961 TAX ON TREAD RUBBER.**—On tread rubber subject to tax under section 4071(a)(4) which, on July 1, 1961, is held by a dealer, there is hereby imposed a floor stocks tax at the rate of 2 cents a pound. The tax imposed by this paragraph shall not apply in the case of any person if such person establishes, to the satisfaction of the Secretary or his delegate, that all tread rubber held by him on July 1, 1961, will be used otherwise than in the recapping or retreading of tires of the type used on highway vehicles (as defined in section 4072(c)).

(b) **OVERPAYMENT OF FLOOR STOCKS TAXES.**—Section 6416 shall apply in respect of the floor stocks taxes imposed by this section, so as to entitle, subject to all provisions of section 6416, any person paying such floor stocks taxes to a credit or refund thereof for any of the reasons specified in section 6416.

(c) **MEANING OF TERMS.**—For purposes of subsection (a), the terms "dealer" and "held by a dealer" have the meaning assigned to them by section 6412(a)(4).

(d) **DUE DATE OF TAXES.**—The taxes imposed by subsection (a) shall be paid at such time after September 30, 1956, as may be prescribed by the Secretary or his delegate; except that the tax imposed by paragraph (5) shall be paid at such time after December 31, 1959, as may be prescribed by the Secretary or his [delegate.] delegate, and except that the taxes imposed by paragraphs (6) and (7) shall be paid at such time after September 30, 1961, as may be prescribed by the Secretary or his delegate.

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## CHAPTER 36—CERTAIN OTHER EXCISE TAXES

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### Subchapter D—Tax on Use of Certain Vehicles

- Sec. 4481. Imposition of tax.
- Sec. 4482. Definitions.
- Sec. 4483. Exemptions.
- Sec. 4484. Cross reference.

#### **SEC. 4481. IMPOSITION OF TAX.**

(a) **IMPOSITION OF TAX.**—A tax is hereby imposed on the use of any highway motor vehicle which (together with the semitrailers and trailers customarily used in connection with highway motor vehicles of the same type as such highway motor vehicle) has a taxable gross weight of more than 26,000 pounds, at the rate of ~~[\$1.50]~~ \$3.00 a year for each 1,000 pounds of taxable gross weight or fraction thereof. *In the case of the taxable period beginning on July 1, 1972, and ending on September 30, 1972, the tax shall be at the rate of 75 cents for such period for each 1,000 pounds of taxable gross weight or fraction thereof.*

(b) **BY WHOM PAID.**—The tax imposed by this section shall be paid by the person in whose name the highway motor vehicle is, or is re-

quired to be, registered under the law of the State in which such vehicle is, or is required to be, registered, or, in case the highway motor vehicle is owned by the United States, by the agency or instrumentality of the United States operating such vehicle.

[(c) **PRORATION OF TAX.**—If in any year the first use of the highway motor vehicle is after July 31, the tax shall be reckoned proportionately from the first day of the month in which such use occurs to and including the 30th day of June following.]

[(d) **ONE PAYMENT PER YEAR.**—If the tax imposed by this section is paid with respect to any highway motor vehicle for any year, no further tax shall be imposed by this section for such year with respect to such vehicle.]

(c) **PRORATION OF TAX.**—If in any taxable period the first use of the highway motor vehicle is after the first month in such period, the tax shall be reckoned proportionately from the first day of the month in which such use occurs to and including the last day in such taxable period.

(d) **ONE TAX LIABILITY PER PERIOD.**—

(1) **IN GENERAL.**—To the extent that the tax imposed by this section is paid with respect to any highway motor vehicle for any taxable period, no further tax shall be imposed by this section for such taxable period with respect to such vehicle.

(2) **CROSS REFERENCE.**—

*For privilege of paying tax imposed by this section in installments, see section 6156.*

(e) **PERIOD TAX IN EFFECT.**—The tax imposed by this section shall apply only to use [after June 30, 1956, and before July 1, 1972] before October 1, 1972.

#### SEC. 4482. DEFINITIONS.

(a) **HIGHWAY MOTOR VEHICLE.**—For purposes of this subchapter, the term "highway motor vehicle" means any motor vehicle which is a highway vehicle.

(b) **TAXABLE GROSS WEIGHT.**—For purposes of this subchapter, the term "taxable gross weight", when used with respect to any highway motor vehicle, means the sum of—

(1) the actual unloaded weight of—

(A) such highway motor vehicle fully equipped for service, and

(B) the semitrailers and trailers (fully equipped for service) customarily used in connection with highway motor vehicles of the same type as such highway motor vehicle, and

(2) the weight of the maximum load customarily carried on highway motor vehicles of the same type as such highway motor vehicle and on the semitrailers and trailers referred to in paragraph (1)(B).

Taxable gross weight shall be determined under regulations prescribed by the Secretary or his delegate (which regulations may include formulas or other methods for determining the taxable gross weight of vehicles by classes, specifications, or otherwise).

(c) **OTHER DEFINITIONS.**—For purposes of this subchapter—

(1) **STATE.**—The term "State" means a State, a Territory of the United States, and the District of Columbia.

(2) **YEAR.**—The term "year" means the one-year period beginning on July 1.

(3) **USE.**—The term “use” means use in the United States on the public highways.

(4) **TAXABLE PERIOD.**—*The term “taxable period” means any year beginning before July 1, 1972, and the period which begins on July 1, 1972, and ends at the close of September 30, 1972.*

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## CHAPTER 62—TIME AND PLACE FOR PAYING TAX

SUBCHAPTER A. Place and due date for payment of tax.

SUBCHAPTER B. Extensions of time for payment.

### Subchapter A—Place and Due Date for Payment of Tax

Sec. 6151. Time and place for paying tax shown on returns.

Sec. 6152. Installment payments.

Sec. 6153. Installment payments of estimated income tax by individuals.

Sec. 6154. Installment payments of estimated income tax by corporations.

Sec. 6155. Payment on notice and demand.

Sec. 6156. *Installment payments of tax on use of highway motor vehicles.*

Sec. [6156] 6157. Payment of taxes under provisions of the Tariff Act.

#### SEC. 6151. TIME AND PLACE FOR PAYING TAX SHOWN ON RETURNS.

(a) **GENERAL RULE.**—Except as otherwise provided in this section, when a return of tax is required under this title or regulations, the person required to make such return shall, without assessment or notice and demand from the Secretary or his delegate, pay such tax to the principal internal revenue officer for the internal revenue district in which the return is required to be filed, and shall pay such tax at the time and place fixed for filing the return (determined without regard to any extension of time for filing the return).

#### (b) EXCEPTIONS.—

(1) **INCOME TAX NOT COMPUTED BY TAXPAYER.**—If the taxpayer elects under section 6014 not to show the tax on the return, the amount determined by the Secretary or his delegate as payable shall be paid within 30 days after the mailing by the Secretary or his delegate to the taxpayer of a notice stating such amount and making demand therefor.

(2) **USE OF GOVERNMENT DEPOSITARIES.**—For authority of the Secretary or his delegate to require payments to Government depositaries, see section 6302(c).

(c) **DATE FIXED FOR PAYMENT OF TAX.**—In any case in which a tax is required to be paid on or before a certain date, or within a certain period, any reference in this title to the date fixed for payment of such tax shall be deemed a reference to the last day fixed for such payment (determined without regard to any extension of time for paying the tax).

#### SEC. 6152. INSTALLMENT PAYMENTS.

#### (a) PRIVILEGE TO ELECT TO MAKE INSTALLMENT PAYMENTS.—

(1) **CORPORATIONS.**—A corporation subject to the taxes imposed by chapter 1 may elect to pay the unpaid amount of such taxes in installments as follows:

(A) with respect to taxable years ending before December 31, 1954, four installments, the first two of which shall be 45 percent, respectively, of such taxes and the last two of which shall be 5 percent, respectively, of such taxes;

(B) with respect to taxable years ending on or after December 31, 1954, two equal installments.

(2) **ESTATES OF DECEDENTS.**—A decedent's estate subject to the tax imposed by chapter 1 may elect to pay such tax in four equal installments.

(b) **DATES PRESCRIBED FOR PAYMENT OF INSTALLMENTS.**—

(1) **FOUR INSTALLMENTS.**—In any case (other than payment of estimated income tax) in which the tax may be paid in four installments, the first installment shall be paid on the date prescribed for the payment of the tax, the second installment shall be paid on or before 3 months, the third installment on or before 6 months, and the fourth installment on or before 9 months, after such date.

(2) **TWO INSTALLMENTS.**—In any case (other than payment of estimated income tax) in which the tax may be paid in two installments, the first installment shall be paid on the date prescribed for the payment of the tax, and the second installment shall be paid on or before 3 months after such date.

(c) **PRORATION OF DEFICIENCY TO INSTALLMENTS.**—If an election has been made to pay the tax imposed by chapter 1 in installments and a deficiency has been assessed, the deficiency shall be prorated to such installments. Except as provided in section 6861 (relating to jeopardy assessments), that part of the deficiency so prorated to any installment the date for payment of which has not arrived shall be collected at the same time as and as part of such installment. That part of the deficiency so prorated to any installment the date for payment of which has arrived shall be paid upon notice and demand from the Secretary or his delegate.

(d) **ACCELERATION OF PAYMENT.**—If any installment (other than an installment of estimated income tax) is not paid on or before the date fixed for its payment, the whole of the unpaid tax shall be paid upon notice and demand from the Secretary or his delegate.

#### **SEC. 6153. INSTALLMENT PAYMENTS OF ESTIMATED INCOME TAX BY INDIVIDUALS.**

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#### **SEC. 6154. INSTALLMENT PAYMENTS OF ESTIMATED INCOME TAX BY CORPORATIONS.**

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#### **SEC. 6155. PAYMENT ON NOTICE AND DEMAND.**

(a) **GENERAL RULE.**—Upon receipt of notice and demand from the Secretary or his delegate, there shall be paid at the place and time stated in such notice the amount of any tax (including any interest, additional amounts, additions to tax, and assessable penalties) stated in such notice and demand.

(b) **CROSS REFERENCES.**—

(1) For restrictions on assessment and collection of deficiency assessments of taxes subject to the jurisdiction of the Tax Court, see sections 6212 and 6213.

(2) For provisions relating to assessment of claims allowed in a bankruptcy or receivership proceeding, see section 6873.

(3) For provisions relating to jeopardy assessments, see subchapter A of chapter 70.

**SEC. 6156. INSTALLMENT PAYMENTS OF TAX ON USE OF HIGHWAY MOTOR VEHICLES.**

(a) **PRIVILEGE TO PAY TAX IN INSTALLMENTS.**—If the taxpayer files a return of the tax imposed by section 4481 on or before the date prescribed for the filing of such return, he may elect to pay the tax shown on such return in equal installments in accordance with the following table:

<i>If liability is incurred in—</i>	<i>The number of installments shall be—</i>
July, August, or September.....	4
October, November, or December.....	3
January, February, or March.....	2

(b) **DATES FOR PAYING INSTALLMENTS.**—In the case of any tax payable in installments by reason of an election under subsection (a)—

(1) the first installment shall be paid on the date prescribed for payment of the tax,

(2) the second installment shall be paid on or before the last day of the third month following the calendar quarter in which the liability was incurred,

(3) the third installment (if any) shall be paid on or before the last day of the sixth month following the calendar quarter in which the liability was incurred, and

(4) the fourth installment (if any) shall be paid on or before the last day of the ninth month following the calendar quarter in which the liability was incurred.

(c) **PRORATION OF ADDITIONAL TAX TO INSTALLMENTS.**—If an election has been made under subsection (a) in respect of tax reported on a return filed by the taxpayer and tax required to be shown but not shown on such return is assessed before the date prescribed for payment of the last installment, the additional tax shall be prorated equally to the installments for which the election was made. That part of the additional tax so prorated to any installment the date for payment of which has not arrived shall be collected at the same time as and as part of such installment. That part of the additional tax so prorated to any installment the date for payment of which has arrived shall be paid upon notice and demand from the Secretary or his delegate.

(d) **ACCELERATION OF PAYMENTS.**—If the taxpayer does not pay any installment under this section on or before the date prescribed for its payment, the whole of the unpaid tax shall be paid upon notice and demand from the Secretary or his delegate.

(e) **SECTION INAPPLICABLE TO CERTAIN LIABILITIES.**—This section shall not apply to any liability for tax incurred in—

(1) April, May, or June of any year, or

(2) July, August, or September of 1972.

**SEC. [6156] 6157. PAYMENT OF TAXES UNDER PROVISIONS OF THE  
TARIFF ACT.**

For collection under the provisions of the Tariff Act of 1930 of the taxes imposed by section 4501(b), and subchapters A, B, C, D, and E of chapter 38, see sections 4504 and 4601, respectively.

**CHAPTER 65—ABATEMENTS, CREDITS, AND REFUNDS**

**Subchapter B—Rules of Special Application**

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

**(a) IN GENERAL.—**

(1) **PASSENGER AUTOMOBILES, ETC.**—Where before July 1, 1961, any article subject to the tax imposed by section 4061(a)(2) has been sold by the manufacturer, producer, or importer and on such date is held by a dealer and has not been used and is intended for sale, there shall be credited or refunded (without interest) to the manufacturer, producer, or importer an amount equal to the difference between the tax paid by such manufacturer, producer, or importer on his sale of the article and the amount of tax made applicable to such article on and after July 1, 1961, if claim for such credit or refund is filed with the Secretary or his delegate on or before November 10, 1961, based upon a request submitted to the manufacturer, producer or importer before October 1, 1961, by the dealer who held the article in respect of which the credit or refund is claimed, and, on or before November 10, 1961, reimbursement has been made to such dealer by such manufacturer, producer, or importer for the tax reduction on such article or written consent has been obtained from such dealer to allowance of such credit or refund.

(2) **TRUCKS AND BUSES, TIRES, TUBES, TREAD RUBBER, AND GASOLINE.**—Where before [July 1,] *October 1, 1972*, any article subject to the tax imposed by section 4061(a)(1), [4071(a)(1) or (4),] *4071(a)(1), (3), or (4)*, or 4081 has been sold by the manufacturer, producer, or importer and on such date is held by a dealer and has not been used and is intended for sale (or, in the case of tread rubber, is intended for sale or is held for use), there shall be credited or refunded (without interest) to the manufacturer, producer, or importer an amount equal to the difference between the tax paid by such manufacturer, producer, or importer on his sale of the article and the amount of tax made applicable to such article on and after [July 1,] *October 1, 1972*, if claim for such credit or refund is filed with the Secretary or his delegate on or before [November 10, 1972,] *February 10, 1973*, based upon a request submitted to the manufacturer, producer, or importer before [October 1, 1972,] *January 1, 1973*, by the dealer who held the article in respect of which the credit or refund is claimed, and, on or before [November 10, 1972,] *February 10, 1973*, reimbursement has been made to such dealer by such manufacturer, producer, or importer for the tax reduction on such article or written consent has been obtained from such dealer to allow-

ance of such credit or refund. No credit or refund shall be allowable under this paragraph 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.

[(3) GASOLINE HELD ON JULY 1, 1961.—Where before July 1, 1961, any gasoline subject to the tax imposed by section 4081 has been sold by the producer or importer and on such date is held by a dealer and is intended for sale, there shall be credited or refunded (without interest) to the producer or importer an amount equal to the difference between the tax paid by such producer or importer on his sale of the gasoline and the amount of tax made applicable to such gasoline on and after July 1, 1961, if claim for such credit or refund is filed with the Secretary or his delegate on or before November 10, 1961, based upon a request submitted to the producer or importer before October 1, 1961, by the dealer who held the gasoline in respect of which the credit or refund is claimed, and, on or before November 10, 1961, reimbursement has been made to such dealer by such producer or importer for the tax reduction on such gasoline or written consent has been obtained from such dealer to allowance of such credit or refund. No credit or refund shall be allowable under this paragraph 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.]

(4) DEFINITIONS.—For purposes of this section:—

(A) The term "dealer" includes a wholesaler, jobber, distributor, or retailer, or, in the case of tread rubber subject to tax under section 4071(a)(4), includes any person (other than the manufacturer, producer, or importer thereof) who hold such tread rubber for sale or use.

(B) 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.

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#### SEC. 6416. CERTAIN TAXES ON SALES AND SERVICES.

(a) CONDITION TO ALLOWANCE.—

(1) GENERAL RULE.—No credit or refund of any overpayment of tax imposed by section 4231(4), (5), or (6) (cabarets, etc.), chapter 31 (retailers taxes), or chapter 32 (manufacturers taxes) shall be allowed or made unless the person who paid the tax establishes, under regulations prescribed by the Secretary or his delegate, that he—

(A) has not included the tax in the price of the article, admission, or service with respect to which it was imposed and has not collected the amount of the tax from the person who purchased such article, admission, or service;

(B) has repaid the amount of the tax—

(i) in the case of any tax imposed by chapter 31 (other than the tax imposed by section 4041 (a)(1) or (b)(1)), to the purchaser of the article,

(ii) in the case of any tax imposed by chapter 32 and the tax imposed by section 4041(a)(1) or (b)(1) (diesel and special motor fuels), to the ultimate purchaser of the article, or

(iii) in the case of any tax imposed by section 4231(4), (5), or (6) (cabarets, etc.) to the person who paid for the admission, refreshment, service, or merchandise;

(C) in the case of an overpayment under subsection (b)(2), (b)(3) (C) or (D), or (b)(4) of this section—

(i) has repaid or agreed to repay the amount of the tax to the ultimate vendor of the article, or

(ii) has obtained the written consent of such ultimate vendor to the allowance of the credit or the making of the refund; or

(D) has filed with the Secretary or his delegate the written consent of the person referred to in subparagraph (B) (i), (ii), or (iii), as the case may be, to the allowance of the credit or the making of the refund.

(2) **EXCEPTIONS.**—This subsection shall not apply to—

(A) the tax imposed by section 4041(a)(2) or (b)(2) (use of diesel and special motor fuels), and

(B) an overpayment of tax under paragraph (1), (3) (A) or (B), or (5) of subsection (b) of this section.

(3) **SPECIAL RULES.**—For purposes of this subsection—

(A) any tax collected under section 4231(6) from a concessionaire and paid to the Secretary or his delegate shall be treated as paid by the concessionaire;

(B) if tax under chapter 31 was paid by a supplier pursuant to an agreement under section 6011(c), either the person who (without regard to section 6011(c)) was required to return and pay the tax or the supplier may be treated as the person who paid the tax;

(C) in any case in which the Secretary or his delegate determines that an article is not taxable, the term "ultimate purchaser" (when used in paragraph (1)(B)(ii) of this subsection) includes a wholesaler, jobber, distributor, or retailer who, on the 15th day after the date of such determination, holds such article for sale; but only if claim for credit or refund by reason of this subparagraph is filed on or before the day for filing the return with respect to the taxes imposed under chapter 32 for the first period which begins more than 60 days after the date of such determination; and

(D) in applying paragraph (1)(C) to any overpayment under paragraph (2)(F), (3) (C) or (D), or (4) of subsection (b), the term "ultimate vendor" means the ultimate vendor of the other article.

(b) **SPECIAL CASES IN WHICH TAX PAYMENTS CONSIDERED OVERPAYMENTS.**—Under regulations prescribed by the Secretary or his delegate, credit or refund (without interest) shall be allowed or made in respect of the overpayments determined under the following paragraphs:

(1) **PRICE READJUSTMENTS.**—If the price of any article in respect of which a tax, based on such price, is imposed by chapter 31 or 32, is readjusted by reason of the return or repossession of

the article or a covering or container, or by a bona fide discount, rebate, or allowance, including (in the case of a tax imposed by chapter 32) a readjustment for local advertising (but only to the extent provided in section 4216(f)(2) and (3)), the part of the tax proportionate to the part of the price repaid or credited to the purchaser shall be deemed to be an overpayment. The preceding sentence shall not apply in the case of an article in respect of which tax was computed under section 4223(b)(2); but if the price for which such article was sold is readjusted by reason of the return or repossession of the article, the part of the tax proportionate to the part of such price repaid or credited to the purchaser shall be deemed to be an overpayment.

(2) SPECIFIED USES AND REALES.—The tax paid under chapter 32 (or under section 4041(a)(1) or (b)(1)) in respect to any article shall be deemed to be an overpayment if such article was, by any person—

(A) exported (except in any case to which subsection (g) applies);

(B) used or sold for use as supplies for vessels or aircraft;

(C) sold to a State or local government for the exclusive use of a State or local government;

(D) sold to a nonprofit educational organization for its exclusive use;

(E) resold to a manufacturer or producer for use by him as provided in subparagraph (A), (B), [or (E)] (E), or (F) of paragraph (3);

(F) in the case of a tire, inner tube, or receiving set, resold for use as provided in subparagraph (C) or (D) of paragraph (3) and the other article referred to in such subparagraph is by any person exported or sold as provided in such subparagraph;

(G) in the case of a liquid taxable under section 4041, sold for use as fuel in a diesel-powered highway vehicle or as fuel for the propulsion of a motor vehicle, motorboat, or airplane, if (i) the vendee used such liquid otherwise than as fuel in such a vehicle, motorboat, or airplane or resold such liquid, or (ii) such liquid was (within the meaning of paragraphs (1), (2), and (3) of section 6420(c)) used on a farm for farming purposes;

(H) in the case of a liquid in respect of which tax was paid under section 4041 at the rate of 3 cents or 4 cents a gallon, used during any calendar quarter in vehicles while engaged in furnishing scheduled common carrier public passenger land transportation service along regular routes; except that (i) this subparagraph shall apply only if the 60 percent passenger fare revenue test set forth in section 6421(b)(2) is met with respect to such quarter, and (ii) the amount of such overpayment for such quarter shall be an amount determined by multiplying 1 cent (where tax was paid at the 3-cent rate) or 2 cents (where tax was paid at the 4-cent rate) for each gallon of liquid so used by the percentage which such person's tax-exempt passenger fare revenue (as defined in section 6421(d)(2)) derived from such scheduled service during such quarter was of his total passenger fare revenue (not including

the tax imposed by section 4261, relating to the tax on transportation of persons) derived from such scheduled service during such quarter;

(I) in the case of a liquid in respect of which tax was paid under section 4041(a)(1) at the rate of 3 cents or 4 cents a gallon, used or resold for use as a fuel in a diesel-powered highway vehicle (i) which (at the time of such use or resale) is not registered, and is not required to be registered, for highway use under the laws of any State or foreign country, or (ii) which, in the case of a diesel-powered highway vehicle owned by the United States, is not used on the highway; except that the amount of any overpayment by reason of this subparagraph shall not exceed an amount computed at the rate of 1 cent a gallon where tax was paid at the 3-cent rate or at the rate of 2 cents a gallon where tax was paid at the 4-cent rate;

(J) in the case of a liquid in respect of which tax was paid under section 4041(b)(1) at the rate of 3 cents or 4 cents a gallon, used or resold for use otherwise than as a fuel for the propulsion of a highway vehicle (i) which (at the time of such use or resale) is registered, or is required to be registered, for highway use under the laws of any State or foreign country, or (ii) which, in the case of a highway vehicle owned by the United States, is used on the highway; except that the amount of any overpayment by reason of this subparagraph shall not exceed an amount computed at the rate of 1 cent a gallon where tax was paid at the 3-cent rate or at the rate of 2 cents a gallon where tax was paid at the 4-cent rate;

(K) in the case of any article taxable under section 4061(b) (other than spark plugs and storage batteries), used or sold for use as repair or replacement parts or accessories for farm equipment (other than equipment taxable under section 4061(a));

(L) in the case of tread rubber in respect of which tax was paid under section 4071(a)(4), used or sold for use otherwise than in the recapping or retreading of tires of the type used on highway vehicles (as defined in section 4072(c)), unless credit or refund of such tax is allowable under subsection (b)(3);

(M) in the case of gasoline, used or sold for use in production of special motor fuels referred to in section 4041(b);

(N) in the case of lubricating oil, used or sold for non-lubricating purposes;

(O) in the case of lubricating oil in respect of which tax was paid at the rate of 6 cents a gallon, used or sold for use as cutting oils (within the meaning of section 4092(b)); except that the amount of such overpayment shall not exceed an amount computed at the rate of 3 cents a gallon;

(P) in the case of any musical instrument taxable under section 4151, sold to a religious institution for exclusively religious purposes;

(Q) in the case of unexposed motion picture film, used or sold for use in making of newsreel motion picture film.

(3) **TAX-PAID ARTICLES USED FOR FURTHER MANUFACTURE, ETC.**—If the tax imposed by chapter 32 has been paid with respect to the sale of any article by the manufacturer, producer, or importer thereof to a second manufacturer or producer, such tax shall be deemed to be an overpayment by such second manufacturer or producer if—

(A) in the case of any article other than an article to which subparagraph (B), (C), (D), or (E) applies, such article is used by the second manufacturer or producer as material in the manufacture or production of, or as a component part of, another article taxable under chapter 32 manufactured or produced by him;

(B) in the case of—

(i) a part or accessory taxable under section 4061(b),

(ii) a radio or television component taxable under section 4141, or

(iii) a camera lens taxable under section 4171,

such article is used by the second manufacturer or producer as material in the manufacture or production of, or as a component part of, any other article manufactured or produced by him;

(C) in the case of—

(i) a tire or inner tube taxable under section 4071, or

(ii) an automobile radio or television receiving set taxable under section 4141,

such article is sold by the second manufacturer or producer on or in connection with, or with the sale of, any other article manufactured or produced by him and such other article is by any person exported, sold to a State or local government for the exclusive use of a State or local government, sold to a nonprofit educational organization for its exclusive use, or used or sold for use as supplies for vessels or aircraft;

(D) in the case of a radio receiving set or an automobile radio receiving set—

(i) such set is used by the second manufacturer or producer as a component part of any other article manufactured or produced by him, and

(ii) such other article is by any person exported, sold to a State or local government for the exclusive use of a State or local government, sold to a nonprofit educational organization for its exclusive use, or used or sold for use as supplies for vessels or aircraft; [or]

(E) in the case of—

(i) a bicycle tire (as defined in section 4221(e)(4)(B)), or

(ii) an inner tube for such a tire, such article is used by the second manufacturer or producer as material in the manufacture or production of, or as a component part of, a bicycle (other than a rebuilt or reconditioned bicycle) [.] ; or

(F) in the case of gasoline taxable under section 4081, such gasoline is used by the second manufacturer or producer, for nonfuel purposes, as a material in the manufacture or production of any other article manufactured or produced by him.

For purposes of subparagraphs (A) and (B), an article shall be treated as having been used as a component part of another article if, had it not been broken or rendered useless in the manufacture or production of such other article, it would have been so used.

**(4) TIRES, INNER TUBES, AND AUTOMOBILE RADIO AND TELEVISION RECEIVING SETS.—If—**

(A)(i) a tire or inner tube taxable under section 4071, or automobile radio or television receiving set taxable under section 4141, is sold by the manufacturer, producer, or importer thereof on or in connection with, or with the sale of, any other article manufactured or produced by him, or

(ii) a radio receiving set or an automobile radio receiving set is used by the manufacturer thereof as a component part of any other article manufactured or produced by him; and

(B) such other article is by any person exported, sold to a State or local government for the exclusive use of a State or local government, sold to a nonprofit educational organization for its exclusive use, or used or sold for use as supplies for vessels or aircraft,

any tax imposed by chapter 32 in respect of such tire, inner tube, or receiving set which has been paid by the manufacturer, producer, or importer thereof shall be deemed to be an overpayment by him.

**(5) RETURN OF CERTAIN INSTALLMENT ACCOUNTS.—If—**

(A) tax was paid under section 4053(b)(1) or 4216(e)(1) in respect of any installment account,

(B) such account is, under the agreement under which the account was sold, returned to the person who sold such account, and

(C) the consideration is readjusted as provided in such agreement,

the part of the tax paid under section 4053(b)(1) or 4216(e)(1) proportionate to the part of the consideration repaid or credited to the purchaser of such account shall be deemed to be an overpayment.

This subsection shall apply in respect of an article only if the exportation or use referred to in the applicable provision of this subsection occurs before any other use, or, in the case of a sale or resale, the use referred to in the applicable provision of this subsection is to occur before any other use.

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**SEC. 6421. GASOLINE USED FOR CERTAIN NONHIGHWAY PURPOSES OR BY LOCAL TRANSIT SYSTEMS.**

(a) **NONHIGHWAY USES.**—If gasoline is used otherwise than as a fuel in a highway vehicle (1) which (at the time of such use) is registered, or is required to be registered, for highway use under the laws of any State or foreign country, or (2) which, in the case of a highway vehicle owned by the United States, is used on the highway, the Secretary or his delegate shall pay (without interest) to the ultimate purchaser of such gasoline an amount equal to 1 cent for each gallon of gasoline so used on which tax was paid at the rate of 3 cents a

gallon and 2 cents for each gallon of gasoline so used on which tax was paid at the rate of 4 cents a gallon.

**(b) LOCAL TRANSIT SYSTEMS.—**

(1) **ALLOWANCE.**—If gasoline is used during any calendar quarter in vehicles while engaged in furnishing scheduled common carrier public passenger land transportation service along regular routes, the Secretary or his delegate shall, subject to the provisions of paragraph (2), pay (without interest) to the ultimate purchaser of such gasoline the amount determined by multiplying—

(A) 1 cent for each gallon of gasoline so used on which tax was paid at the rate of 3 cents a gallon and 2 cents for each gallon of gasoline so used on which tax was paid at the rate of 4 cents a gallon, by

(B) the percentage which the ultimate purchaser's tax-exempt passenger fare revenue derived from such scheduled service during such quarter was of his total passenger fare revenue (not including the tax imposed by section 4261, relating to the tax on transportation of persons) derived from such scheduled service during such quarter.

(2) **LIMITATION.**—Paragraph (1) shall apply in respect of gasoline used during any calendar quarter only if at least 60 percent of the total passenger fare revenue (not including the tax imposed by section 4261, relating to the tax on transportation of persons) derived during such quarter from scheduled service described in paragraph (1) by the person filing the claim was attributable to tax-exempt passenger fare revenue derived during such quarter by such person from such scheduled service.

**(c) TIME FOR FILING CLAIMS; PERIOD COVERED.—**

(1) **GENERAL RULE.**—Except as provided in paragraph (2), not more than one claim may be filed under subsection (a), and not more than one claim may be filed under subsection (b), by any person with respect to gasoline used during the one-year period ending on June 30 of any year. No claim shall be allowed under this paragraph with respect to any one-year period unless filed on or before September 30 of the year in which such one-year period ends.

(2) **EXCEPTION.**—If \$1,000 or more is payable under this section to any person with respect to gasoline used during a calendar quarter, a claim may be filed under this section by such person with respect to gasoline used during such quarter. No claim filed under this paragraph shall be allowed unless filed on or before the last day of the first calendar quarter following the calendar quarter for which the claim is filed.

**(d) DEFINITIONS.—**For purposes of this section—

(1) **GASOLINE.**—The term "gasoline" has the meaning given to such term by section 4082(b).

(2) **TAX-EXEMPT PASSENGER FARE REVENUE.**—The term "tax-exempt passenger fare revenue" means revenue attributable to fares which were exempt from the tax imposed by section 4261 by reason of section 4263(a) (relating to the exemption for commutation travel, etc.).

**(e) EXEMPT SALES; OTHER PAYMENTS OR REFUNDS AVAILABLE—**

(1) **EXEMPT SALES.**—No amount shall be paid under this section with respect to any gasoline which the Secretary or his delegate determines was exempt from the tax imposed by section 4081. The amount which (but for this sentence) would be payable under this section with respect to any gasoline shall be reduced by any other amount which the Secretary or his delegate determines is payable under this section, or is refundable under any provision of this title, to any person with respect to such gasoline.

(2) **GASOLINE USED ON FARMS.**—This section shall not apply in respect of gasoline which was (within the meaning of paragraphs (1), (2), and (3) of section 6420(c)) used on a farm for farming purposes.

**(f) APPLICABLE LAWS.—**

(1) **IN GENERAL.**—All provisions of law, including penalties, applicable in respect of the tax imposed by section 4081 shall, insofar as applicable and not inconsistent with this section, apply in respect of the payments provided for in this section to the same extent as if such payments constituted refunds of overpayments of the tax so imposed.

(2) **EXAMINATION OF BOOKS AND WITNESSES.**—For the purpose of ascertaining the correctness of any claim made under this section, or the correctness of any payment made in respect of any such claim, the Secretary or his delegate shall have the authority granted by paragraphs (1), (2), and (3) of section 7602 (relating to examination of books and witnesses) as if the claimant were the person liable for tax.

(g) **REGULATIONS.**—The Secretary or his delegate may by regulations prescribe the conditions, not inconsistent with the provisions of this section, under which payments may be made under this section.

(h) **EFFECTIVE DATE.**—This section shall apply only with respect to gasoline purchased after June 30, 1956, and before [July 1,] October 1, 1972.

**(i) CROSS REFERENCES.—**

(1) For reduced rate of tax in case of diesel fuel and special motor fuels used for certain nonhighway purposes, see subsections (a) and (b) of section 4041.

(2) For partial refund of tax in case of diesel fuel and special motor fuels used for certain nonhighway purposes, see section 6416(b)(2)(1) and (J).

(3) For partial refund of tax in case of diesel fuel and special motor fuels used by local transit systems, see section 6416(b)(2)(H).

(4) For civil penalty for excessive claims under this section, see section 6675.

(5) For fraud penalties, etc., see chapter 75 (section 7201 and following, relating to crimes, other offenses, and forfeitures).

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## CHAPTER 67—INTEREST

SUBCHAPTER A. Interest on underpayments.

SUBCHAPTER B. Interest on overpayments.

## Subchapter A—Interest on Underpayments

Sec. 6601. Interest on underpayment, nonpayment, or extensions of time for payment of tax.

Sec. 6602. Interest on erroneous refund recoverable by suit.

**SEC. 6601. INTEREST ON UNDERPAYMENT, NONPAYMENT, OR EXTENSIONS OF TIME FOR PAYMENT, OF TAX.**

(a) **GENERAL RULE.**—If any amount of tax imposed by this title (whether required to be shown on a return, or to be paid by stamp or by some other method) is not paid on or before the last date prescribed for payment, interest on such amount at the rate of 6 percent per annum shall be paid for the period from such last date to the date paid.

(b) **EXTENSIONS OF TIME FOR PAYMENT OF ESTATE TAX.**—If the time for payment of an amount of tax imposed by chapter 11 is extended as provided in section 6161(a)(2) or 6166, or if the time for payment of an amount of such tax is postponed or extended as provided by section 6163, interest shall be paid at the rate of 4 percent, in lieu of 6 percent as provided in subsection (a).

(c) **LAST DATE PRESCRIBED FOR PAYMENT.**—For purposes of this section, the last date prescribed for payment of the tax shall be determined under chapter 62 with the application of the following rules:

(1) **EXTENSIONS OF TIME DISREGARDED.**—The last date prescribed for payment shall be determined without regard to any extension of time for payment.

(2) **INSTALLMENT PAYMENTS.**—In the case of an election under 6152(a) or 6156(a) to pay the tax in installments—

(A) The date prescribed for payment of each installment of the tax shown on the return shall be determined under section 6152(b) or 6156(b), *as the case may be*, and

(B) The last date prescribed for payment of the first installment shall be deemed the last date prescribed for payment of any portion of the tax not shown on the return.

(3) **JEOPARDY.**—The last date prescribed for payment shall be determined without regard to any notice and demand for payment issued, by reason of jeopardy (as provided in chapter 70), prior to the last date otherwise prescribed for such payment.

(4) **LAST DATE FOR PAYMENT NOT OTHERWISE PRESCRIBED.**—In the case of taxes payable by stamp and in all other cases in which the last date for payment is not otherwise prescribed, the last date for payment shall be deemed to be the date the liability for tax arises (and in no event shall be later than the date notice and demand for the tax is made by the Secretary or his delegate).





1982-12

## FEDERAL-AID HIGHWAY ACT OF 1961

### TITLE II—INTERNAL REVENUE CODE AND HIGHWAY TRUST FUND AMENDMENTS

—  
JUNE 12, 1961.—Ordered to be printed  
—

Mr. BYRD of Virginia, from the Committee on Finance, submitted  
the following

## R E P O R T

together with

## INDIVIDUAL VIEWS

[To accompany title II of H.R. 6713]

The Committee on Finance, to whom was referred the bill (H.R. 6713) to amend certain laws relating to Federal-aid highways, to make certain adjustments in the Federal-aid highway program, and for other purposes, for consideration of title II thereof, having considered the same, report favorably thereon with amendments and recommend that the bill, as amended, do pass.

## I. SUMMARY

Title II contains the financing provisions for the Federal-aid highway program.

A cost study presented to Congress by the Bureau of Public Roads, Department of Commerce, January 12, 1961, indicated that a total of \$37 billion is required to finance to completion the Federal share of the National System of Interstate and Defense Highways now provided by law to complete construction in 1972. Present law, after making provision for the A-B-C (primary, secondary, and urban) road program at an annual level of \$925 million, provides \$27,758 million toward this objective. The additional revenues provided by title II of the bill as amended by your committee make possible substantially all of the financing of the \$37 billion Federal share of the Interstate System as well as permitting a gradual increase in

the apportionments for the A-B-C program to a level of \$1 billion a year. This is accomplished by bringing into the trust fund \$9,367 million in revenues in addition to transferring back to the general fund \$2,492 million in revenues attributable to passenger car and auto part taxes.

The changes from present law in revenue sources provided by title II are as follows:

(1) The gasoline, special motor fuels, and diesel fuel taxes under both the House and your committee's versions of the bill are continued at the present rate of 4 cents a gallon. These, under present law, are scheduled to revert to 3 cents a gallon as of July 1, 1961.

(2) The taxes on tires for highway-type vehicles and inner tubes under both versions of the bill are increased to 10 cents a pound. The tax on tread rubber is increased to 5 cents a pound under the House bill and to 4 cents a pound under your committee's amendments. Presently, the rates of these taxes are 8 cents, 9 cents, and 3 cents, respectively.

(3) The tax on highway vehicles weighing over 26,000 pounds in both versions is increased from \$1.50 to \$3 per 1,000 pounds.

(4) Five additional percentage points of the manufacturers' tax on trucks, buses, and trailers under both versions are dedicated to the highway trust fund. However, under the House bill this dedication begins on July 1, 1961, and under your committee's amendments on July 1, 1962. This presently is a general fund revenue. The first 5 percentage points of this tax already are a highway trust fund revenue source.

(5) The highway trust fund in both versions is continued for an additional 3 months beyond June 30, 1972, and all taxes now dedicated to the fund are continued as highway trust fund revenues at the proposed tax rate levels for the additional 3 months.

(6) The provisions of present law, which would for the 3 fiscal years 1962, 1963, and 1964 divert 5 percentage points of the manufacturers' taxes on passenger cars, etc., and on automobile parts and accessories to the highway trust fund, under both bills are repealed. Thus, these taxes in their entirety will remain general fund revenues.

(7) Provision is made in the bill for paying the use tax on highway motor vehicles weighing over 26,000 pounds on a quarterly basis and for the exemption of gasoline from tax where it is sold for nonfuel purposes in the manufacture of another article.

(8) Your committee has also added an amendment granting to retail dealers of gasoline an allowance equal to 1 percent of the tax paid on gasoline as an allowance for shrinkage or evaporation of the gasoline in their hands.

## II. REASONS FOR THE HIGHWAY FINANCING PROVIDED BY THE BILL

### *1. Background of problem*

In 1956 Congress enacted a greatly expanded program of Federal aid for interstate highways. At that time Congress decided that this Interstate System, as well as the other Federal-aid highway programs

(the so-called A-B-C program), should be separately financed through a special highway trust fund in order to maintain these programs on an independent basis. Such a highway trust fund was established for the 16-year period from June 30, 1950, to July 1, 1972. Into this trust fund were deposited certain highway user excise taxes; namely, all of the taxes on gasoline, diesel fuel, special motor fuel, tread rubber, tires, and inner tubes, and the use tax on highway vehicles. In addition, half of the 10-percent manufacturers' tax on trucks, buses, and trailers was placed in the fund.

A special provision in the Highway Revenue Act of 1950, the so-called Byrd amendment, was designed to give assurance on a year-by-year basis that no deficit would develop in the highway trust fund. This provision requires that before apportionments of Federal-aid highway funds can be made to the States for the Interstate System, estimates must be made of the revenues expected to be in the fund at the time the expenditures arising from the apportionments can be expected to occur. To the extent that these estimates show that there will be any deficiency in the fund, the Secretary of Commerce is required to reduce the apportionments to the States.

By 1959 it had become apparent that the revenues devoted to the trust fund were insufficient to finance the Interstate System in addition to the regular A-B-C program. The original 1955 estimate of the cost of the Federal share of the Interstate System was \$25 billion. This by 1959 had been increased to an estimate of \$30 billion. For the most part this increase in cost was due to the fact that the 1955 estimate, because of the hurried manner in which it had to be made, was of necessity a preliminary estimate based upon an incomplete analysis of the cost of the Interstate System. In 1959 Congress was also faced with an immediate deficit in the trust fund for the fiscal year 1960 of \$490 million which would have grown to \$1,305 million by the end of the fiscal year 1961 if the apportionments already made or planned for those years were to be carried out.

In view of the pressing nature of the immediate financing problems, Congress in 1959 attempted only a temporary solution to the highway financing problems. At that time it provided a 1-cent increase in the gasoline, special motor fuel, and diesel fuel taxes for the period from September 1, 1959, to June 30, 1961. This was expected to provide an increase in trust fund revenues of \$1,035 million for this 22-month period. For the fiscal years 1962 through 1964 the bill provided that 5 percentage points of the manufacturers' taxes on passenger cars and automobile parts and accessories were to be dedicated to the trust fund. These funds, which presently are general fund revenues, would have increased highway trust fund revenues by about \$2.5 billion and decreased general fund revenues by the same amount.

In addition to the above reasons for concentrating its major effort in 1959 on the short-run financial problem, Congress also was faced with differing points of view as to the proper distribution of the cost of the highway program among various beneficiaries of the program both among various classes of highway users and between highway and nonhighway users. Moreover, at that time relatively little statistical information was available to aid Congress in evaluating the conflicting claims of relative benefit. Congress previously had requested the Bureau of Public Roads to submit to it a study on highway cost alloca-

tions, but this study was not then completed. The purpose of this study was to determine what taxes should properly be imposed, and in what amounts, in order to assure, insofar as practicable, an equitable distribution of the tax burden among the various classes of persons using the Federal-aid highways or otherwise deriving benefits from these highways.

The study on highway cost allocations required by section 210 of the Highway Revenue Act of 1958 and also a report on revised costs of completing the highway program now are available. In addition, the President has recommended a new plan for revising the financing of the highway program. In this he has stressed his desire that the passenger car and auto parts and accessories taxes not be diverted from the general fund as is provided by present law for the fiscal years 1962, 1963, and 1964. Instead, he has proposed the continuation to 1972 of the 4-cent tax on gasoline and the increasing of a series of taxes which would be borne primarily by the trucking industry for the period up to June 30, 1972.

## *2. Committee amendments*

The bill as amended by your committee for the most part is the same as the House-passed bill. However, it does depart from this bill in three respects. First, it defers for 1 year the transfer of half of the 10-percentage-point tax on the manufacturers sale price of trucks, buses and trailers. Five percentage points of this tax already represents a highway revenue source and the House-passed bill would have transferred the remaining 5 percentage points of this tax to the highway trust fund for the period from July 1, 1961, through September 30, 1972. Your committee's bill provides such a transfer for the period beginning July 1, 1962, and ending on the same date as the House bill. This 1-year delay in the transfer of this tax revenue to the highway trust fund will preserve \$143 million of revenues for the general fund for the fiscal year 1962. Thus, for the current budget this will mean that revenues in this respect will be maintained for the general fund at the level planned by the President in his budget message to Congress.

The transfer for subsequent years of the remaining half of this manufacturers' tax on trucks, etc., to the trust fund can be taken into account in plans for the various budgets as they are prepared in the future. Your committee has been assured that this will not affect apportionments before the fiscal year 1964 and then, of course, only to a minor extent.

The second change made by your committee in the House bill is concerned with the tax on tread rubber. As previously indicated, the House bill would increase this tax from 3 cents a pound to 5 cents a pound. Your committee's amendments provide for a tax of 4 cents a pound. Your committee modified the House bill in this respect because it believed an increase of 33 $\frac{1}{3}$  percent was as large an increase as should be provided in a tax of this type where most of the producers involved are small businesses. It is estimated that this change will decrease the revenues which otherwise would have been provided under the House bill by \$4 to \$8 million a year.

The third change made by your committee provides that a retail dealer in gasoline is to be compensated for the tax paid on gasoline which is lost by shrinkage or evaporation and other causes to the

extent of 1 percent of the tax paid on the gasoline he sells. Since the gasoline tax usually is based on the volume of gasoline the retail dealer purchases, he not only pays tax on the volume of gasoline he resells but also on the gasoline he loses through shrinkage, evaporation, etc. This is a discrimination which many States have recognized and removed by granting retail dealers special shrinkage and evaporation allowances. The allowances provided by various States are shown in table 1. Your committee's bill corrects the present discrimination in the Federal tax base in a similar manner. It is estimated that this will result in a revenue loss of \$18 million a year.

TABLE 1.—States which have adopted refund laws for retailers of gasoline

	Percent		Percent
Georgia.....	2.0	North Dakota.....	1.0
Florida.....	2.0	Utah.....	1.0
Minnesota.....	1.0	Wisconsin.....	.5
Michigan.....	1.0	Tennessee.....	.5
New Hampshire.....	1.0	Colorado.....	1.0
Idaho.....	1.0	Texas.....	.5
Ohio.....	1.0		

### 3. Comparison with President's proposals

Title II of this bill, as amended by your committee, like the House bill, accepts much of the President's plan for financing the highway program. It stops the transfer of the passenger car and auto parts taxes from the general fund. It continues to 1972 the 4-cent tax on gasoline, special motor fuel, and diesel fuel. It increases the taxes on tires of the type used on highway vehicles and inner tubes to 10 cents a pound. It increases the tax on tread rubber to 4 cents a pound (the House bill would have increased this to 5 cents) and the use tax on trucks weighing over 26,000 pounds to \$3 per 1,000 pounds. All of these increases either are the same as recommended by the President or are steps in the direction of his recommendations. A more detailed comparison of the bill as amended by your committee with the President's recommendations and the changes which would be made by the House bill is shown in the next section of this report.

The major difference between both the House and your committee's bills on one hand and the President's recommendations on the other hand is that although the bills increase substantially taxes on truckers, it was not considered appropriate to make the full increase recommended by the administration. In part this conclusion was reached because it believed it would be unfortunate to make so substantial an increase in the costs of the truckers. As is shown in table 2, even with the modest increase made in costs by your committee's bill, the total of existing and proposed road-user taxes will be around 5 percent of total operating costs and may well in many cases exceed the profit margins. In addition, the truckers are faced with substantial State roaduser taxes which, as indicated by table 2, are approximately  $1\frac{1}{3}$  times the proposed Federal taxload. In addition, restricting the increases in truck taxes is also justified upon analyzing the various means of allocating costs among various classes of highway users. A subsequent section of this report compares the allocation of highway costs provided by this bill with the two principal methods for allocating highway costs among the various classes of highway users; namely, the "incremental" and the "differential benefit" methods.

TABLE 2.—*Estimated operating costs and taxes of selected motor vehicles under committee bill*

(Cents per mile)

Vehicle type	Operating costs excluding road-user taxes	State road-user taxes	Federal motor vehicle taxes <sup>1</sup>		
			Present <sup>2</sup> law	Increase made by committee bill	Combined effect of present law and committee bill
Automobile.....	8.59	0.62	0.55	0.01	0.56
Single-unit trucks:					
2-axle, 4-tire.....	22.05	.71	.52	.01	.53
2-axle, 6-tire.....	24.83	1.24	.89	.02	.91
Combinations with semitrailers:					
3-axle (40,000 pounds gross vehicle weight):					
Gasoline-powered.....	33.60	2.10	1.37	.17	1.54
Diesel-powered.....	32.45	1.87	1.21	.17	1.38
4-axle (55,000 pounds gross vehicle weight):					
Gasoline-powered.....	35.80	2.40	1.63	.18	1.81
Diesel-powered.....	34.65	2.03	1.37	.19	1.55
5-axle (72,000 pounds gross vehicle weight):					
Gasoline-powered.....	42.27	3.24	2.11	.24	2.35
Diesel-powered.....	41.82	2.72	1.72	.24	1.96

<sup>1</sup> Includes all Federal excise taxes on motor fuel, motor vehicles, tires, parts, and accessories, and other taxes closely associated with motor vehicles or their use, whether or not they are dedicated to the highway trust fund.

<sup>2</sup> Present law as in effect for Oct. 1, 1959-June 30, 1961.

Source: U.S. Department of Commerce, Bureau of Public Roads.

The nonhighway user benefits which will be derived from the highway program also are impressive. It is believed that these costs justify the dedication of a limited amount of general fund revenues for use of the highway trust fund. The revenues dedicated in this manner by title II of the bill are those derived from the manufacturers' tax on trucks, buses, and trailers, which, of course, is itself a highway user tax. Presently, one-half of this tax already is assigned to the highway trust fund. The bill dedicates the other half to the trust fund as well, although as noted above, this dedication under your committee's amendments is deferred for 1 year.

The highway user cost study suggests that approximately 8 percent of the highway costs are properly attributable to nonhighway users. This represents the portion of the nonhighway use readily subject to measurement. As is indicated in the study, other types of nonhighway benefits are obtained from the highway system which are not capable of measurement.

It is sometimes suggested that this 8-percent charge against nonhighway users already has been recognized by the fact that a substantial amount of revenues were taken from the general fund when the highway trust fund was established. These revenues, shown in table 3 for the period of 1957 to 1961, have amounted to about \$6.4 billion. However, the cost of the A-B-C program previously was a charge upon the general fund, and if these revenues are to be considered a "diversion" from the general fund the A-B-C expenditures should likewise be considered a "diversion" from the general fund. Table 2 shows that these A-B-C expenditures from the trust fund

since its inception have amounted to nearly \$4.8 billion. Thus, the revenues dedicated to the trust fund exceed this figure only by \$1.6 billion. Moreover, the general fund revenues which have been dedicated to the highway trust fund are almost entirely taxes imposed with respect to the highway use and on that basis it can be claimed that they properly are allocable to any road program carried on by the Federal Government. In this connection it should be noted that three highway-user taxes will remain among the general fund revenues. The principal taxes of this type are the 10-percent passenger car tax and the tax on auto parts and accessories. Also, there is the tax on lubricating oil, perhaps half of which is attributable to oils used by motor vehicles.

**TABLE 3.—Comparison of revenues which would have been available to general fund<sup>1</sup> if the interstate program had not been established with expenditures for primary, secondary, and urban (A-B-C) highways, July 1, 1956, to June 30, 1961**

(Millions of dollars)

Fiscal year	Estimated revenue	A-B-C expenditures	Fiscal year	Estimated revenue	A-B-C expenditures
1957.....	\$578	\$758	1961.....	\$1,448	\$967
1958.....	1,300	836			
1959.....	1,330	1,112	Total.....	6,371	4,752
1960.....	1,415	1,079			

<sup>1</sup> Based on the following excise tax rates in effect prior to 1956 act:

Gasoline and special motor fuels: 2 cents per gallon, transferred to highway trust fund beginning July 1, 1956.

Trucks, buses, and trailers: 10 percent, of which 2 percentage points was transferred to highway trust fund for the fiscal year 1957 and 3 additional percentage points for subsequent years.

Tires: 3 cents per pound, transferred to highway trust fund beginning July 1, 1957.

Tubes: 9 cents per pound, transferred to highway trust fund beginning July 1, 1957.

<sup>2</sup> Estimated.

Your committee agrees with the House that the factors outlined above justify a modest diversion from the general fund of an amount equal to the remaining half of the truck tax.

A third significant area in which both the House and your committee's bills differ from the President's proposal is in the case of the diesel fuel tax. Both versions of the bill continue this tax at 4 cents a gallon whereas the President's proposal would raise this tax to 7 cents a gallon. Your committee considered this differential rate for diesel fuel, but concluded that such a change would not be desirable in view of the effect it would have in changing the relative competitive position of diesel- and gasoline-powered trucks.

### III. GENERAL EXPLANATION OF THE HIGHWAY FINANCING PROVIDED BY THE BILL

Table 4 shows the estimated revenues to the highway trust fund from the House bill and the modifications which your committee's amendments make in these new revenue sources. Table 5 shows the estimated revenues to the highway trust fund under existing legislation and the additional revenues provided by your committee's bill. Table 6 shows the revenue under your committee's bill in greater detail.

TABLE 4.—Comparison of estimated highway revenues under H.R. 6713 and H.R. 6713, as amended by your committee  
(In millions of dollars)

Fiscal year	Gasoline and other motor fuels, 4 cents per gallon			Manufacturers' taxes on—								Truck use tax on vehicles over 26,000 pounds, \$3 per 1,000 pounds (both bills)	Interest	Totals		
				Trucks, buses, and trailers			Tread rubber			Tires, 10 cents per pound (both bills)	Inner-tubes, 10 cents per pound (both bills)			House bill	Your committee's bill	Difference
	House bill	Your committee's bill <sup>1</sup>	Difference	House bill, 10 per cent of manufacturers' price	Your committee's bill <sup>2</sup>	Difference	House bill, 5 cents per pound	Your committee's bill, 4 cents per pound	Difference							
1962.....	2,418	2,418	-----	286	143	-143	24	20	-4	350	18	129	2	3,227	3,080	-147
1963.....	2,484	2,465	-19	292	292	-----	27	21	-6	358	18	137	3	3,319	3,291	-28
1964.....	2,522	2,533	-19	298	298	-----	29	23	-6	364	18	144	4	3,409	3,384	-25
1965.....	2,614	2,594	-20	306	306	-----	32	25	-7	370	18	151	4	3,495	3,468	-27
1966.....	2,675	2,655	-20	312	312	-----	33	26	-7	378	18	156	4	3,576	3,549	-27
1967.....	2,738	2,713	-25	318	318	-----	34	27	-7	385	18	162	4	3,654	3,627	-27
1968.....	2,792	2,771	-21	324	324	-----	35	28	-7	391	18	167	4	3,731	3,703	-28
1969.....	2,832	2,831	-1	328	328	-----	36	29	-7	400	18	169	4	3,807	3,779	-28
1970.....	2,918	2,896	-22	332	332	-----	37	30	-7	407	18	171	4	3,887	3,858	-29
1971.....	2,986	2,964	-22	338	338	-----	38	30	-8	417	18	175	4	3,976	3,946	-30
1972.....	3,060	3,037	-23	344	344	-----	40	32	-8	427	18	177	4	4,070	4,039	-31
1973 <sup>3</sup> .....	1,250	1,221	-29	64	64	-----	11	6	-5	112	4	30	4	1,475	1,441	-34
Total...	31,334	31,096	-236	3,542	3,399	-143	376	297	-79	4,350	202	1,788	45	41,626	41,168	-458

<sup>1</sup> Tax receipts less refunds. H.R. 6713 does not provide for a loss allowance, but H.R. 6713 as amended provides for a "1-percent loss allowance refund."

<sup>2</sup> Half of 10 percent goes to trust fund in fiscal year 1962, all thereafter.

<sup>3</sup> July through September.

Source: U.S. Department of Commerce, Bureau of Public Roads.

TABLE 5.—Estimated highway trust fund revenues under present law and revenues added by H.R. 6713 as amended by your committee

[In millions of dollars]

Fiscal year	Gasoline and other motor fuels, 3 cents per gallon <sup>1</sup>	Revenues under present law							Revenues added by H.R. 6713 as amended by your committee										Total present and new revenues available under bill			
		Manufacturer's taxes on—						Truck tire tax on vehicles over 26,000 pounds, \$1.50 per 1,000 pounds	Interest	Total revenues available under present law	Manufacturer's taxes on—						Truck tire tax on vehicles over 26,000 pounds, \$1.50 per 1,000 pounds	Net total revenues added by bill				
		Trucks, buses, and trailers, 5 percent	Tread rubber, 3 cents per pound	Tires, 8 cents or 5 cents per pound	Inner-tubes, 9 cents per pound	Automobiles, 5 percent	Parts and accessories, 5 percent				Gasoline and other motor fuels, 1 cent per gallon <sup>2</sup>	Trucks, buses, and trailers, 5 percent	Tread rubber, 1 cent per pound	Tires, 2 cents per pound	Inner-tubes, 1 cent per pound	Automobiles, less percent				Parts and accessories, less percent		
1957	1,326	34	11	82				26	3	1,482												
1958	1,608	111	13	244	17			33	18	2,044												1,482
1959	1,457	107	14	247	15			34	13	2,087												2,044
1960	2,044	142	15	281	19			38	-3	2,536												2,087
1961	2,362	142	15	279	16			45	-2	2,857												2,536
1962	1,804	143	15	286	16	679	131	50	2	3,216	524											2,857
1963	1,869	146	16	291	16	692	137	53	3	3,223	596	146	5	67	2	-679	-131	79	-136			3,216
1964	1,917	149	17	296	16	709	144	56	4	3,308	616	149	6	68	2	-682	-137	84	71			3,223
1965	1,965	153	19	301	16			59	4	3,308	629	153	6	69	2	-709	-144	88	76			3,308
1966	2,010	156	19	307	16			61	4	3,308	645	156	7	71	2			92	951			3,308
1967	2,054	159	20	313	16			63	4	3,308	659	159	7	72	2			95	976			3,308
1968	2,097	162	21	318	16			65	4	3,308	674	162	7	73	2			99	998			3,308
1969	2,142	164	22	325	16			66	4	3,308	689	164	7	75	2			102	1,020			3,308
1970	2,191	166	22	331	16			67	4	3,308	705	166	8	76	2			103	1,040			3,308
1971	2,242	169	23	339	16			68	4	3,308	722	169	7	78	2			104	1,061			3,308
1972	2,298	172	24	347	16			69	4	3,308	739	172	8	80	2			107	1,085			3,308
1973 <sup>3</sup>	319			2						321	902	64	6	110	4			108	1,109			3,308
Total	31,995	2,275	286	4,589	243	2,080	412	853	70	42,803	8,100	1,660	79	903	26	-2,080	-412	1,091	9,367			52,170

<sup>1</sup> Gasoline tax receipts less refunds. Temporary 4-cent rate, Oct. 1, 1959, through June 30, 1961.<sup>2</sup> Gasoline tax receipts less refunds.<sup>3</sup> From liabilities accrued prior to July 1, 1972, less floor stock refunds where applicable, under present law; from collections and liabilities accrued prior to Oct. 1, 1977, less floor stock refunds where applicable, under bill.

Source: U.S. Department of Commerce, Bureau of Public Roads.

TABLE 6.—*Estimated revenues to the highway trust fund under H.R. 6713 as amended by your committee, July 1, 1962, through Sept. 30, 1972*

(In millions of dollars)

Fiscal year	Motor fuel			Trucks and buses, 10 percent manufacturer's price <sup>2</sup>	Tires, 10 cents per pound	Inner-tubes, 10 cents per pound	Tread rubber, 4 cents per pound	Vehicle use, \$3 per 1,000 pounds gross vehicle weight	Total
	Gasoline, 4 cents per gallon <sup>1</sup>	Diesel, 4 cents per gallon	Total						
1962.....	2,325	93	2,418	143	350	18	20	129	2,078
1963.....	2,362	103	2,465	202	358	18	21	137	2,291
1964.....	2,418	115	2,533	298	364	18	23	144	2,380
1965.....	2,470	124	2,594	306	370	18	25	151	2,464
1966.....	2,523	132	2,655	312	378	18	26	156	2,545
1967.....	2,574	139	2,713	318	385	18	27	162	2,628
1968.....	2,626	145	2,771	324	391	18	28	167	2,699
1969.....	2,679	152	2,831	328	400	18	29	169	2,775
1970.....	2,738	158	2,896	332	407	18	30	171	2,854
1971.....	2,800	164	2,964	338	417	18	30	175	2,943
1972.....	2,865	172	3,037	344	427	18	32	177	3,035
1973 <sup>3</sup> .....	1,148	73	1,221	64	112	4	6	30	1,437

<sup>1</sup> Includes aviation gasoline; but all refunds, including 1 percent loss allowance refund, have been deducted.<sup>2</sup> Half to trust fund, half to general fund in fiscal year 1962; all to trust fund thereafter.<sup>3</sup> July through September.

Source: U.S. Department of Commerce, Bureau of Public Roads.

### 1. Motor fuel taxes

As indicated in these tables, the taxes on gasoline, special motor fuel and diesel fuel in the case of highway use at present are imposed at a rate of 4 cents a gallon. Without this action these taxes would revert to 3 cents a gallon as of July 1, 1961. Under the House and your committee's action the 4-cent rate will continue to apply until October 1, 1972. The President proposed the same rate of tax as that provided in the bill with respect to gasoline and special motor fuels. In the case of diesel fuels, however, he recommended an increase of the tax rate to 7 cents a gallon. The bill as amended by your committee also provides a special shrinkage or evaporation allowance for gasoline sold by retail dealers. This is discussed in greater detail in section VII below.

The revenue collections from these motor fuel taxes under existing legislation over the period from 1957 to 1972 will amount to almost \$32 billion. The new motor fuel taxes added by both the House and your committee's bill are expected to raise revenues of the fund by \$8.3 billion, over the period up to 1972. This represents an annual increase of between \$600 and \$700 million. This will raise aggregate collections from the fuel taxes over the period 1957 to 1972 to \$40.3 billion.

### 2. Taxes on tires, inner tubes and tread rubber

The bill also provides an increase in the taxes on tires, tubes, and tread rubber. The present tax on tires of the type used on the highway vehicles is 8 cents a pound. Both versions of the bill raise this rate to 10 cents a pound. The tax on inner tubes for tires now is 9 cents a pound and this also is raised by the House and your committee's bill to 10 cents a pound. The President in his message proposed increasing the tax on tires and tubes to the same levels.

The present tax on tread rubber is 3 cents a pound. Your committee's bill raises this rate to 4 cents a pound. All of these increases are made effective for the period from July 1, 1961, to October 1, 1972. The President would have raised the tax on tread rubber to 10 cents a pound.

The increases in the taxes on tires, tubes and tread rubber are expected to increase revenues for the highway trust fund for the period up to 1972 by \$1 billion under your committee's bill. Present law revenues from these taxes for the period 1957 to 1972 will amount to \$5.1 billion. Thus, aggregate revenues from these taxes can be expected to amount to about \$6.1 billion over the entire period of the trust fund. The additional annual revenues provided by these taxes can be expected to range from \$71 to \$90 million. Your committee's action with respect to these taxes raises from \$4 to \$8 million a year less than the House bill because of the lower tread-rubber tax. Over the period up to 1972 this is expected to amount to \$79 million in aggregate.

### *3. Use tax on trucks*

The third source of new revenue provided by the bill is the increase made in the tax on the use of motor vehicles weighing more than 26,000 pounds. Both versions of the bill raise this to \$3 a year effective for the fiscal year beginning July 1, 1961, and continues it at this level until October 1, 1972. The President has proposed an increase in this tax to the rate of \$5 per 1,000 pounds. The bill also provides for the payment of this use tax in quarterly installments. This installment procedure is described in greater detail in section V below.

For the period from 1957 to 1972 the changes made in the motor vehicle use tax will increase revenues by \$1,091 million. The tax of \$1.50 provided by present law over the period from 1957 to 1972 is shown as resulting in revenue for the fund of \$853 million. Although the tax provided by the bill is a 100-percent increase in the rate, it will be noted that the revenue increase of \$1,091 is considerably above a 100-percent increase. This is due to the fact that under present law a substantial portion of tax due in this case apparently is not now being collected. The House Committee on Ways and Means has requested the Treasury Department to report back to it by the end of this year on practical means of better enforcement for this tax, as well as asking it to consider various other possible modifications in the regulations governing the liability of taxpayers for this tax. It is believed that it will be possible in the future to obtain substantially greater compliance with this tax and as a result in your committee's estimates it is assuming the tax is collected in full. Also, the weight classifications for trucks now provided in the regulations are to be reviewed by the House Committee on Ways and Means and this also may result in changes in the classification which will raise the revenue collected from this tax.

### *4. Three months' extension of trust fund*

The fourth source of revenue provided by both versions of the bill is a 3-month extension of the life of the highway trust fund beyond June 30, 1972. Thus, the revenues provided by present law, as well

as the new revenues provided under the bill, will continue to be devoted to the highway trust fund until October 1, 1972. This also means that those taxes which otherwise were scheduled to revert to a lower rate or to expire as of June 30, 1972, under the bill will continue at present or proposed rates until October 1, 1972. Thus, the 4-cent tax on gasoline, special motor fuels, and diesel fuel will revert to 1½ cents as of this date. Also, the 10-cent tax on tires of the type used on highway vehicles and on inner tubes will revert to 5 and 9 cents a pound, respectively, as of that date. In addition, as of that date the 5-cent tax on tread rubber will expire as also will the use tax on highway vehicles weighing over 26,000 pounds.

The effect of continuing the highway trust fund for these additional 3 months will be to increase revenues of the highway trust fund by \$1,150 million. Thus, as is shown on table 5, all of the \$1,471 million expected to be collected in the fiscal year 1973, except the \$321 million (shown as revenues under present law) attributable to liability incurred before June 30, 1973, represents new highway trust fund revenue resulting from this extension.

*5. Dedication of manufacturers' tax on trucks, etc., to fund*

The fifth source of revenue provided by the bill is the dedication of the remaining 5 percentage points of the manufacturers' tax on trucks, buses, and trailers to the highway trust fund. Five percentage points of this tax has been dedicated to this fund since 1956. The House bill dedicates the remaining 5 percentage points to the highway trust fund beginning July 1, 1961, and your committee's bill, beginning July 1, 1962. The highway trust fund is expected to derive \$1.660 billion in additional revenue as a result of this additional tax under your committee's bill (\$143 million less than under the House bill). This, together with the \$2.3 billion derived from this source under existing law, means that the highway trust fund will derive approximately \$3.9 billion from this revenue source over the life of the highway trust fund.

*6. Repeal of provision dedicating auto and parts taxes to fund*

Both versions of the bill prevent the transfer from the general fund to the highway trust fund of 5 percentage points of the taxes on passenger cars, etc., and on auto parts and accessories. Under present law, as a result of the action taken by Congress in 1959, these taxes (to the extent indicated) would have been dedicated to the highway trust fund for the period beginning July 1, 1961, and ending June 30, 1964. Under the bill these revenues will remain in the general fund. This is in conformity with the recommendation of the President. The manufacturers' tax on automobiles would have raised highway trust fund revenues by between \$679 and \$709 million in each of the 3 years involved. Similarly, the revenue from the manufacturers' tax on auto parts and accessories would have increased revenues in each of these 3 years in an amount varying from \$131 to \$144 million. For the 3-year period these taxes would have increased highway trust fund revenues by about \$2.5 billion. This loss of revenue to the highway trust fund is more than compensated for by continuing the tax on gasoline at 4 cents and by the other revenue increases referred to above.

### *7. Further recommendations of the President*

The President in his message on the highway program also requested two further actions affecting the financing of the highway trust fund. He recommended that Congress transfer the financing of the forest and public land highways to the highway trust fund and also that Congress transfer aviation fuel tax receipts to the general fund instead of retaining them in the highway trust fund as is presently done. This action is not taken in either version of this bill. In the case of the forest and public land highways the question arises as to whether these are more properly a charge on the general fund. Leaving these expenditure programs in the general fund has the effect of reducing expenditures which otherwise would have to be made from the highway trust fund by an estimated \$397 million over the period until 1972, an annual effect of \$36 or \$37 million.

The President in his recent tax message recommended the imposition of a tax on aviation fuel other than gasoline; namely, jet fuel. He would initially impose this jet fuel tax at the rate of 2 cents a gallon. However, he would then provide annual increments in this rate, and also in the rate of the tax on gasoline used by airplanes, of one-half cent a year until "the portion of the cost of the airways properly allocable to civil aviation is substantially recovered by the tax." The House Committee on Ways and Means decided in the case of the aviation fuel presently dedicated to the highway trust fund that it would be desirable to postpone any action on the President's recommendation with respect to removing this from the trust fund until it could consider this larger problem raised by the President with respect to aviation fuel. Removing the aviation fuel from the highway trust fund would have resulted in a decrease in highway trust fund revenues of \$164 million, or an annual revenue loss of from \$18 to \$23 million.

### *8. Effect of changes on apportionments and expenditures*

Tables 7, 8, and 9 show the apportionments and expenditures which can be made with the existing, the House, and your committee's provision for financing the highway trust fund. The aggregate revenues available for the trust fund under existing legislation for the entire period it is in existence, as shown on table 7, is expected to be \$42.8 billion. The estimated total revenue over the life of the highway trust fund after the changes made by the House bill is \$52.6 billion and after changes made by your committee is \$52.17 billion. This indicates that your committee's bill will increase the revenues of the highway trust fund by \$9.37 billion over the period from July 1, 1961, to September 30, 1972, or, on the average, by approximately \$845 million in each of these 11¼ years.

TABLE 7.—Estimated status of highway trust fund under existing legislation

(In millions of dollars)

Fiscal year	Apportionments		Expenditures		Revenues	Balance in the fund on June 30
	Interstate	Primary, secondary, and urban <sup>1</sup>	Interstate	Primary, secondary, and urban <sup>1</sup>		
From before 1957.....	140	965	.....	.....	.....	.....
1957.....	1,175	829	208	758	1,482	516
1958.....	1,700	859	675	836	2,044	1,049
1959.....	2,200	1,381	1,501	1,112	2,087	821
1960.....	2,500	906	1,861	1,079	2,536	119
1961.....	1,800	883	1,901	967	2,857	108
1962.....	2,200	884	2,078	913	3,216	333
1963.....	2,000	935	2,378	913	3,223	366
1964.....	1,500	935	2,141	928	3,308	605
1965.....	1,500	935	1,838	940	2,617	341
1966.....	1,600	935	1,670	941	2,573	306
1967.....	1,700	935	1,673	944	2,629	318
1968.....	1,900	935	1,703	943	2,083	353
1969.....	1,900	935	1,795	943	2,739	354
1970.....	1,625	935	1,746	943	2,797	463
1971.....	.....	935	1,746	943	2,861	634
1972.....	.....	935	624	943	2,930	1,997
After 1972.....	.....	.....	.....	.....	321	2,318
Total.....	25,440	16,037	25,440	18,045	42,803	.....

<sup>1</sup> Includes emergency relief as well as special funds totaling \$502,000,000 apportioned for 1959.<sup>2</sup> Receipts on tax liabilities accrued prior to July 1, 1972.

TABLE 8.—Estimated status of highway trust fund under House bill

(In millions of dollars)

Fiscal year	Apportionments		Expenditures		Revenues			Balance in the fund on June 30
	Interstate	Primary, secondary, and urban <sup>1</sup>	Interstate	Primary, secondary, and urban <sup>1</sup>	Present sources	Additional	Total	
From before—	.....	.....	.....	.....	.....	.....	.....	.....
1957.....	140	965	.....	.....	.....	.....	.....	.....
1957.....	1,175	829	208	758	1,482	.....	1,482	516
1958.....	1,700	859	675	836	2,044	.....	2,044	1,019
1959.....	2,200	1,381	1,501	1,112	2,087	.....	2,087	821
1960.....	2,500	906	1,861	1,079	2,536	.....	2,536	119
1961.....	1,800	883	1,901	967	2,857	.....	2,857	108
1962.....	2,200	884	2,189	913	3,216	11	3,227	283
1963.....	2,400	930	2,326	898	3,223	96	3,319	378
1964.....	2,600	955	2,451	977	3,308	101	3,409	409
1965.....	2,700	935	2,552	923	2,517	978	3,495	429
1966.....	2,800	980	2,615	933	2,573	1,003	3,576	428
1967.....	2,900	980	2,739	949	2,629	1,025	3,654	391
1968.....	3,000	1,005	2,838	958	2,683	1,048	3,731	329
1969.....	3,000	1,005	2,886	972	2,739	1,068	3,807	298
1970.....	3,000	1,005	2,801	977	2,797	1,090	3,887	307
1971.....	2,885	1,005	2,992	979	2,861	1,115	3,976	312
1972.....	.....	1,005	3,101	966	2,930	1,140	4,070	312
Through Sept. 30, 1972.....	.....	.....	1,301	317	321	<sup>2</sup> 1,150	1,471	165
Total.....	37,000	16,532	37,000	16,463	42,803	9,825	52,628	.....

<sup>1</sup> Includes emergency relief program, as well as special funds totaling \$502,000,000 apportioned for 1959.<sup>2</sup> Receipts on tax liabilities accrued prior to Sept. 30, 1972.

TABLE 9.—*Estimated status of highway trust fund under your committee's bill*  
(In millions of dollars)

Fiscal year	Apportionments		Expenditures		Revenues			Balance in the fund on June 30
	Interstate	Primary, secondary, and urban <sup>1</sup>	Interstate	Primary, secondary, and urban <sup>1</sup>	Present sources	Additional	Total	
From before 1957.....	140	965						
1957.....	1,175	829	218	758	1,482		1,482	816
1958.....	1,700	859	675	836	2,044		2,044	1,049
1959.....	2,200	1,381	1,501	1,112	2,087		2,087	523
1960.....	2,500	946	1,801	1,079	2,536		2,536	119
1961.....	1,800	883	1,001	967	2,857		2,857	108
1962.....	2,200	884	2,139	913	3,216	-136	3,080	136
1963.....	2,400	930	2,315	898	3,223	71	3,294	217
1964.....	2,500	955	2,408	927	3,308	76	3,384	206
1965.....	2,600	955	2,515	923	3,517	951	3,466	206
1966.....	2,700	980	2,579	932	3,573	976	3,549	334
1967.....	2,800	980	2,651	949	3,629	998	3,627	358
1968.....	3,000	1,005	2,751	958	3,683	1,020	3,703	349
1969.....	3,100	1,005	2,834	972	3,739	1,040	3,779	322
1970.....	3,100	1,005	2,935	977	3,797	1,061	3,858	308
1971.....	3,085	1,005	3,075	979	3,861	1,085	3,946	100
1972.....		1,005	3,233	960	2,930	1,109	4,039	
1973.....			1,413	317	321	1,116	1,437	-293
Total.....	37,000	16,532	37,000	15,463	42,803	9,367	52,170	.....

<sup>1</sup> Includes emergency relief program, as well as special funds totaling \$532,000,000 apportioned for 1959.

<sup>2</sup> Apportionment of \$100,000,000 of fiscal year authorization deferred pursuant to sec. 209(g) of 1956 act.

<sup>3</sup> Includes apportionment of amounts deferred from prior years.

<sup>4</sup> Amount not available in highway trust fund from revenues provided by Senate Finance Committee bill, assumed to be provided from other sources.

Cost estimates submitted to Congress this last January pursuant to provisions of section 104(b) (5) of title 23, United States Code (II. Doc. 49, 87th Cong., 1st sess.), indicate that additional interstate authorizations totaling \$11.56 billion are needed for completion of the \$37 billion interstate highway program. The President in his message on the highway program also requested that the apportionment for the regular A-B-C systems of primary, secondary, and urban roads now fixed at an annual level of \$925 million be increased by \$25 million a year every 2 years beginning in 1964 until the \$1 billion level is reached and then that these apportionments be maintained at that level. The additional funds required in future years for the step-up in A-B-C expenditures and for emergency relief and special funds are \$418 million (the difference between the A-B-C expenditures shown on table 7 and those shown on table 8). This \$418 million, plus the \$11,560 million of additional funds required by the Interstate System indicates a need for \$11,978 million in additional expenditures. The amount provided under your committee bill is the total of the trust fund balance (see table 7) of \$2,318 million plus the new revenues of \$9,367 million (see table 9), which is within \$293 million of the amount required.

#### IV. THE COST ALLOCATION STUDY

The development of title II of the bill in part was based on an analysis of the proper ways of allocating the cost of highways among various classes of beneficiaries. The highway cost allocation study was developed by the Bureau of Public Roads pursuant to the provisions of section 210 of the Highway Revenue Act of 1956, as amended

by section 2 of the act approved August 28, 1958. This study was ordered—

to make available to the Congress information on the basis of which it may determine what taxes should be imposed \* \* \* to assure insofar as practicable an equitable distribution of the tax burden among the various classes of persons using the Federal-aid highways or otherwise deriving benefits from such highways.

This report was submitted to the Congress January 10, 1961, and printed as House Documents 54 and 72, 87th Congress, 1st session.

### *1. Highway revenues and the general fund*

The highway cost allocation study first analyzed in detail the question of how much of the Federal cost of highways should be borne by taxes on the general public and how much should be borne by taxes specifically on highway users. The conclusions reached in the cost allocation study can be summarized as follows:

Revenue requirements of calendar year 1964 <sup>1</sup> -----	\$3,548,500
Net allocation to motor-vehicle user taxes-----	\$3,274,708
Percentage distribution to users-----	92.29

#### Allocation to other revenue sources:

(1) Direct cost items not chargeable to motor vehicle users:	
Funds apportioned to Puerto Rico-----	\$0,663
Military loading (bridges)-----	1,182
Military vertical clearance-----	5,068
Navigational clearance-----	11,179
Public utility relocations-----	50,728
Total-----	74,838
(2) General allocation-----	108,864
(3) Total allocation to other revenue sources-----	279,702
Percentage distribution to non-users-----	7.71

<sup>1</sup>Assuming completion of the Interstate System by July 1, 1972.

Source: Highway Cost Allocation Study, p. 145.

This tabulation is the source of the widely quoted figure that 8 percent of the cost of the highway system should be borne by the general public rather than paid for through user taxes. It will be noted that nearly three-quarters of the nonhighway user allocation is attributable to an item shown in the tabulation as "general allocation." This is the result achieved through combining several methods of estimating the benefits to local property owners of a highway system. There is also included in the 8 percent several other direct costs not incurred for the benefit of the driving public. These are costs of public utility relocations, costs incurred to meet military and navigational requirements, and certain funds apportioned to Puerto Rico.

This tabulation of the highway cost does not include any allocation to the general fund on the grounds that the Interstate System is of great potential value in a possible future war.

The forecasted level of Federal-aid highway expenditures for the 1962 year is in the neighborhood of \$3.1 billion, 8 percent of which is approximately \$250 million.

### *2. Allocation between classes of users*

The other principal problem dealt with by the highway cost allocation study was the question of the relative tax burdens which

should be imposed upon different classes of users, namely, passenger automobiles, buses, and trucks of various sizes.

The highway cost allocation study developed allocations under several different methods of spreading costs between various classes of users but attention was concentrated on the results developed under two of these methods, namely, the incremental method and the differential benefit method.

The incremental method was applied on the basis of a detailed analysis of the results of a 4-year study, on a specially designed test road, conducted under the auspices of the American Association of State Highway Officials. In principle, the incremental cost method attempts to classify the various highway costs and to associate each of these classes with the particular class of user for whose benefit they were incurred. The incremental method allocates general costs on a mileage basis but allocates additional increments of costs to the special types of road users which make the incurring of these costs necessary.

In the differential benefit study, an estimate was made of the relative advantages derived from the Federal-aid highways by various classes of users. These relative advantages, or differential benefits, were then used as a basis for allocating the annual cost to the various classes of users.

The differential benefit analysis involved first identifying the types of benefit from highway improvement capable of measurement. The benefits taken into account were reduction in vehicle operating cost, reduction in cost of accidents, reduction in traveltime, and reduction in driver strain and discomfort.

The effect of highway improvements on reduced accident costs, reduced cost of vehicle maintenance, etc., was determined from a number of special studies.

The various features of highway improvement which gave rise to one or more of the types of benefits listed above were the following:

- Reduction in surface roughness.
- Increase in lane width.
- Increase in number of lanes.
- Reduction in travel distance.
- Reduction in rise and fall.
- Elimination of grade level intersections.
- Elimination of access points.
- Elimination of sharp curves.

Table 10 indicates for various types of vehicles the estimated annual tax responsibility developed under the differential benefit method and incremental method. It also shows the burden of highway trust fund taxes on each of these vehicles on the basis of the law in effect during the fiscal year 1961, on the basis of the law as provided by the House bill, on the basis of that provided by your committee's bill and on the basis of the President's proposal. The estimated tax responsibility shown under the two allocation methods on this table are developed by assigning to the highway users only 92 percent of the costs of the highway program, since the study assumed that the remaining 8 percent should be borne by nonhighway users.

A comparison of the payments required under the bill with the two methods for allocating costs shown in table 10 indicates that in the case

TABLE 10.—Federal excise payments per mile to the highway trust fund under present law, the President's proposal, House bill, and your committee's bill, compared to cost responsibility indicated by the incremental and differential benefit cost studies

Vehicle type	Cents per mile						Ratio to automobile tax responsibility indicated by incremental cost study					Ratio to automobile tax responsibility indicated by differential benefit study				
	Incremental cost	Differential benefit	Present law <sup>1</sup>	President's proposal <sup>2</sup>	House bill	Your committee's bill	Incremental cost	Present law <sup>1</sup>	President's proposal <sup>2</sup>	House bill	Your committee's bill	Differential benefit	Present law <sup>1</sup>	President's proposal <sup>2</sup>	House bill	Your committee's bill
Automobile.....	0.313	0.323	0.307	0.320	0.315	0.313	1.00	0.98	1.02	1.01	1.00	1.00	0.95	0.99	0.98	0.97
Single unit trucks:																
2-axle, 4-tire.....	.267	.356	.437	.451	.517	.516	.85	1.40	1.44	1.65	1.65	1.10	1.25	1.40	1.60	1.60
2-axle, 6-tire.....	.458	.458	.664	.702	.802	.799	1.46	2.12	2.24	2.56	2.55	1.42	2.06	2.17	2.48	2.47
Combinations with semitrailers:																
3-axle, 40,000 pounds gross vehicle weight:																
Gasoline powered.....	1.428	1.263	1.191	1.392	1.518	1.513	4.56	3.81	5.09	4.85	4.83	3.91	3.69	4.93	4.70	4.68
Diesel powered.....	1.428	1.263	1.023	1.882	1.371	1.367	4.56	3.27	6.01	4.38	4.37	3.91	3.17	5.83	4.24	4.23
4-axle, 55,000 pounds gross vehicle weight:																
Gasoline powered.....	1.808	1.452	1.428	1.833	1.781	1.774	5.78	4.56	5.86	5.09	5.67	4.50	4.42	5.67	5.51	5.49
Diesel powered.....	1.808	1.452	1.167	2.117	1.541	1.534	5.78	3.73	6.76	4.92	4.90	4.50	3.61	6.55	4.77	4.75
5-axle, 72,000 pounds gross vehicle weight:																
Gasoline powered.....	2.527	1.779	1.880	2.387	2.309	2.298	8.07	6.01	7.63	7.38	7.34	5.51	5.82	7.29	7.15	7.11
Diesel powered.....	2.527	1.779	1.486	2.691	1.938	1.927	8.07	4.75	8.60	6.19	6.16	5.51	4.60	8.33	6.00	5.97

<sup>1</sup> Tax ratio in effect Jan. 1, 1961.

<sup>2</sup> Included in the President's message of Feb. 28, 1961.

Source: U.S. Department of Commerce, Bureau of Public Roads.

of automobiles the payment provided under your committee's bill lies between the differential benefit method and the incremental method. Here the differential benefit allocation method is slightly higher than either the payment under the committee bill or the incremental method. In the case of pickup trucks and stake trucks (the 2-axle 4-tire and 2-axle 6-tire trucks), the cost under the committee bill is higher than under either of the cost allocation methods. It is difficult not to assign too large a share of the tax to these classes of trucks because of their relatively low mileage. Also, in this case the manufacturers' tax on trucks is an important item and is the reason why the cost under the committee bill in these cases exceeds the cost under the President's proposal. (Under his proposal this same cost exists for the vehicle owner but is charged to the general fund.)

For vehicle combinations such as truck, tractors, and trailers, the payments under the bill, with one exception, fall between the charges which would be made under the differential benefit and incremental methods. The exception is in the 3-axle gasoline-powered vehicle.

Your committee believes that it is proper for the burden under the bill to fall between the charges provided by the two methods insofar as possible. It takes this view because in part it appears desirable that the cost be spread on the basis of benefits in the various classes of users and in part that it be spread on the basis of the additional costs incurred because of each of the various classes of users. It will be noted that the President's proposal much more closely follows the incremental method, ignoring almost entirely the differential benefit method.

Table 11 shows, by individual taxes, how the cost per selected vehicle is derived and this is compared with the payments required under the incremental method and differential benefit method.

TABLE 11.—*Estimates of annual trust fund revenues from selected vehicles, under existing legislation, and your committee's bill, compared to estimated tax responsibility*

	Gasoline	Diesel	Vehicle excise	Tires	Inner-tubes	Tread rubber	Parts and accessories	Vehicle use	Total
<b>Automobile:</b>									
Trust fund revenue from—									
Existing law for—									
Fiscal year 1961.....	\$26.84	-----	-----	\$2.15	\$0.12	\$0.32	-----	-----	\$29.43
Fiscal year 1964.....	20.13	-----	\$11.10	2.15	.12	.32	\$0.60	-----	34.42
H.R. 6713 amended by your committee, 1964.	26.84	-----	-----	2.69	.13	.43	-----	-----	30.09
Required payment under—									
Incremental method.....	-----	-----	-----	-----	-----	-----	-----	-----	30.00
Differential benefit method.....	-----	-----	-----	-----	-----	-----	-----	-----	31.00
<b>2-axle, 4-tire truck:</b>									
Trust fund revenue from—									
Existing law for—									
Fiscal year 1961.....	30.00	-----	6.39	2.39	.25	.27	-----	-----	39.30
Fiscal year 1964.....	22.50	-----	6.39	2.39	.25	.27	.51	-----	32.31
H.R. 6713 amended by your committee, 1964.	30.00	-----	12.78	2.99	.28	.36	-----	-----	46.41
Required payment under—									
Incremental method.....	-----	-----	-----	-----	-----	-----	-----	-----	21.00
Differential benefit method.....	-----	-----	-----	-----	-----	-----	-----	-----	32.00
<b>2-axle, 6-tire truck:</b>									
Trust fund revenue from—									
Existing law for—									
Fiscal year 1961.....	56.48	-----	13.80	7.13	1.20	1.13	-----	-----	79.74
Fiscal year 1964.....	42.36	-----	13.80	7.13	1.20	1.13	1.16	-----	66.78
H.R. 6713 amended by your committee, 1964.	56.48	-----	27.00	8.91	1.33	1.50	-----	-----	95.82

TABLE 11.—*Estimates of annual trust fund revenues from selected vehicles, under existing legislation, and your committee's bill, compared to estimated tax responsibility—Continued*

	Gasoline	Diesel	Vehicle excise	Tires	Inner- tubes	Tread rubber	Parts and accessories	Vehicle use	Total
2-axle, 6-tire truck.—Cont.									
Required payment under—									
Incremental method.....									\$55.00
Differential benefit method.....									55.00
3-axle gasoline tractor semitrailer combination:									
Trust fund revenue from—									
Existing law for—									
Fiscal year 1961.....	\$320.00		\$59.75	\$27.87	\$3.15	\$5.61		\$60	476.38
Fiscal year 1964.....	240.00		59.75	27.87	3.15	5.61	6.85	60	403.23
H.R. 6713 amended by your committee, 1964.....	320.00		119.50	31.84	3.50	7.43		120	605.32
Required payment under—									
Incremental method.....									571.00
Differential benefit method.....									505.00
3-axle diesel tractor semitrailer combination:									
Trust fund revenue from—									
Existing law for—									
Fiscal year 1961.....		\$244.28	68.25	27.87	3.15	5.61		60	409.16
Fiscal year 1964.....		183.21	68.25	27.87	3.15	5.61	4.39	60	352.45
H.R. 6713 amended by your committee, 1964.....		244.28	136.50	31.84	3.50	7.43		120	546.60
Required payment under—									
Incremental method.....									571.00
Differential benefit method.....									505.00
4-axle gasoline tractor semi- trailer combination:									
Trust fund revenue from—									
Existing law for—									
Fiscal year 1961.....	606.08		98.14	58.53	7.35	11.79		75.00	856.89
Fiscal year 1964.....	451.56		98.14	58.53	7.35	11.79	12.83	75.00	718.20
H.R. 6713 amended by your committee, 1964.....	606.08		196.28	73.16	8.17	15.72		165.00	1,064.41
Required payment under—									
Incremental method.....									1,085.00
Differential benefit method.....									871.00
4-axle diesel tractor semitrailer combination:									
Trust fund revenue from—									
Existing law for—									
Fiscal year 1961.....	436.36	110.99	58.53	7.35	11.79			75.00	700.02
Fiscal year 1964.....	327.27	110.99	58.53	7.35	11.79	8.56		75.00	599.49
H.R. 6713 amended by your committee, 1964.....	436.36	221.98	73.16	8.17	15.72			165.00	920.39
Required payment under—									
Incremental method.....									1,085.00
Differential benefit method.....									871.00
5-axle gasoline tractor semi- trailer combination:									
Trust fund revenue from—									
Existing law for—									
Fiscal year 1961.....	942.76		127.25	121.24	12.14	22.73		90.00	1,316.12
Fiscal year 1964.....	707.07		127.25	121.24	12.14	22.73	23.96	90.00	1,104.39
H.R. 6713 amended by your committee, 1964.....	942.76		254.50	151.55	13.49	30.30		216.00	1,608.60
Required payment under—									
Incremental method.....									1,769.00
Differential benefit method.....									1,245.00
5-axle diesel tractor semitrailer combination:									
Trust fund revenue from—									
Existing law for—									
Fiscal year 1961.....	651.16	143.18	121.24	12.14	22.73			90.00	1,040.45
Fiscal year 1964.....	488.37	143.18	121.24	12.14	22.73	12.78		90.00	890.44
H.R. 6713 amended by your committee, 1964.....	651.16	286.36	151.55	13.49	30.30			216.00	1,348.86
Required payment under—									
Incremental method.....									1,769.00
Differential benefit method.....									1,245.00

Source: U.S. Department of Commerce, Bureau of Public Roads.

## V. INSTALLMENT PAYMENTS OF TAX ON THE USE OF HIGHWAY VEHICLES

Both versions of the bill add a new provision to the Internal Revenue Code (sec. 6156) providing that those subject to the tax on the use of highway motor vehicles weighing over 26,000 pounds may elect to pay this tax in installments. This provision has been added to title II of the bill because it was recognized that, in the case of truckers operating on quite limited funds, the requirement that this entire tax be paid in one payment works a real financial hardship.

Under existing regulations, any person incurring liability for this use tax is required to file a return on or before the last day of the next month after that in which the first use of any motor vehicle occurs. (Under this, of course, a taxpayer may be required to file more than one return during the year and under the new provision a separate election to pay an installment may be made with each such return unless the return is filed in the last 3 months of the fiscal year.) Under the bill the first installment of tax is due at the same time the return must be filed. The second installment is due on or before the last day of the third month following the calendar quarter in which liability was incurred. The third installment, if any is due, must be paid on or before the last day of the sixth month following the calendar quarter in which liability was incurred, and the fourth installment, if any is due, must be paid on or before the last day of the ninth month following the calendar quarter in which liability was incurred. The tabulation presented below has been worked out to show the installment due dates described by the bill based on the presently prescribed date for filing the return. This table of payments, it will be noted, presents a plan for regularizing all payments after the initial payment which, of course, is determined by the month in which liability is first incurred.

If the liability was incurred in—	1st installment is due on or before the last day of—	2d installment is due on or before the last day of—	3d installment is due on or before the last day of—	4th installment is due on or before the last day of—
July.....	August.....	December.....	March.....	June.....
August.....	September.....	December.....	March.....	June.....
September.....	October.....	December.....	March.....	June.....
October.....	November.....	March.....	June.....	
November.....	December.....	March.....	June.....	
December.....	January.....	March.....	June.....	
January.....	February.....	June.....		
February.....	March.....	June.....		
March.....	April.....	June.....		

Where a vehicle subject to this tax is sold during the year, it is possible for two persons to become liable for this tax. However, provision is made to prevent doubling up of tax payments in such cases. The person in whose name the vehicle is registered at the time of the first taxable use incurs liability for the total tax at the time of such first use of the vehicle. This liability is for the total tax even though he elects to pay the tax in installments, and sells the vehicle to another person before the end of the taxable year. Although the first owner of the vehicle is liable for the full payment of the tax (even for installments due after selling the vehicle), if he fails to pay

either the total tax or any installment when due, the second owner may be required to pay any tax remaining due. His liability begins in the month in which he is notified of it by the District Director of Internal Revenue. He may then pay the tax in installments if more than 8 months remain in the fiscal year.

Technical provisions added in connection with this installment privilege are similar to those applicable in other cases where taxes are paid in installments. Thus, where any part of a tax is omitted from a return filed by a taxpayer who has elected the installment privilege, this additional tax is prorated equally to all installments, whether paid or unpaid, for which the election has been made. The additional tax prorated to the installments already due must be paid upon notice and demand from the Secretary of the Treasury or his delegate. Also, where a taxpayer fails to pay an installment on or before the date prescribed for payment, the bill provides that the entire unpaid tax must be paid upon notice and demand from the Secretary of the Treasury or his delegate.

Interest on underpayments of installments runs from the due date for the installment. However, where the installment privilege has been terminated, and the time for payment of remaining installments accelerated by the issuance of a notice and demand, interest on these installments runs from the date of the notice and demand. Interest on additional tax prorated as described above is to run from the date prescribed for the payment of the first installment.

## **VI. GASOLINE SOLD FOR USE FOR NONFUEL PURPOSES AS MATERIAL IN MANUFACTURE OF ANOTHER ARTICLE**

At the present time petroleum products, other than gasoline, such as methane, pentane, and propane are widely used as raw feed stock by chemical companies in the manufacture of plastics and petrochemicals. Under present law these products when sold for use or used by any person for the propulsion of a motor vehicle, motorboat or airplane are subject to the same 4-cent tax as gasoline. However, when these products are sold to chemical companies for uses such as those referred to above, no tax is applicable. Gasoline, on the other hand, under present law is subject to a 4-cent tax, except that where it is used for nonhighway purposes a 2-cent refund may be claimed.

The chemical companies have found that natural gasoline also is capable of being used in the manufacture of plastics and other petrochemicals. It has been reported that it is an excellent charging stock for petrochemical manufacturing, being suitable to supplement existing chemical raw feed stocks. Pilot plant experiments in the use of casinghead and natural gasoline in the manufacture of plastics and other petrochemicals also have proved successful. However, gasoline has not been used in the manner commercially primarily because of the net 2-cent-a-gallon tax which must be paid.

Your committee believes that it is unfortunate to in effect prevent the use of gasoline in the manufacture of other nonfuel articles. This is contrary to the policy the Congress has followed in generally not taxing articles which are used in the manufacture of other articles.

As a result of these considerations, title II of both versions of the bill provides an exemption from the gasoline tax in the case of gasoline sold for use by the purchaser (or his purchaser) for nonfuel purposes as a material in the manufacture of another article to be produced by the purchaser (or second purchaser).

For the exemption to apply, the gasoline must be sold for use as an ingredient of the article being manufactured or produced, as would be the case where it is used as an ingredient in plastics or petrochemicals. The exemption does not apply if the gasoline is consumed in the manufacturing process rather than being an ingredient in the finished product. Thus, for example, gasoline used to power machinery at a plant would not be considered as used as a material in the manufacture or production of an article being manufactured or produced at such a plant.

The phrase "for nonfuel purposes" is intended to make it clear that this exemption does not apply even though the gasoline becomes a component part, or is used as a material in, another article if the gasoline serves as a fuel either by itself, or as a fuel additive to another product. No change in present law is intended in this respect.

The bill also amends the code (sec. 4218) to permit a similar exemption from tax where the producer or importer of the gasoline himself makes a nonfuel use of the gasoline as a material in the manufacture or production of another article. In addition, the bill amends the code (sec. 6416(b)(3)) to permit a credit or refund of the tax paid on gasoline where the purchaser uses it for nonfuel purposes as a material in the manufacture or production of another article.

Since gasoline presently is not being used for the purposes described above, and since it appears unlikely that it will be so used so long as the present tax applies, it is believed that this exemption will not result in any loss of revenue. This exemption, or credit, or refund, in the case of gasoline used by a person other than the producer or importer is to apply with respect to gasoline sold on or after October 1, 1961, and in the case of gasoline used by the producer or importer himself is to apply to gasoline used on or after that date.

## **VII. PAYMENTS TO RETAILERS FOR GASOLINE TO COMPENSATE FOR TAX LOST BY SHRINKAGE, EVAPORATION, ETC.**

Your committee has added an amendment to the bill providing that retail dealers of gasoline are to be compensated for the tax paid on gasoline which is lost by shrinkage, evaporation, or other causes. The payment is to be 1 percent of the gasoline tax on the gasoline sold by the dealer.

Under present law the Federal tax on gasoline is imposed on the producer, importer or wholesale distributor of the gasoline and is payable shortly after he makes his sale. Thus, for the producer, importer, or wholesale distributor losses through shrinkage or evaporation, etc., while the gasoline is in his possession do not result in the payment of tax on a larger amount than that sold. In the case of a retail dealer, however, since the tax is usually imposed on the person from whom he makes the purchase, any amount of gasoline he loses is tax-paid gasoline. In the past, when the tax was imposed only on

the producer or importer, Congress recognized that this type of treatment discriminated against wholesale distributors and as a result in 1959 permitted these distributors to buy gasoline on a tax-free basis and pay the tax at the time they made their sale. It is not practical, however, to collect the gasoline tax from each of the many retail gasoline dealers, however, at the time they make their sales. As a result, in order to remove this discrimination in the case of retail dealers, your committee's amendment, in lieu of imposing a tax at the retail level, grants the 1 percent shrinkage allowance to the dealers.

Claims for payment of this allowance are to be filed on an annual basis for the year ending June 30. The claims must be filed within 8 months of the end of such a year.

No allowance is to be paid to any retail dealer for gasoline sold by him if the Treasury Department determines the gasoline was exempt from the gasoline tax, the tax is refundable to any one, or with respect to gasoline used on farms or gasoline used for certain nonhighway purposes of by local transit systems (under sec. 6421). Also, no allowance is to be paid to a retail dealer for gasoline sold by him to another dealer including a wholesale dealer or distributor of gasoline.

This allowance with respect to shrinkage, evaporation, etc., is to be available only with respect to gasoline sold by retail dealers after June 30, 1961.

Since all of the receipts from the gasoline tax are appropriated to the highway trust fund, provision is made for reimbursement of the general fund of the Treasury by the highway trust fund for these allowances paid to retail dealers.

## VIII. 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 title II of the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in roman):

### HIGHWAY REVENUE ACT OF 1956

#### SEC. 209. HIGHWAY TRUST FUND.

(a) **CREATION OF TRUST FUND.**—There is hereby established in the Treasury of the United States a trust fund to be known as the "Highway Trust Fund" (hereinafter in this section called the "Trust Fund"). The Trust Fund shall consist of such amounts as may be appropriated or credited to the Trust Fund as provided in this section.

(b) **DECLARATION OF POLICY.**—It is hereby declared to be the policy of the Congress that if it hereafter appears—

(1) that the total receipts of the Trust Fund (exclusive of advances under subsection (d)) will be less than the total expenditures from such Fund (exclusive of repayments of such advances); or

(2) that the distribution of the tax burden among the various classes of persons using the Federal-aid highways, or otherwise deriving benefits from such highways, is not equitable,

the Congress shall enact legislation in order to bring about a balance of total receipts and total expenditures, or such equitable distribution, as the case may be.

**(c) TRANSFER TO TRUST FUND OF AMOUNTS EQUIVALENT TO CERTAIN TAXES.—**

**(1) IN GENERAL.**—There is hereby appropriated to the Trust Fund, out of any money in the Treasury not otherwise appropriated, amounts equivalent to the following percentages of the taxes received in the Treasury before **[July 1, 1972]** *October 1, 1972*, under the following provisions of the Internal Revenue Code of 1954 (or under the corresponding provisions of prior revenue laws)—

**(A)** 100 percent of the taxes received after June 30, 1956, under sections 4041 (taxes on diesel fuel and special motor fuels), 4071(a)(4) (tax on tread rubber), and 4081 (tax on gasoline);

**(B)** 20 percent of the tax received after June 30, 1956, and before July 1, 1957, under section 4061(a)(1) (tax on trucks, buses, etc.);

**(C)** 50 percent of the tax received after June 30, 1957, and before July 1, 1961, under section 4061(a)(1) (tax on trucks, buses, etc.), and 100 percent of the tax received after June 30, 1962, under section 4061(a)(1);

**(D)** 37½ percent of the tax received after June 30, 1956, and before July 1, 1957, under section 4071(a)(1) (tax on tires of the type used on highway vehicles);

**(E)** 100 percent of the taxes received after June 30, 1957, under section 4071(a) (1), (2), (3), and (5) (taxes on tires of the type used on highway vehicles, other tires, and inner tubes);

**(F)** 100 percent of the tax received under section 4481 (tax on use of certain vehicles); and

**(G)** 100 percent of the floor stocks taxes imposed by section 4226(a).

In the case of any tax described in subparagraph (A), (B), or (D), amounts received during the fiscal year ending June 30, 1957, shall be taken into account only to the extent attributable to liability for tax incurred after June 30, 1956.

**[(2) EXCISE TAX ON AUTOMOBILES, PARTS AND ACCESSORIES, ETC.]**—There is hereby appropriated to the Trust Fund, out of money in the Treasury not otherwise appropriated, amounts equivalent to that portion of the taxes received in the Treasury after June 30, 1961, and before July 1, 1964, under subsection (a)(2) (tax on passenger automobiles, etc.) and (b) (tax on parts and accessories) of section 4061 of the Internal Revenue Code of 1954 which is equal to the amount which would have been so received if the tax rate under each such subsection had been 5 percent in lieu of the applicable rate.]

**(3) LIABILITIES INCURRED BEFORE [JULY 1,] OCTOBER 1, 1972, FOR NEW OR INCREASED TAXES.**—There is hereby appropriated to the Trust Fund, out of any money in the Treasury not otherwise appropriated, amounts equivalent to the following percentages of the taxes which are received in the Treasury [after June 30,

1972, and before July 1, 1973, and which are attributable to liability for tax incurred before July 1, 1972,] *after September 30, 1972, and before July 1, 1973, and which are attributable to liability for tax incurred before October 1, 1972,* under the following provisions of the Internal Revenue Code of 1954—

(A) 100 percent of the taxes under sections 4041 (taxes on diesel fuel and special motor fuels), 4071(a)(4) (tax on tread rubber), and 4081 (tax on gasoline);

(B) 20 percent of the tax under section 4061(a)(1) (tax on trucks, buses, etc.);

[(C) 37½ percent of the tax under section 4071(a)(1) (tax on tires of the type used on highway vehicles); and]

(C) 50 percent of the tax under section 4071(a)(1) (tax on tires of the type used on highway vehicles) and 10 percent of the tax under section 4071(a)(3) (tax on inner tubes for tires); and

(D) 100 percent of the tax under section 4481 (tax on use of certain vehicles).

(4) **METHOD OF TRANSFER.**—The amounts appropriated by paragraphs (1), (2), and (3) shall be transferred at least monthly from the general fund of the Treasury to the Trust Fund on the basis of estimates by the Secretary of the Treasury of the amounts, referred to in paragraphs (1), (2), and (3) received in the Treasury. Proper adjustments shall be made in the amounts subsequently transferred to the extent prior estimates were in excess of or less than the amounts required to be transferred.

\* \* \* \* \*

**(f) EXPENDITURES FROM TRUST FUND.—**

(1) **FEDERAL-AID HIGHWAY PROGRAM.**—Amounts in the Trust Fund shall be available, as provided by appropriation Acts, for making expenditures after June 30, 1956, and before [July 1,] *October 1, 1972,* to meet those obligations of the United States heretofore or hereafter incurred under the Federal-Aid Road Act approved July 11, 1916, as amended and supplemented, which are attributable to Federal-aid highways (including those portions of general administrative expenses of the Bureau of Public Roads payable from such appropriations).

(2) **REPAYMENT OF ADVANCES FROM GENERAL FUND.**—Advances made pursuant to subsection (d) shall be repaid, and interest on such advances shall be paid, to the general fund of the Treasury when the Secretary of the Treasury determines that moneys are available in the Trust Fund for such purposes. Such interest shall be at rates computed in the same manner as provided in subsection (e)(2) for special obligations and shall be compounded annually.

(3) **TRANSFERS FROM TRUST FUND FOR [GASOLINE USED ON FARMS AND FOR CERTAIN OTHER PURPOSES] FOR PAYMENTS MADE WITH RESPECT TO GASOLINE.**—The Secretary of the Treasury shall pay from time to time from the Trust Fund into the general fund of the Treasury amounts equivalent to the amounts paid before July 1, 1973, under sections 6420 (relating to amounts paid in respect of gasoline used on farms) [and 6421], *6421* (relating to amounts paid in respect of gasoline used for certain nonhighway purposes or by local transit systems), and *6424* (relating to

*amounts paid in respect of gasoline lost by shrinkage, evaporation, etc.) of the Internal Revenue Code of 1954 on the basis of claims filed for periods beginning after June 30, 1956, and ending before [July 1,] October 1, 1972.*

(4) **1972 FLOOR STOCKS REFUNDS.**—The Secretary of the Treasury shall pay from time to time from the Trust Fund into the general fund of the Treasury amounts equivalent to the following percentages of the floor stocks refunds made before July 1, 1973, under section 6412(a)(2) of the Internal Revenue Code of 1954—

(A) 40 percent of the refunds in respect of articles subject to the tax imposed by section 4061(a)(1) of such Code (trucks, buses, etc.);

(B) 100 percent of the refunds in respect of articles subject to tax under [section 4071(a) (1) or (4) of such Code (tires of the type used on highway vehicles and tread rubber)] *section 4071(a) (1), (3), or (4) of such Code (certain tires, tubes, and tread rubber); and*

(C) **[66%]** 80 percent of the refunds in respect of gasoline subject to tax under section 4081 of such Code.

**[(5) 1961 FLOOR STOCKS REFUNDS ON GASOLINE.**—The Secretary of the Treasury shall pay from time to time from the Trust Fund into the general fund of the Treasury amounts equivalent to the floor stocks refunds made before July 1, 1962, under section 6412(a)(3).]

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## INTERNAL REVENUE CODE OF 1954

### CHAPTER 31—RETAILERS EXCISE TAXES

• • • • •

#### Subchapter E—Special Fuels

Sec. 4041. Imposition of tax.

Sec. 4042. Cross reference.

#### SEC. 4041. IMPOSITION OF TAX.

(a) **DIESEL FUEL.**—There is hereby imposed a tax of **[3 cents]** 4 cents a gallon upon any liquid (other than any product taxable under section 4081)—

(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).

In the case of a liquid taxable under this subsection sold for use or used as a fuel in a diesel-powered highway vehicle (A) which (at the time of such sale or use) is not registered, and is not required to be registered, for highway use under the laws of any State or foreign country, or (B) which, in the case of a diesel-powered highway vehicle owned by the United States, is not used on the highway, the tax imposed by paragraph (1) or by paragraph (2) shall be 2 cents a gallon. If a liquid on which tax was imposed by paragraph (1) at the rate of 2 cents a gallon by reason of the preceding sentence is used as a fuel in

a diesel-powered highway vehicle (A) which (at the time of such use) is registered, or is required to be registered, for highway use under the laws of any State or foreign country, or (B) which, in the case of a diesel-powered highway vehicle owned by the United States, is used on the highway, a tax of **[1 cent]** *2 cents* a gallon shall be imposed under paragraph (2).

(b) **SPECIAL MOTOR FUELS.**—There is hereby imposed a tax of **[3 cents]** *4 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 4081 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).

In the case of a liquid taxable under this subsection sold for use or used otherwise than as a fuel for the propulsion of a highway vehicle (A) which (at the time of such sale or use) is registered, or is required to be registered, for highway use under the laws of any State or foreign country, or (B) which, in the case of a highway vehicle owned by the United States, is used on the highway, the tax imposed by paragraph (1) or by paragraph (2) shall be 2 cents a gallon. If a liquid on which tax was imposed by paragraph (1) at the rate of 2 cents a gallon by reason of the preceding sentence is used as a fuel for the propulsion of a highway vehicle (A) which (at the time of such use) is registered, or is required to be registered, for highway use under the laws of any State or foreign country, or (B) which, in the case of a highway vehicle owned by the United States, is used on the highway, a tax of **[1 cent]** *2 cents* a gallon shall be imposed under paragraph (2).

(c) **RATE REDUCTION.**—On and after **[July 1,]** *October 1, 1972*—

(1) the taxes imposed by this section shall be  $1\frac{1}{4}$  cents a gallon; and

(2) the second and third sentences of subsections (a) and (b) shall not apply.

(d) **EXEMPTION FOR FARM USE.**—

(1) **EXEMPTION.**—Under regulations prescribed by the Secretary or his delegate—

(A) no tax shall be imposed under subsection (a)(1) or (b)(1) on the sale of any liquid sold for use on a farm for farming purposes, and

(B) no tax shall be imposed under subsection (a)(2) or (b)(2) on the use of any liquid used on a farm for farming purposes.

(2) **USE ON A FARM FOR FARMING PURPOSES.**—For purposes of paragraph (1) of this subsection, use on a farm for farming purposes shall be determined in accordance with paragraphs (1), (2), and (3) of section 6420(c).

(e) **EXEMPTION FOR USE AS SUPPLIES FOR VESSELS.**—Under regulations prescribed by the Secretary or his delegate, no tax shall be imposed under subsection (b) in the case of any fuel sold for use or used as supplies for vessels or aircraft (within the meaning of section 4221 (d)(3)).

**[(f) TEMPORARY INCREASES IN TAX.—**On and after October 1, 1950, and before July 1, 1961—

**[(1) if (without regard to this subsection) the tax imposed by subsection (a) or (b) is 3 cents a gallon, the tax imposed by such subsection shall be 4 cents a gallon, and**

**[(2) if (without regard to this subsection) the tax imposed under paragraph (2) of subsection (a) or (b) is 1 cent a gallon, the tax imposed under such paragraph shall be 2 cents a gallon.]**

\* \* \* \* \*

## CHAPTER 32—MANUFACTURERS EXCISE TAXES

- SUBCHAPTER A. Automotive and related items.
- SUBCHAPTER B. Household type equipment, etc.
- SUBCHAPTER C. Entertainment equipment.
- SUBCHAPTER D. Recreational equipment.
- SUBCHAPTER E. Other items.
- SUBCHAPTER F. Special provisions applicable to manufacturers tax.
- SUBCHAPTER G. Exemptions, registration, etc.

### Subchapter A—Automotive and Related Items

- Part I. Motor vehicles.
- Part II. Tires and tubes.
- Part III. Petroleum products.

#### PART I—MOTOR VEHICLES

- Sec. 4061. Imposition of tax.
- Sec. 4062. Definitions.
- Sec. 4063. Exemptions.

#### SEC. 4061. IMPOSITION OF TAX.

(a) **AUTOMOBILES.—**There is hereby imposed upon the following articles (including in each case parts or accessories therefor sold on or in connection therewith or with the sale thereof) sold by the manufacturer, producer, or importer a tax equivalent to the specified percent of the price for which so sold:

(1) Articles taxable at 10 percent, except that on and after **[July 1,] October 1, 1972**, the rate shall be 5 percent—

Automobile truck chassis.

Automobile truck bodies.

Automobile bus chassis.

Automobile bus bodies.

Truck and bus trailer and semitrailer chassis.

Truck and bus trailer and semitrailer bodies.

Tractors of the kind chiefly used for highway transportation in combination with a trailer or semitrailer.

A sale of an automobile truck, bus, truck or bus trailer or semitrailer shall, for the purposes of this paragraph, be considered to be a sale of the chassis and of the body.

(2) Articles taxable at 10 percent except that on and after **July 1, 1961**, the rate shall be 7 percent—

Automobile chassis and bodies other than those taxable under paragraph (1).

Chassis and bodies for trailers and semitrailers (other than house trailers) suitable for use in connection with passenger automobiles.

A sale of an automobile, trailer, or semitrailer shall, for the purposes of this paragraph, be considered to be a sale of the chassis and of the body.

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## PART II—TIRES AND TUBES

Sec. 4071. Imposition of tax.

Sec. 4072. Definitions.

Sec. 4073. Exemptions.

### SEC. 4071. IMPOSITION OF TAX.

(a) IMPOSITION AND RATE OF TAX.—There is hereby imposed upon the following articles, if wholly or in part of rubber, sold by the manufacturer, producer, or importer, a tax at the following rates:

(1) Tires of the type used on highway vehicles, [8 cents] 10 cents a pound.

(2) Other tires (other than laminated tires to which paragraph (5) applies), 5 cents a pound.

(3) Inner tubes for tires, [9 cents] 10 cents a pound.

(4) Tread rubber, [3 cents] 4 cents a pound.

(5) Laminated tires (not of the type used on highway vehicles) which consist wholly of scrap rubber from used tire casings with an internal metal fastening agent, 1 cent a pound.

(b) DETERMINATION OF WEIGHT.—For purposes of this section, weight shall be based on total weight, except that in the case of tires such total weight shall be exclusive of metal rims or rim bases. Total weight of the articles shall be determined under regulations prescribed by the Secretary or his delegate.

(c) RATE REDUCTION.—On and after [July 1,] October 1, 1972—

(1) the tax imposed by paragraph (1) of subsection (a) shall be 5 cents a pound; [and]

(2) the tax imposed by paragraph (3) of subsection (a) shall be 9 cents a pound; and

[(2)] (3) paragraph (4) of subsection (a) shall not apply.

\* \* \* \* \*

## PART III—PETROLEUM PRODUCTS

Subpart A. Gasoline.

Subpart B. Lubricating oil.

Subpart C. Special provisions applicable to petroleum products.

### Subpart A—Gasoline

Sec. 4081. Imposition of tax.

Sec. 4082. Definitions.

Sec. 4083. Exemption of sales to producer.

Sec. 4084. Cross references.

### SEC. 4081. IMPOSITION OF TAX.

(a) IN GENERAL.—There is hereby imposed on gasoline sold by the producer or importer thereof, or by any producer of gasoline, a tax of [3 cents] 4 cents a gallon.

(b) RATE REDUCTION.—On and after [July 1,] October 1, 1972, the tax imposed by this section shall be 1½ cents a gallon.

[(c) TEMPORARY INCREASE IN TAX.—On and after October 1, 1959, and before July 1, 1961, the tax imposed by this section shall be 4 cents a gallon.]

\* \* \* \* \*

**SEC. 4084. CROSS REFERENCES.**

\* \* \* \* \*

(3) *For provisions to compensate retail dealers for the tax paid on gasoline which is lost by shrinkage, evaporation, and other causes, see section 6424.*

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**Subchapter F—Special Provisions Applicable to Manufacturers Tax**

\* \* \* \* \*

**SEC. 4218. USE BY MANUFACTURER OR IMPORTER CONSIDERED SALE.**

(a) **GENERAL RULE.**—If any person manufactures, produces, or imports an article (other than an article specified in subsection (b), (c), or (d)) and uses it (otherwise than as material in the manufacture or production of, or as a component part of, another article taxable under this chapter to be manufactured or produced by him), then he shall be liable for tax under this chapter in the same manner as if such article were sold by him. *This subsection shall not apply in the case of gasoline used by any person, for nonfuel purposes, as a material in the manufacture or production of another article to be manufactured or produced by him.*

(b) **TIRES, TUBES, AND AUTOMOBILE RECEIVING SETS.**—Except as provided in subsection (d), if any person manufactures, produces, or imports a tire or inner tube taxable under section 4071, or an automobile radio or television receiving set taxable under section 4141, and sells it on or in connection with the sale of any article, or uses it, then he shall be liable for tax under this chapter in the same manner as if such article were sold by him.

(c) **AUTOMOBILE PARTS, RADIO COMPONENTS, CAMERA LENSES, ETC.**—If any person manufactures, produces, or imports a part or accessory taxable under section 4061(b), a radio or television component taxable under section 4141, or a camera lens taxable under section 4171, and uses it (otherwise than as material in the manufacture or production of, or as a component part of, any other article to be manufactured or produced by him), then he shall be liable for tax under this chapter in the same manner as if such article were sold by him.

(d) **BICYCLE TIRES AND TUBES.**—If any person manufactures, produces, or imports a bicycle tire (as defined in section 4221(e)(4)(B)) or an inner tube for such a tire, and uses it (otherwise than as material in the manufacture or production of, or as a component part of, a bicycle, other than a rebuilt or reconditioned bicycle, to be manufactured or produced by him), then he shall be liable for tax under this chapter in the same manner as if such article were sold by him.

(e) **COMPUTATION OF TAX.**—Except as provided in section 4223(b), in any case in which a person is made liable for tax by the preceding provisions of this section, the tax (if based on the price for which the article is sold) shall be computed on the price at which such or similar articles are sold, in the ordinary course of trade, by manufacturers, producers, or importers, thereof, as determined by the Secretary or his delegate.

**SEC. 4219. APPLICATION OF TAX IN CASE OF SALES BY OTHER THAN MANUFACTURER OR IMPORTER.**

In case any person acquires from the manufacturer, producer, or importer of an article, by operation of law or as a result of any transaction not taxable under this chapter, the right to sell such article, the sale of such article by such person shall be taxable under this chapter as if made by the manufacturer, producer, or importer, and such person shall be liable for the tax.

**Subchapter G—Exemptions, Registration, Etc.**

Sec. 4221. Certain tax-free sales.

Sec. 4222. Registration.

Sec. 4223. Special rules relating to further manufacture.

Sec. 4224. Exemption for articles taxable as jewelry.

Sec. 4225. Exemption of articles manufactured or produced by Indians.

Sec. 4226. Floor stocks taxes.

Sec. 4227. Cross references.

**SEC. 4221. CERTAIN TAX-FREE SALES.**

(a) **GENERAL RULE.**—Under regulations prescribed by the Secretary or his delegate, no tax shall be imposed under this chapter on the sale by the manufacturer of an article—

(1) for use by the purchaser for further manufacture, or for resale by the purchaser to a second purchaser for use by such second purchaser in further manufacture,

(2) for export, or for resale by the purchaser to a second purchaser for export,

(3) for use by the purchaser as supplies for vessels or aircraft,

(4) to a State or local government for the exclusive use of a State or local government, or

(5) to a nonprofit educational organization for its exclusive use,

but only if such exportation or use is to occur before any other use.

(b) **PROOF OF RESELL FOR FURTHER MANUFACTURE; PROOF OF EXPORT.**—Where an article has been sold free of tax under subsection (a)—

(1) for resale by the purchaser to a second purchaser for use by such second purchaser in further manufacture, or

(2) for export, or for resale by the purchaser to a second purchaser for export,

subsection (a) shall cease to apply in respect of such sale of such article unless, within the 6-month period which begins on the date of the sale by the manufacturer (or, if earlier, on the date of shipment by the manufacturer), the manufacturer receives proof that the article has been exported or resold for use in further manufacture.

(c) **MANUFACTURER RELIEVED FROM LIABILITY IN CERTAIN CASES.**—In the case of any article sold free of tax under this section (other than a sale to which subsection (b) applies), and in the case of any article sold free of tax under section 4063(b), 4083, or 4093, if the manufacturer in good faith accepts a certification by the purchaser that the article will be used in accordance with the applicable provisions of law, no tax shall thereafter be imposed under this chapter in respect of such sale by such manufacturer.

## (d) DEFINITIONS.—For purposes of this section—

(1) MANUFACTURER.—The term “manufacturer” includes a producer or importer of an article.

(2) EXPORT.—The term “export” includes shipment to a possession of the United States; and the term “exported” includes shipped to a possession of the United States.

(3) SUPPLIES FOR VESSELS OR AIRCRAFT.—The term “supplies for vessels or aircraft” means fuel supplies, ships’ stores, sea stores, or legitimate equipment on vessels of war of the United States or of any foreign nation, vessels employed in the fisheries or in the whaling business, or vessels actually engaged in foreign trade or trade between the Atlantic and Pacific ports of the United States or between the United States and any of its possessions. For purposes of the preceding sentence, the term “vessels” includes civil aircraft employed in foreign trade or trade between the United States and any of its possessions, and the term “vessels of war of the United States or of any foreign nation” includes aircraft owned by the United States or by any foreign nation and constituting a part of the armed forces thereof.

(4) STATE OR LOCAL GOVERNMENT.—The term “State or local government” means any State, any political subdivision thereof, or the District of Columbia.

(5) NONPROFIT EDUCATIONAL ORGANIZATION.—The term “non-profit educational organization” means an educational organization described in section 503(b)(2) which is exempt from income tax under section 501(a). The term also includes a school operated as an activity of an organization described in section 501(c)(3) which is exempt from income tax under section 501(a), if such school normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on.

(6) USE IN FURTHER MANUFACTURE.—An article shall be treated as sold for use in further manufacture if—

(A) such article (other than an article referred to in subparagraph (B)) is sold for use by the purchaser as material in the manufacture or production of, or as a component part of, another article taxable under this chapter to be manufactured or produced by him; [or]

(B) in the case of a part or accessory taxable under section 4061(b), a radio or television component taxable under section 4141, or a camera lens taxable under section 4171, such article is sold for use by the purchaser as material in the manufacture or production of, or as a component part of, another article to be manufactured or produced by him[.]; or

(C) in the case of gasoline taxable under section 4081, such gasoline is sold for use by the purchaser, for nonfuel purposes, as a material in the manufacture or production of another article to be manufactured or produced by him.

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**SEC. 4226. FLOOR STOCKS TAXES.****(a) IN GENERAL.—**

(1) **1956 TAX ON TRUCKS, TRUCK TRAILERS, BUSES, ETC.**—On any article subject to tax under section 4061(a)(1) (relating to tax on trucks, truck trailers, buses, etc.) which, on July 1, 1956, is held by a dealer for sale, there is hereby imposed a floor stocks tax at the rate of 2 percent of the price for which the article was purchased by such dealer. If the price for which the article was sold by the manufacturer, producer, or importer is established to the satisfaction of the Secretary or his delegate, then in lieu of the amount specified in the preceding sentence, the tax imposed by this paragraph shall be at the rate of 2 percent of the price for which the article was sold by the manufacturer, producer, or importer.

(2) **1956 TAX ON TIRES OF THE TYPE USED ON HIGHWAY VEHICLES.**—On tires subject to tax under section 4071(a)(1) (as amended by the Highway Revenue Act of 1956) which, on July 1, 1956, are held—

(A) by a dealer for sale,

(B) for sale on, or in connection with, other articles held by the manufacturer, producer, or importer of such other articles, or

(C) for use in the manufacture or production of other articles,

there is hereby imposed a floor stocks tax at the rate of 3 cents a pound. The tax imposed by this paragraph shall not apply to any tire which is held for sale by the manufacturer, producer, or importer of such tire or which will be subject under section 4218(a)(2) or 4219 to the manufacturers excise tax on tires.

(3) **1956 TAX ON TREAD RUBBER.**—On tread rubber subject to tax under section 4071(a)(4) (as amended by the Highway Revenue Act of 1956) which, on July 1, 1956, is held by a dealer, there is hereby imposed a floor stocks tax at the rate of 3 cents a pound. The tax imposed by this paragraph shall not apply in the case of any person if such person establishes, to the satisfaction of the Secretary or his delegate, that all tread rubber held by him on July 1, 1956, will be used otherwise than in the recapping or retreading of tires of the type used on highway vehicles (as defined in section 4072(c)).

(4) **1956 TAX ON GASOLINE.**—On gasoline subject to tax under section 4081 which, on July 1, 1956, is held by a dealer for sale, there is hereby imposed a floor stocks tax at the rate of 1 cent a gallon. The tax imposed by this paragraph 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.

(5) **1959 TAX ON GASOLINE.**—On gasoline subject to tax under section 4081 which, on October 1, 1959, is held by a dealer for sale, there is hereby imposed a floor stocks tax at the rate of 1 cent a gallon. The tax imposed by this paragraph 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.

(6) **1961 TAXES ON CERTAIN TIRES AND INNER TUBES.**—On tires subject to tax under section 4071(a)(1), and on inner tubes subject to tax under section 4071(a)(3), which, on July 1, 1961, are held—

(A) by a dealer for sale,

(B) for sale on, or in connection with, other articles held by the manufacturer, producer, or importer of such other articles, or

(C) for use in the manufacture or production of other articles, there is hereby imposed a floor stocks tax at the rate of 2 cents a pound in the case of such tires, and a floor stocks tax at the rate of 1 cent a pound in the case of such inner tubes. The taxes imposed by this paragraph shall not apply to any tire or inner tube which is held for sale by the manufacturer, producer, or importer of such tire or tube, or which will be subject under section 4218(b) or 4219 to the manufacturers excise tax on tires or inner tubes.

(7) **1961 TAX ON TREAD RUBBER.**—On tread rubber subject to tax under section 4071(a)(4) which, on July 1, 1961, is held by a dealer, there is hereby imposed a floor stocks tax at the rate of 2 cents a pound. The tax imposed by this paragraph shall not apply in the case of any person if such person establishes, to the satisfaction of the Secretary or his delegate, that all tread rubber held by him on July 1, 1961, will be used otherwise than in the recapping or retreading of tires of the type used on highway vehicles (as defined in section 4072(c)).

(b) **OVERPAYMENT OF FLOOR STOCKS TAXES.**—Section 6416 shall apply in respect of the floor stocks taxes imposed by this section, so as to entitle, subject to all provisions of section 6416, any person paying such floor stocks taxes to a credit or refund thereof for any of the reasons specified in section 6416.

(c) **MEANING OF TERMS.**—For purposes of subsection (a), the terms "dealer" and "held by a dealer" have the meaning assigned to them by section 6412(a)(4).

(d) **DUE DATE OF TAXES.**—The taxes imposed by subsection (a) shall be paid at such time after September 30, 1956, as may be prescribed by the Secretary or his delegate; except that the tax imposed by paragraph (5) shall be paid at such time after December 31, 1959, as may be prescribed by the Secretary or his [delegate.] delegate; and except that the taxes imposed by paragraphs (6) and (7) shall be paid at such time after September 30, 1961, as may be prescribed by the Secretary or his delegate.

## CHAPTER 36—CERTAIN OTHER EXCISE TAXES

### Subchapter D—Tax on Use of Certain Vehicles

Sec. 4481. Imposition of tax.

Sec. 4482. Definitions.

Sec. 4483. Exemptions.

Sec. 4484. Cross reference.

#### SEC. 4481. IMPOSITION OF TAX.

(a) **IMPOSITION OF TAX.**—A tax is hereby imposed on the use of any highway motor vehicle which (together with the semitrailers and

trailers customarily used in connection with highway motor vehicles of the same type as such highway motor vehicle) has a taxable gross weight of more than 26,000 pounds, at the rate of **[\$1.50] \$3.00** a year for each 1,000 pounds of taxable gross weight or fraction thereof. *In the case of the taxable period beginning on July 1, 1972, and ending on September 30, 1972, the tax shall be at the rate of 75 cents for such period for each 1,000 pounds of taxable gross weight or fraction thereof.*

(b) **BY WHOM PAID.**—The tax imposed by this section shall be paid by the person in whose name the highway motor vehicle is, or is required to be, registered under the law of the State in which such vehicle is, or is required to be, registered, or, in case the highway motor vehicle is owned by the United States, by the agency or instrumentality of the United States operating such vehicle.

[(c) **PRORATION OF TAX.**—If in any year the first use of the highway motor vehicle is after July 31, the tax shall be reckoned proportionately from the first day of the month in which such use occurs to and including the 30th day of June following.

[(d) **ONE PAYMENT PER YEAR.**—If the tax imposed by this section is paid with respect to any highway motor vehicle for any year, no further tax shall be imposed by this section for such year with respect to such vehicle.]

(c) **PRORATION OF TAX.**—*If in any taxable period the first use of the highway motor vehicle is after the first month in such period, the tax shall be reckoned proportionately from the first day of the month in which such use occurs to and including the last day in such taxable period.*

(d) **ONE TAX LIABILITY PER PERIOD.**—

(1) **IN GENERAL.**—*To the extent that the tax imposed by this section is paid with respect to any highway motor vehicle for any taxable period, no further tax shall be imposed by this section for such taxable period with respect to such vehicle.*

(2) **CROSS REFERENCE.**—

*For privilege of paying tax imposed by this section in installments, see section 6156.*

(e) **PERIOD TAX IN EFFECT.**—The tax imposed by this section shall apply only to use **[after June 30, 1956, and before July 1, 1972]** *before October 1, 1972.*

#### **SEC. 4482. DEFINITIONS.**

(a) **HIGHWAY MOTOR VEHICLE.**—For purposes of this subchapter, the term "highway motor vehicle" means any motor vehicle which is a highway vehicle.

(b) **TAXABLE GROSS WEIGHT.**—For purposes of this subchapter, the term "taxable gross weight", when used with respect to any highway motor vehicle, means the sum of—

(1) the actual unloaded weight of—

(A) such highway motor vehicle fully equipped for service, and

(B) the semitrailers and trailers (fully equipped for service) customarily used in connection with highway motor vehicles of the same type as such highway motor vehicle. and

(2) the weight of the maximum load customarily carried on highway motor vehicles of the same type as such highway motor vehicle and on the semitrailers and trailers referred to in paragraph (1)(B).

Taxable gross weight shall be determined under regulations prescribed by the Secretary or his delegate (which regulations may include formulas or other methods for determining the taxable gross weight of vehicles by classes, specifications, or otherwise).

(c) **OTHER DEFINITIONS.**—For purposes of this subchapter—

(1) **STATE.**—The term "State" means a State, a Territory of the United States, and the District of Columbia.

(2) **YEAR.**—The term "year" means the one-year period beginning on July 1.

(3) **USE.**—The term "use" means use in the United States on the public highways.

(4) **TAXABLE PERIOD.**—The term "taxable period" means any year beginning before July 1, 1972, and the period which begins on July 1, 1972, and ends at the close of September 30, 1972.

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## CHAPTER 62—TIME AND PLACE FOR PAYING TAX

**SUBCHAPTER A.** Place and due date for payment of tax.

**SUBCHAPTER B.** Extensions of time for payment.

### Subchapter A—Place and Due Date for Payment of Tax

**Sec. 6151.** Time and place for paying tax shown on returns.

**Sec. 6152.** Installment payments.

**Sec. 6153.** Installment payments of estimated income tax by individuals.

**Sec. 6154.** Installment payments of estimated income tax by corporations.

**Sec. 6155.** Payment on notice and demand.

**Sec. 6156.** Installment payments of tax on use of highway motor vehicles.

**Sec. [6156] 6157.** Payment of taxes under provisions of the Tariff Act.

### SEC. 6151. TIME AND PLACE FOR PAYING TAX SHOWN ON RETURNS.

(a) **GENERAL RULE.**—Except as otherwise provided in this section, when a return of tax is required under this title or regulations, the person required to make such return shall, without assessment or notice and demand from the Secretary or his delegate, pay such tax to the principal internal revenue officer for the internal revenue district in which the return is required to be filed, and shall pay such tax at the time and place fixed for filing the return (determined without regard to any extension of time for filing the return).

(b) **EXCEPTIONS.**—

(1) **INCOME TAX NOT COMPUTED BY TAXPAYER.**—If the taxpayer elects under section 6014 not to show the tax on the return, the amount determined by the Secretary or his delegate as payable shall be paid within 30 days after the mailing by the Secretary or his delegate to the taxpayer of a notice stating such amount and making demand therefor.

(2) **USE OF GOVERNMENT DEPOSITARIES.**—For authority of the Secretary or his delegate to require payments to Government depositaries, see section 6302(c).

(c) **DATE FIXED FOR PAYMENT OF TAX.**—In any case in which a tax is required to be paid on or before a certain date, or within a certain period, any reference in this title to the date fixed for payment of

such tax shall be deemed a reference to the last day fixed for such payment (determined without regard to any extension of time for paying the tax).

#### **SEC. 6152. INSTALLMENT PAYMENTS.**

##### **(a) PRIVILEGE TO ELECT TO MAKE INSTALLMENT PAYMENTS.—**

(1) **CORPORATIONS.**—A corporation subject to the taxes imposed by chapter 1 may elect to pay the unpaid amount of such taxes in installments as follows:

(A) with respect to taxable years ending before December 31, 1954, four installments, the first two of which shall be 45 percent, respectively, of such taxes and the last two of which shall be 5 percent, respectively, of such taxes;

(B) with respect to taxable years ending on or after December 31, 1954, two equal installments.

(2) **ESTATES OF DECEDENTS.**—A decedent's estate subject to the tax imposed by chapter 1 may elect to pay such tax in four equal installments.

##### **(b) DATES PRESCRIBED FOR PAYMENT OF INSTALLMENTS.—**

(1) **FOUR INSTALLMENTS.**—In any case (other than payment of estimated income tax) in which the tax may be paid in four installments, the first installment shall be paid on the date prescribed for the payment of the tax, the second installment shall be paid on or before 3 months, the third installment on or before 6 months, and the fourth installment on or before 9 months, after such date.

(2) **TWO INSTALLMENTS.**—In any case (other than payment of estimated income tax) in which the tax may be paid in two installments, the first installment shall be paid on the date prescribed for the payment of the tax, and the second installment shall be paid on or before 3 months after such date.

(c) **PRORATION OF DEFICIENCY TO INSTALLMENTS.**—If an election has been made to pay the tax imposed by chapter 1 in installments and a deficiency has been assessed, the deficiency shall be prorated to such installments. Except as provided in section 6861 (relating to jeopardy assessments), that part of the deficiency so prorated to any installment the date for payment of which has not arrived shall be collected at the same time as and as part of such installment. That part of the deficiency so prorated to any installment the date for payment of which has arrived shall be paid upon notice and demand from the Secretary or his delegate.

(d) **ACCELERATION OF PAYMENT.**—If any installment (other than an installment of estimated income tax) is not paid on or before the date fixed for its payment, the whole of the unpaid tax shall be paid upon notice and demand from the Secretary or his delegate.

#### **SEC. 6153. INSTALLMENT PAYMENTS OF ESTIMATED INCOME TAX BY INDIVIDUALS.**

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#### **SEC. 6154. INSTALLMENT PAYMENTS OF ESTIMATED INCOME TAX BY CORPORATIONS.**

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**SEC. 6155. PAYMENT ON NOTICE AND DEMAND.**

(a) **GENERAL RULE.**—Upon receipt of notice and demand from the Secretary or his delegate, there shall be paid at the place and time stated in such notice the amount of any tax (including any interest, additional amounts, additions to tax, and assessable penalties) stated in such notice and demand.

**(b) CROSS REFERENCES.**—

(1) For restrictions on assessment and collection of deficiency assessments of taxes subject to the jurisdiction of the Tax Court, see sections 6212 and 6213.

(2) For provisions relating to assessment of claims allowed in a bankruptcy or receivership proceeding, see section 6873.

(3) For provisions relating to jeopardy assessments, see subchapter A of chapter 70.

**SEC. 6156. INSTALLMENT PAYMENTS OF TAX ON USE OF HIGHWAY MOTOR VEHICLES.**

(a) **PRIVILEGE TO PAY TAX IN INSTALLMENTS.**—If the taxpayer files a return of the tax imposed by section 4481 on or before the date prescribed for the filing of such return, he may elect to pay the tax shown on such return in equal installments in accordance with the following table:

<i>If liability is incurred in—</i>	<i>The number of installments shall be—</i>
<i>July, August, or September.....</i>	<i>4</i>
<i>October, November, or December.....</i>	<i>3</i>
<i>January, February, or March.....</i>	<i>2</i>

(b) **DATES FOR PAYING INSTALLMENTS.**—In the case of any tax payable in installments by reason of an election under subsection (a)—

(1) the first installment shall be paid on the date prescribed for payment of the tax,

(2) the second installment shall be paid on or before the last day of the third month following the calendar quarter in which the liability was incurred,

(3) the third installment (if any) shall be paid on or before the last day of the sixth month following the calendar quarter in which the liability was incurred, and

(4) the fourth installment (if any) shall be paid on or before the last day of the ninth month following the calendar quarter in which the liability was incurred.

(c) **PRORATION OF ADDITIONAL TAX TO INSTALLMENTS.**—If an election has been made under subsection (a) in respect of tax reported on a return filed by the taxpayer and tax required to be shown but not shown on such return is assessed before the date prescribed for payment of the last installment, the additional tax shall be prorated equally to the installments for which the election was made. That part of the additional tax so prorated to any installment the date for payment of which has not arrived shall be collected at the same time as and as part of such installment. That part of the additional tax so prorated to any installment the date for payment of which has arrived shall be paid upon notice and demand from the Secretary or his delegate.

(d) *ACCELERATION OF PAYMENTS.*—If the taxpayer does not pay any installment under this section on or before the date prescribed for its payment, the whole of the unpaid tax shall be paid upon notice and demand from the Secretary or his delegate.

(e) *SECTION INAPPLICABLE TO CERTAIN LIABILITIES.*—This section shall not apply to any liability for tax incurred in—

(1) April, May, or June of any year, or

(2) July, August, or September of 1972.

## SEC. [6156] 6157. PAYMENT OF TAXES UNDER PROVISIONS OF THE TARIFF ACT.

For collection under the provisions of the Tariff Act of 1930 of the taxes imposed by section 4501(b), and subchapters A, B, C, D, and E of chapter 38, see sections 4504 and 4601, respectively.

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## CHAPTER 63—ASSESSMENT

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### Subchapter A—In General

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## SEC. 6206. SPECIAL RULES APPLICABLE TO EXCESSIVE CLAIMS UNDER SECTIONS 6420 [AND 6421], 6421, AND 6424.

Any portion of a payment made under section 6420 [or 6421] 6421, or 6424 which constitutes an excessive amount (as defined in section 6675(b)), and any civil penalty provided by section 6675, may be assessed and collected as if it were a tax imposed by section 4081 and as if the person who made the claim were liable for such tax. The period for assessing any such portion, and for assessing any such penalty, shall be 3 years from the last day prescribed for the filing of the claim under section 6420 [or 6421], 6421, or 6424, as the case may be.

## CHAPTER 65—ABATEMENTS, CREDITS, AND REFUNDS

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### Subchapter B—Rules of Special Application

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## SEC. 6412. FLOOR STOCKS REFUNDS.

### (a) IN GENERAL.—

(1) *PASSENGER AUTOMOBILES, ETC.*—Where before July 1, 1961, any article subject to the tax imposed by section 4061(a)(2) has been sold by the manufacturer, producer, or importer and on such date is held by a dealer and has not been used and is intended for sale, there shall be credited or refunded (without interest) to the manufacturer, producer, or importer an amount equal to the difference between the tax paid by such manufacturer, producer, or importer on his sale of the article and the amount of tax made applicable to such article on and after July 1, 1961, if claim for such credit or refund is filed with the Secretary or his delegate on or before November 10, 1961, based upon a request submitted to the manufacturer, producer or importer before October 1, 1961, by the dealer who held the article in respect of which the credit or refund is claimed, and, on or before November 10, 1961, reimbursement has been made

to such dealer by such manufacturer, producer, or importer for the tax reduction on such article or written consent has been obtained from such dealer to allowance of such credit or refund.

(2) **TRUCKS AND BUSES, TIRES, TUBES, TREAD RUBBER, AND GASOLINE.**—Where before **[July 1,] October 1, 1972**, any article subject to the tax imposed by section 4061(a)(1), **[4071(a)(1) or (4),] 4071(a)(1), (3), or (4)**, or 4081 has been sold by the manufacturer, producer, or importer and on such date is held by a dealer and has not been used and is intended for sale (or, in the case of tread rubber, is intended for sale or is held for use), there shall be credited or refunded (without interest) to the manufacturer, producer, or importer an amount equal to the difference between the tax paid by such manufacturer, producer, or importer on his sale of the article and the amount of tax made applicable to such article on and after **[July 1,] October 1, 1972**, if claim for such credit or refund is filed with the Secretary or his delegate on or before **[November 10, 1972,] February 10, 1973**, based upon a request submitted to the manufacturer, producer, or importer before **[October 1, 1972,] January 1, 1973**, by the dealer who held the article in respect of which the credit or refund is claimed, and, on or before **[November 10, 1972,] February 10, 1973**, reimbursement has been made to such dealer by such manufacturer, producer, or importer for the tax reduction on such article or written consent has been obtained from such dealer to allowance of such credit or refund. No credit or refund shall be allowable under this paragraph 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.

**[(3) GASOLINE HELD ON JULY 1, 1961.]**—Where before July 1, 1961, any gasoline subject to the tax imposed by section 4081 has been sold by the producer or importer and on such date is held by a dealer and is intended for sale, there shall be credited or refunded (without interest) to the producer or importer an amount equal to the difference between the tax paid by such producer or importer on his sale of the gasoline and the amount of tax made applicable to such gasoline on and after July 1, 1961, if claim for such credit or refund is filed with the Secretary or his delegate on or before November 10, 1961, based upon a request submitted to the producer or importer before October 1, 1961, by the dealer who held the gasoline in respect of which the credit or refund is claimed, and, on or before November 10, 1961, reimbursement has been made to such dealer by such producer or importer for the tax reduction on such gasoline or written consent has been obtained from such dealer to allowance of such credit or refund. No credit or refund shall be allowable under this paragraph 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.]

(4) **DEFINITIONS.**—For purposes of this section—

(A) The term “dealer” includes a wholesaler, jobber, distributor, or retailer, or, in the case of tread rubber subject to tax under section 4071(a)(4), includes any person (other

than the manufacturer, producer, or importer thereof who hold such tread rubber for sale or use.

(B) 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.

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#### SEC. 6416. CERTAIN TAXES ON SALES AND SERVICES.

##### (a) CONDITION TO ALLOWANCE.—

(1) GENERAL RULE.—No credit or refund of any overpayment of tax imposed by section 4231(4), (5), or (6) (cabarets, etc.), chapter 31 (retailers taxes), or chapter 32 (manufacturers taxes) shall be allowed or made unless the person who paid the tax establishes, under regulations prescribed by the Secretary or his delegate, that he—

(A) has not included the tax in the price of the article, admission, or service with respect to which it was imposed and has not collected the amount of the tax from the person who purchased such article, admission, or service;

(B) has repaid the amount of the tax—

(i) in the case of any tax imposed by chapter 31 (other than the tax imposed by section 4041 (a)(1) or (b)(1)), to the purchaser of the article,

(ii) in the case of any tax imposed by chapter 32 and the tax imposed by section 4041(a)(1) or (b)(1) (diesel and special motor fuels), to the ultimate purchaser of the article, or

(iii) in the case of any tax imposed by section 4231(4), (5), or (6) (cabarets, etc.) to the person who paid for the admission, refreshment, service, or merchandise;

(C) in the case of an overpayment under subsection (b)(2), (b)(3) (C) or (D), or (b)(4) of this section—

(i) has repaid or agreed to repay the amount of the tax to the ultimate vendor of the article, or

(ii) has obtained the written consent of such ultimate vendor to the allowance of the credit or the making of the refund; or

(D) has filed with the Secretary or his delegate the written consent of the person referred to in subparagraph (B) (i), (ii), or (iii), as the case may be, to the allowance of the credit or the making of the refund.

##### (2) EXCEPTIONS.—This subsection shall not apply to—

(A) the tax imposed by section 4041(a)(2) or (b)(2) (use of diesel and special motor fuels), and

(B) an overpayment of tax under paragraph (1), (3) (A) or (B), or (5) of subsection (b) of this section.

##### (3) SPECIAL RULES.—For purposes of this subsection—

(A) any tax collected under section 4231(6) from a concessionaire and paid to the Secretary or his delegate shall be treated as paid by the concessionaire;

(B) if tax under chapter 31 was paid by a supplier pursuant to an agreement under section 6011(c), either the person who

(without regard to section 6011(c)) was required to return and pay the tax or the supplier may be treated as the person who paid the tax;

(C) in any case in which the Secretary or his delegate determines that an article is not taxable, the term "ultimate purchaser" (when used in paragraph (1)(B)(ii) of this subsection) includes a wholesaler, jobber, distributor, or retailer who, on the 15th day after the date of such determination, holds such article for sale; but only if claim for credit or refund by reason of this subparagraph is filed on or before the day for filing the return with respect to the taxes imposed under chapter 32 for the first period which begins more than 60 days after the date of such determination; and

(D) in applying paragraph (1)(C) to any overpayment under paragraph (2)(F), (3) (C) or (D), or (4) of subsection (b), the term "ultimate vendor" means the ultimate vendor of the other article.

**(b) SPECIAL CASES IN WHICH TAX PAYMENTS CONSIDERED OVERPAYMENTS.**—Under regulations prescribed by the Secretary or his delegate, credit or refund (without interest) shall be allowed or made in respect of the overpayments determined under the following paragraphs:

(1) **PRICE READJUSTMENTS.**—If the price of any article in respect of which a tax, based on such price, is imposed by chapter 31 or 32, is readjusted by reason of the return or repossession of the article or a covering or container, or by a bona fide discount, rebate, or allowance, including (in the case of a tax imposed by chapter 32) a readjustment for local advertising (but only to the extent provided in section 4216(f)(2) and (3)), the part of the tax proportionate to the part of the price repaid or credited to the purchaser shall be deemed to be an overpayment. The preceding sentence shall not apply in the case of an article in respect of which tax was computed under section 4223(b)(2); but if the price for which such article was sold is readjusted by reason of the return or repossession of the article, the part of the tax proportionate to the part of such price repaid or credited to the purchaser shall be deemed to be an overpayment.

(2) **SPECIFIED USES AND RESALES.**—The tax paid under chapter 32 (or under section 4041(a)(1) or (b)(1)) in respect to any article shall be deemed to be an overpayment if such article was, by any person—

(A) exported (except in any case to which subsection (g) applies);

(B) used or sold for use as supplies for vessels or aircraft;

(C) sold to a State or local government for the exclusive use of a State or local government;

(D) sold to a nonprofit educational organization for its exclusive use;

(E) resold to a manufacturer or producer for use by him as provided in subparagraph (A), (B), [or (E)] (E), or (F) of paragraph (3);

(F) in the case of a tire, inner tube, or receiving set, resold for use as provided in subparagraph (C) or (D) of paragraph (3) and the other article referred to in such subparagraph is

by any person exported or sold as provided in such subparagraph;

(G) in the case of a liquid taxable under section 4041, sold for use as fuel in a diesel-powered highway vehicle or as fuel for the propulsion of a motor vehicle, motorboat, or airplane, if (i) the vendee used such liquid otherwise than as fuel in such a vehicle, motorboat, or airplane or resold such liquid, or (ii) such liquid was (within the meaning of paragraphs (1), (2), and (3) of section 6420(c)) used on a farm for farming purposes;

(H) in the case of a liquid in respect of which tax was paid under section 4041 at the rate of 3 cents or 4 cents a gallon, used during any calendar quarter in vehicles while engaged in furnishing scheduled common carrier public passenger land transportation service along regular routes; except that (i) this subparagraph shall apply only if the 60 percent passenger fare revenue test set forth in section 6421(b)(2) is met with respect to such quarter, and (ii) the amount of such overpayment for such quarter shall be an amount determined by multiplying 1 cent (where tax was paid at the 3-cent rate) or 2 cents (where tax was paid at the 4-cent rate) for each gallon of liquid so used by the percentage which such person's tax-exempt passenger fare revenue (as defined in section 6421(d)(2)) derived from such scheduled service during such quarter was of his total passenger fare revenue (not including the tax imposed by section 4261, relating to the tax on transportation of persons) derived from such scheduled service during such quarter;

(I) in the case of a liquid in respect of which tax was paid under section 4041(a)(1) at the rate of 3 cents or 4 cents a gallon, used or resold for use as a fuel in a diesel-powered highway vehicle (i) which (at the time of such use or resale) is not registered, and is not required to be registered, for highway use under the laws of any State or foreign country, or (ii) which, in the case of a diesel-powered highway vehicle owned by the United States, is not used on the highway; except that the amount of any overpayment by reason of this subparagraph shall not exceed an amount computed at the rate of 1 cent a gallon where tax was paid at the 3-cent rate or at the rate of 2 cents a gallon where tax was paid at the 4-cent rate;

(J) in the case of a liquid in respect of which tax was paid under section 4041(b)(1) at the rate of 3 cents or 4 cents a gallon, used or resold for use otherwise than as a fuel for the propulsion of a highway vehicle (i) which (at the time of such use or resale) is registered, or is required to be registered, for highway use under the laws of any State or foreign country, or (ii) which, in the case of a highway vehicle owned by the United States, is used on the highway; except that the amount of any overpayment by reason of this subparagraph shall not exceed an amount computed at the rate of 1 cent a gallon where tax was paid at the 3-cent rate or at the rate of 2 cents a gallon where tax was paid at the 4-cent rate;

(K) in the case of any article taxable under section 4061(b) (other than spark plugs and storage batteries), used or sold for use as repair or replacement parts or accessories for farm equipment (other than equipment taxable under section 4061(a));

(L) in the case of tread rubber in respect of which tax was paid under section 4071(a)(4), used or sold for use otherwise than in the recapping or retreading of tires of the type used on highway vehicles (as defined in section 4072(c)), unless credit or refund of such tax is allowable under subsection (b)(3);

(M) in the case of gasoline, used or sold for use in production of special motor fuels referred to in section 4041(b);

(N) in the case of lubricating oil, used or sold for non-lubricating purposes;

(O) in the case of lubricating oil in respect of which tax was paid at the rate of 6 cents a gallon, used or sold for use as cutting oils (within the meaning of section 4092(b)); except that the amount of such overpayment shall not exceed an amount computed at the rate of 3 cents a gallon;

(P) in the case of any musical instrument taxable under section 4151, sold to a religious institution for exclusively religious purposes;

(Q) in the case of unexposed motion picture film, used or sold for use in making of newsreel motion picture film.

(3) **TAX-PAID ARTICLES USED FOR FURTHER MANUFACTURE, ETC.**—If the tax imposed by chapter 32 has been paid with respect to the sale of any article by the manufacturer, producer, or importer thereof to a second manufacturer or producer, such tax shall be deemed to be an overpayment by such second manufacturer or producer if—

(A) in the case of any article other than an article to which subparagraph (B), (C), (D), or (E) applies, such article is used by the second manufacturer or producer as material in the manufacture or production of, or as a component part of, another article taxable under chapter 32 manufactured or produced by him;

(B) in the case of—

(i) a part or accessory taxable under section 4061(b),

(ii) a radio or television component taxable under section 4141, or

(iii) a camera lens taxable under section 4171, such article is used by the second manufacturer or producer as material in the manufacture or production of, or as a component part of, any other article manufactured or produced by him;

(C) in the case of—

(i) a tire or inner tube taxable under section 4071, or

(ii) an automobile radio or television receiving set taxable under section 4141,

such article is sold by the second manufacturer or producer on or in connection with, or with the sale of, any other article manufactured or produced by him and such other article is by any person exported, sold to a State or local government

for the exclusive use of a State or local government, sold to a nonprofit educational organization for its exclusive use, or used or sold for use as supplies for vessels or aircraft;

(D) in the case of a radio receiving set or an automobile radio receiving set—

(i) such set is used by the second manufacturer or producer as a component part of any other article manufactured or produced by him, and

(ii) such other article is by any person exported, sold to a State or local government for the exclusive use of a State or local government, sold to a nonprofit educational organization for its exclusive use, or used or sold for use as supplies for vessels or aircraft; [or]

(E) in the case of—

(i) a bicycle tire (as defined in section 4221(o)(4)(B)),

or

(ii) an inner tube for such a tire,

such article is used by the second manufacturer or producer as material in the manufacture or production of, or as a component part of, a bicycle (other than a rebuilt or reconditioned bicycle)[.]; or

(F) in the case of gasoline taxable under section 4081, such gasoline is used by the second manufacturer or producer, for nonfuel purposes, as a material in the manufacture or production of any other article manufactured or produced by him.

For purposes of subparagraphs (A) and (B), an article shall be treated as having been used as a component part of another article if, had it not been broken or rendered useless in the manufacture or production of such other article, it would have been so used.

(4) TIRES, INNER TUBES, AND AUTOMOBILE RADIO AND TELEVISION RECEIVING SETS.—If—

(A)(i) a tire or inner tube taxable under section 4071, or automobile radio or television receiving set taxable under section 4141, is sold by the manufacturer, producer, or importer thereof on or in connection with, or with the sale of, any other article manufactured or produced by him, or

(ii) a radio receiving set or an automobile radio receiving set is used by the manufacturer thereof as a component part of any other article manufactured or produced by him; and

(B) such other article is by any person exported, sold to a State or local government for the exclusive use of a State or local government, sold to a nonprofit educational organization for its exclusive use, or used or sold for use as supplies for vessels or aircraft,

any tax imposed by chapter 32 in respect of such tire, inner tube, or receiving set which has been paid by the manufacturer, producer, or importer thereof shall be deemed to be an overpayment by him.

(5) RETURN OF CERTAIN INSTALLMENT ACCOUNTS.—If—

(A) tax was paid under section 4053(b)(1) or 4216(e)(1) in respect of any installment account,

(B) such account is, under the agreement under which the account was sold, returned to the person who sold such account, and

(C) the consideration is readjusted as provided in such agreement, the part of the tax paid under section 4053(b)(1) or 4216(e)(1) proportionate to the part of the consideration repaid or credited to the purchaser of such account shall be deemed to be an overpayment.

This subsection shall apply in respect of an article only if the exportation on use referred to in the applicable provision of this subsection occurs before any other use, or, in the case of a sale or resale, the use referred to in the applicable provision of this subsection is to occur before any other use.

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#### **SEC. 6421. GASOLINE USED FOR CERTAIN NONHIGHWAY PURPOSES OR BY LOCAL TRANSIT SYSTEMS.**

(a) **NONHIGHWAY USES.**—If gasoline is used otherwise than as a fuel in a highway vehicle (1) which (at the time of such use) is registered, or is required to be registered, for highway use under the laws of any State or foreign country, or (2) which, in the case of a highway vehicle owned by the United States, is used on the highway, the Secretary or his delegate shall pay (without interest) to the ultimate purchaser of such gasoline an amount equal to 1 cent for each gallon of gasoline so used on which tax was paid at the rate of 3 cents a gallon and 2 cents for each gallon of gasoline so used on which tax was paid at the rate of 4 cents a gallon.

##### **(b) LOCAL TRANSIT SYSTEMS.**—

(1) **ALLOWANCE.**—If gasoline is used during any calendar quarter in vehicles while engaged in furnishing scheduled common carrier public passenger land transportation service along regular routes, the Secretary or his delegate shall, subject to the provisions of paragraph (2), pay (without interest) to the ultimate purchaser of such gasoline the amount determined by multiplying—

(A) 1 cent for each gallon of gasoline so used on which tax was paid at the rate of 3 cents a gallon and 2 cents for each gallon of gasoline so used on which tax was paid at the rate of 4 cents a gallon, by

(B) the percentage which the ultimate purchaser's tax-exempt passenger fare revenue derived from such scheduled service during such quarter was of his total passenger fare revenue (not including the tax imposed by section 4261, relating to the tax on transportation of persons) derived from such scheduled service during such quarter.

(2) **LIMITATION.**—Paragraph (1) shall apply in respect of gasoline used during any calendar quarter only if at least 60 percent of the total passenger fare revenue (not including the tax imposed by section 4261, relating to the tax on transportation of persons) derived during such quarter from scheduled service described in paragraph (1) by the person filing the claim was attributable to tax-exempt passenger fare revenue derived during such quarter by such person from such scheduled service.

(c) **TIME FOR FILING CLAIMS; PERIOD COVERED.**—

(1) **GENERAL RULE.**—Except as provided in paragraph (2), not more than one claim may be filed under subsection (a), and not more than one claim may be filed under subsection (b), by any person with respect to gasoline used during the one-year period ending on June 30 of any year. No claim shall be allowed under this paragraph with respect to any one-year period unless filed on or before September 30 of the year in which such one-year period ends.

(2) **EXCEPTION.**—If \$1,000 or more is payable under this section to any person with respect to gasoline used during a calendar quarter, a claim may be filed under this section by such person with respect to gasoline used during such quarter. No claim filed under this paragraph shall be allowed unless filed on or before the last day of the first calendar quarter following the calendar quarter for which the claim is filed.

(d) **DEFINITIONS.**—For purposes of this section—

(1) **GASOLINE.**—The term "gasoline" has the meaning given to such term by section 4082(b).

(2) **TAX-EXEMPT PASSENGER FARE REVENUE.**—The term "tax-exempt passenger fare revenue" means revenue attributable to fares which were exempt from the tax imposed by section 4261 by reason of section 4263(a) (relating to the exemption for commutation travel, etc.).

(e) **EXEMPT SALES; OTHER PAYMENTS OR REFUNDS AVAILABLE**—

(1) **EXEMPT SALES.**—No amount shall be paid under this section with respect to any gasoline which the Secretary or his delegate determines was exempt from the tax imposed by section 4081. The amount which (but for this sentence) would be payable under this section with respect to any gasoline shall be reduced by any other amount which the Secretary or his delegate determines is payable under this section, or is refundable under any provision of this title, to any person with respect to such gasoline.

(2) **GASOLINE USED ON FARMS.**—This section shall not apply in respect of gasoline which was (within the meaning of paragraphs (1), (2), and (3) of section 6420(c)) used on a farm for farming purposes.

(f) **APPLICABLE LAWS.**—

(1) **IN GENERAL.**—All provisions of law, including penalties, applicable in respect of the tax imposed by section 4081 shall, insofar as applicable and not inconsistent with this section, apply in respect of the payments provided for in this section to the same extent as if such payments constituted refunds of overpayments of the tax so imposed.

(2) **EXAMINATION OF BOOKS AND WITNESSES.**—For the purpose of ascertaining the correctness of any claim made under this section, or the correctness of any payment made in respect of any such claim, the Secretary or his delegate shall have the authority granted by paragraphs (1), (2), and (3) of section 7602 (relating to examination of books and witnesses) as if the claimant were the person liable for tax.

(g) **REGULATIONS.**—The Secretary or his delegate may by regulations prescribe the conditions, not inconsistent with the provisions of this section, under which payments may be made under this section.

(h) **EFFECTIVE DATE.**—This section shall apply only with respect to gasoline purchased after June 30, 1956, and before **[July 1,] October 1, 1972.**

(i) **CROSS REFERENCES.**—

(1) For reduced rate of tax in case of diesel fuel and special motor fuels used for certain nonhighway purposes, see subsections (a) and (b) of section 4041.

(2) For partial refund of tax in case of diesel fuel and special motor fuels used for certain nonhighway purposes, see section 6416(b)(2)(1) and (J).

(3) For partial refund of tax in case of diesel fuel and special motor fuels used by local transit systems, see section 6416(b)(2)(H).

(4) For civil penalty for excessive claims under this section, see section 6075.

(5) For fraud penalties, etc., see chapter 75 (section 7201 and following, relating to crimes, other offenses, and forfeitures).

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**"SEC. 6424. GASOLINE LOST BY SHRINKAGE, EVAPORATION, ETC.**

**"(a) PAYMENTS TO RETAIL DEALERS.**—The Secretary or his delegate shall pay (without interest) to a retail dealer of gasoline, to compensate such dealer for the tax paid on gasoline which is lost by shrinkage, evaporation, and other causes, an amount equal to 1 percent of the tax paid under section 4081 on the gasoline sold by him.

**"(b) TIME FOR FILING CLAIM; PERIOD COVERED.**—Not more than one claim for payment may be filed under this section by any retail dealer with respect to gasoline sold during the one-year period ending on June 30 of any year. No claim for payment shall be allowed under this section with respect to any one-year period unless filed on or before September 30 of the year in which such one-year period ends.

**"(c) LIMITATIONS.**—

**"(1) EXEMPT SALES; REFUNDS; ETC.**—No amount shall be paid to any retail dealer of gasoline under this section with respect to any gasoline sold by him—

**"(A)** which the Secretary or his delegate determines was exempt from the tax imposed by section 4081,

**"(B)** the tax on which is refundable to any person under any provision of this title, or

**"(C)** with respect to which any amount is payable under section 6420 (relating to gasoline used on farms) or 6421 (relating to gasoline used for certain nonhighway purposes or by local transit systems).

**"SALES TO OTHER DEALERS.**—No amount shall be paid to any retail dealer of gasoline under this section with respect to any gasoline sold by him to any other dealer (including any wholesaler or distributor) of gasoline.

**"(d) APPLICABLE LAWS.**—

**"(1) IN GENERAL.**—All provisions of law, including penalties, applicable in respect of the tax imposed by section 4081 shall, insofar as applicable and not inconsistent with this section, apply in respect of the payments provided for in this section to the same

extent as if such payments constituted refunds of overpayments of the tax so imposed.

"(2) *EXAMINATION OF BOOKS AND WITNESSES.*—For the purpose of ascertaining the correctness of any claim made under this section, or the correctness of any payment made in respect of any such claim, the Secretary or his delegate shall have the authority granted by paragraphs (1), (2), and (3) of section 7602 (relating to examination of books and witnesses) as if the claimant were the person liable for tax.

"(e) *REGULATIONS.*—The Secretary or his delegate may by regulations prescribe the conditions, not inconsistent with the provisions of this section, under which payments may be made under this section.

"(f) *EFFECTIVE DATE.*—This section shall apply only with respect to gasoline sold by retail dealers after June 30, 1961.

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## CHAPTER 67—INTEREST

SUBCHAPTER A. Interest on underpayments.

SUBCHAPTER B. Interest on overpayments.

### Subchapter A—Interest on Underpayments

Sec. 6601. Interest on underpayment, nonpayment, or extensions of time for payment of tax.

Sec. 6602. Interest on erroneous refund recoverable by suit.

### SEC. 6601. INTEREST ON UNDERPAYMENT, NONPAYMENT, OR EXTENSIONS OF TIME FOR PAYMENT, OF TAX.

(a) *GENERAL RULE.*—If any amount of tax imposed by this title (whether required to be shown on a return, or to be paid by stamp or by some other method) is not paid on or before the last date prescribed for payment, interest on such amount at the rate of 6 percent per annum shall be paid for the period from such last date to the date paid.

(b) *EXTENSIONS OF TIME FOR PAYMENT OF ESTATE TAX.*—If the time for payment of an amount of tax imposed by chapter 11 is extended as provided in section 6161(a)(2) or 6166, or if the time for payment of an amount of such tax is postponed or extended as provided by section 6163, interest shall be paid at the rate of 4 percent, in lieu of 6 percent as provided in subsection (a).

(c) *LAST DATE PRESCRIBED FOR PAYMENT.*—For purposes of this section, the last date prescribed for payment of the tax shall be determined under chapter 62 with the application of the following rules:

(1) *EXTENSIONS OF TIME DISREGARDED.*—The last date prescribed for payment shall be determined without regard to any extension of time for payment.

(2) *INSTALLMENT PAYMENTS.*—In the case of an election under 6152(a) or 6156(a) to pay the tax in installments—

(A) The date prescribed for payment of each installment of the tax shown on the return shall be determined under section 6152(b) or 6156(b), as the case may be, and

(B) The last date prescribed for payment of the first installment shall be deemed the last date prescribed for payment of any portion of the tax not shown on the return.

(3) JEOPARDY.—The last date prescribed for payment shall be determined without regard to any notice and demand for payment issued, by reason of jeopardy (as provided in chapter 70), prior to the last date otherwise prescribed for such payment.

(4) LAST DATE FOR PAYMENT NOT OTHERWISE PRESCRIBED.—In the case of taxes payable by stamp and in all other cases in which the last date for payment is not otherwise prescribed, the last date for payment shall be deemed to be the date the liability for tax arises (and in no event shall be later than the date notice and demand for the tax is made by the Secretary or his delegate).

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## CHAPTER 68—ADDITIONS TO THE TAX, ADDITIONAL AMOUNTS, AND ASSESSABLE PENALTIES

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### Subchapter B—Assessable Penalties

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#### SEC. 6675. EXCESSIVE CLAIMS WITH RESPECT TO THE USE OR SALE OF CERTAIN GASOLINE.

(a) CIVIL PENALTY.—In addition to any criminal penalty provided by law, if a claim is made under section 6420 (relating to gasoline used on farms) [or 6421], *6421* (relating to gasoline used for certain non-highway purposes or by local transit systems), or *6424* (relating to gasoline lost by shrinkage, evaporation, etc.) for an excessive amount, unless it is shown that the claim for such excessive amount, is due to reasonable cause, the person making such claim shall be liable to a penalty in an amount equal to whichever of the following is the greater:

- (1) Two times the excessive amount; or
- (2) \$10.

(b) EXCESSIVE AMOUNT DEFINED.—For purposes of this section, the term "excessive amount" means in the case of any person the amount by which—

- (1) the amount claimed under section 6420 [or 6421], *6421*, or *6424*, as the case may be, for any period, exceeds
- (2) the amount allowable under such section for such period.

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## CHAPTER 75—CRIMES OTHER OFFENSES AND FORFEITURES

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### Subchapter A—Crimes

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#### PART I—GENERAL PROVISIONS

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**SEC. 7210. FAILURE TO OBEY SUMMONS.**

Any person who, being duly summoned to appear to testify, or to appear and produce books, accounts, records, memoranda, or other papers, as required under sections 6420(e)(2), 6421(f)(2), ~~6424(d)(2)~~, 7602, 7603, and 7604(b), neglects to appear or to produce such books, accounts, records, memoranda, or other papers, shall, upon conviction thereof, be fined not more than \$1,000, or imprisoned not more than 1 year, or both, together with costs of prosecution.

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## CHAPTER 78—DISCOVERY OF LIABILITY AND ENFORCEMENT OF TITLE

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### Subchapter A—Examination and Inspection

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**SEC. 7603. SERVICE OF SUMMONS.**

A summons issued under section 6420(e)(2), 6421(f)(2), ~~6424(d)(2)~~, or 7602 shall be served by the Secretary or his delegate, by an attested copy delivered in hand to the person to whom it is directed, or left at his last and usual place of abode; and the certificate of service signed by the person serving the summons shall be evidence of the facts it states on the hearing of an application for the enforcement of the summons. When the summons requires the production of books, papers, records, or other data, it shall be sufficient if such books, papers, records, or other data are described with reasonable certainty.

**SEC. 7604. ENFORCEMENT OF SUMMONS.**

(a) **JURISDICTION OF DISTRICT COURT.**—If any person is summoned under the internal revenue laws to appear, to testify, or to produce books, papers, records, or other data, the United States district court for the district in which such person resides or is found shall have jurisdiction by appropriate process to compel such attendance, testimony, or production of books, papers, records, or other data.

(b) **ENFORCEMENT.**—Whenever any person summoned under section 6420(e)(2), 6421(f)(2), ~~6424(d)(2)~~, or 7602 neglects or refuses to obey such summons, or to produce books, papers, records, or other data, or to give testimony, as required, the Secretary or his delegate may apply to the judge of the district court or to a United States commissioner for the district within which the person so summoned resides or is found for an attachment against him as for a contempt. It shall be the duty of the judge or commissioner to hear the application, and, if satisfactory proof is made, to issue an attachment, directed to some proper officer, for the arrest of such person, and upon his being brought before him to proceed to a hearing of the case; and upon such hearing the judge or the United States commissioner shall have power to make such order as he shall deem proper, not inconsistent with the law for the punishment of contempts, to enforce obedience to the requirements of the summons and to punish such person for his default or disobedience.

(c) CROSS REFERENCES.—

(1) AUTHORITY TO ISSUE ORDERS, PROCESSES, AND JUDGMENTS.—For authority of district courts generally to enforce the provisions of this title, see section 7402.

(2) PENALTIES.—For penalties applicable to violation of section 6420(e)(2), 6421(f)(2), ~~6424(d)(2)~~, or 7602, see section 7210.

SEC. 7605. TIME AND PLACE OF EXAMINATION.

(a) TIME AND PLACE.—The time and place of examination pursuant to the provisions of section 6420(e)(2), 6421(f)(2), ~~6424(d)(2)~~, or 7602 shall be such time and place as may be fixed by the Secretary or his delegate and as are reasonable under the circumstances. In the case of a summons under authority of paragraph (2) of section 7602, or under the corresponding authority of section 6420(e)(2) [or 6421(f)(2)], ~~6421(f)(2)~~, or ~~6421(d)(2)~~, the date fixed for appearance before the Secretary or his delegate shall not be less than 10 days from the date of the summons.

(b) RESTRICTIONS ON EXAMINATION OF TAXPAYER.—No taxpayer shall be subjected to unnecessary examination or investigations, and only one inspection of a taxpayer's books of account shall be made for each taxable year unless the taxpayer requests otherwise or unless the Secretary or his delegate, after investigation, notifies the taxpayer in writing that an additional inspection is necessary.

## **IX. INDIVIDUAL VIEWS OF SENATOR PAUL H. DOUGLAS**

The 1956 Highway Revenue Act requires that apportionments to each State be reduced whenever the trust fund revenues are estimated to be inadequate to cover the planned apportionments in any individual year. State apportionments will be made this summer for the fiscal year 1963. Under the present plans, authorizations for both fiscal years 1963 and 1964 are set at \$2.2 billion. Because of estimated shortages of trust fund revenues under the present law, however, it now appears that apportionments to States for the interstate system for fiscal 1963 would only be \$2 billion and for fiscal 1964 \$1.5 billion. These results would occur in spite of the 7 or 8 percent of the total costs which are to be contributed from general revenues.

In order to maintain the planned rate of highway construction, it is estimated that additional revenues above those now provided for will be necessary totaling \$9.74 billion, or about \$900 million more a year, through fiscal 1972. Without these additional revenues, the completion of the system would be postponed 5 years beyond the original target date.

The first question with which we are faced, therefore, is whether we should raise additional revenue for the highway program or allow that program to lag. While I have some personal reservations about it, the answer of Congress seems to be clear. It is argued that the highway program makes a vital contribution to our economy and to our national well-being. It is said that the completion of the program is essential to our national defense. We must be able to transport men and equipment quickly and easily from place to place. It is also argued that the highway program is also essential to highway safety. It is estimated that the system when completed will save at least 4,000 lives a year, not to mention the tremendous savings in injuries and property damage. The highway program, therefore, in the view of the Congress seems essential to our economy. It will, of course, provide a stimulus to employment in a number of key industries. The program also facilitates the mobility of goods and services in our highly integrated economy.

The committee, by its actions in increasing the total revenues which are attributable to the highway trust fund, has indicated its agreement with the view that the program is essential and should not be slowed.

The next question which arises is: Who should pay the additional taxes which are needed to continue this program? The answer to this seems clear. The program should be supported by those who benefit from it. Therefore, it is necessary to attempt to allocate the costs of the highway program among those who benefit from the program.

As I have indicated, society generally benefits from the highway program and a certain amount of the aggregate costs of the highway program should be borne by the general public. However, it is equally

clear that there are many special beneficiaries of the highway program as well, and the costs of the program should be allocated proportionately among these special beneficiaries.

The allocation of highway costs among users can be done in various ways. In general, these allocation methods are based on costs, i.e., the expenditures required by highway departments to provide the types of facilities adequate to service the larger and heavier vehicles, or benefits; i.e., the estimated monetary savings in operating vehicles over the improved roads provided by the program. One of the allocation techniques is the incremental method by which highway designs are assumed to be built up from a basic design to meet the requirements of progressively heavier vehicles. Another method is the differential-benefit technique by which costs are allocated in approximate proportion to the benefits derived from the use of the highways by vehicles of different dimensions and weights. The third allocation technique is by cost functions which divide highway costs into those which do not vary by type of vehicles, those that vary with traffic volume but not with size and weight, and those that do vary with size and weight. The fourth technique is by gross-ton mile which makes the allocation among vehicles of different dimensions and weights in proportion to the product of gross operating weight and distance traveled.

Table 1 shows the results of these various allocation methods for particular types of motor vehicles. This table is based on the assumption that the benefits of the highway program to society in general have already been subtracted from the total cost. What does this table reveal? It shows that, regardless of method, the share of the total costs which should be allocated to the larger trucks is much greater than the amounts which are being charged to the larger trucks under the present law. For example, the four-axle tractor-semitrailer combination should pay between \$871 and \$2,003 and, in fact is paying only \$700. The five-axle tractor-semitrailer combination should pay between \$1,245 and \$3,595. Its actual payment is only \$1,040. At the same time passenger automobiles and light pickup trucks are being overcharged.

TABLE 1.—Required payments per year to the highway trust fund

Type of vehicle	Under differential-benefit method	Under incremental method	Under cost-function method	Under gross ton-mile method	Under law in effect, fiscal year 1961	Committee proposals <sup>1</sup>
Medium passenger car <sup>2</sup> .....	\$31	\$30	\$25	\$22	\$29	\$30.20
2-axle, 4-tire truck (pickup).....	32	24	22	21	39	46.50
2-axle, 6-tire truck (stake).....	55	55	63	69	86	108.08
3-axle tractor-semitrailer combination (2-S1) gasoline.....	505	571	802	949	476	607.19
4-axle tractor-semitrailer combination (2-S2) diesel.....	871	1,085	1,667	2,003	700	924.32
5-axle tractor-semitrailer combination (3-S2) diesel.....	1,245	1,769	3,006	3,595	1,040	1,356.44

<sup>1</sup> The figures in this column are not totally comparable. The passenger car figure does not include the manufacturers' excise on automobiles. However, the Ways and Means Committee added the manufacturers' excise on trucks to all of the truck figures.

<sup>2</sup> Including 6 passengers.

2. Even more importantly, the highway system brings immediate benefits to the trucking industry which far more than compensate for the allocated user payments indicated in table 1. For example, there are already 5,000 miles of interstate routes improved to adequate standards. Benefits to the trucking industry from these limited-access routes come from fuel savings due to lower grades, fewer stops and starts, greater average speed with operating savings, lower insurance costs due to greater safety, and other factors. For example, in a test run from Chicago to Jersey City via toll roads, total elapsed time was reduced by 29 hours and 54 minutes and actual travel time was reduced by 11 hours and 17 minutes. The toll road showed a saving of 30½ gallons of gasoline while traveling 8.2 miles an hour faster. The test vehicle made 2,339 fewer gear shifts, 696 fewer brake applications, and 185 fewer full stops. It was estimated that each minute saving of time resulted in a saving of cost for tractor-semitrailer combinations and truckfull trailer combinations of from 5.52 to 6.87 cents per minute. The 677 minutes of actual travel time saved in the test amounted to at least \$37.30 savings in time alone. Other tests show comparable results.

President Kennedy has proposed a series of increases in present highway taxes which will roughly reflect the relative benefits to various users. Table 2 indicates these rates and compares them to those recommended by the majority of this committee.

TABLE 2

	Tax base	Present rates	Rates as of July 1 under present law	Rates proposed by President	Committee's proposed changes
Diesel fuel and special motor fuel.....	Gallon.....	\$0.04	\$0.03	\$0.07	\$0.04
Trucks and buses over 26,000 pounds.....	1,000 pounds of gross weight.	1.50	1.50	5.00	3.00
Highway tires.....	Pound.....	.08	.08	.10	.10
Inner tubes.....	do.....	.09	.09	.10	.10
Tread rubber.....	do.....	.03	.03	.10	.05

The rates recommended by the President seem eminently reasonable. They are based upon the allocation studies which I have indicated earlier. For example, the President recommended a tax on diesel motor fuel which is larger than the recommended tax on gasoline. The reason for this is the difference in consumption of the two fuels on a per-mile basis. It costs the same amount to build a mile of road for either a diesel or gasoline-powered truck of the same weight and size. Therefore, the charge by the Government per mile of vehicle travel should be the same. Since diesel fuel is more economical, the tax rate per gallon this fuel should be greater than the corresponding rate per gallon on gasoline. Some of the differences between the two fuels are significant, e.g., at 40,000 pounds gross weight, the diesel fuel consumption rate is about 68 percent of the gasoline consumption rate; at 75,000 pounds gross weight, the diesel consumption rate is about 61 percent of the gasoline consumption rate. The President's proposed tax rates recognize these differences. Even under the President's proposed rates, however, operation of diesel engines would retain a com-

petitive advantage over operation of gasoline engines. The committee has recommended that the two tax rates be the same.

Similar comments can be made with respect to the tax on tread rubber. As indicated earlier, trucks create much more wear and tear on highways than do automobiles. At the same time, trucks make much more extensive use of tread rubber than do passenger cars. For example, a passenger car tire is normally retreaded only once. By comparison, truck tire carcasses are retreaded from 3 to 12 times. Since the tax on tread rubber is at present much lower than the tax on new tires, trucks are paying a relatively lower average tax on tire rubber than are automobiles. The President's recommendations tended to equalize the tax on highway tires and tread rubber; the committee's recommendation retains a relatively favorable treatment for tread rubber.

The alleged disadvantages to the trucking industry of the increased taxes recommended by the President do not seem to be significant. The effect on competition with rail shipping would be slight. The trucking industry is today nearly twice the size of the railroad industry in terms of revenues earned; trucks service many areas where rail service is not available; and trucks ship many different types of commodities that railroads do not carry. Statistics suggest that the effect of the proposed taxes on trucking profits would not be great, even if the taxes were not passed on in higher prices. Taxes have not been an increasing burden on the industry in the past few years. Since 1953, the proportion of total taxes on motor vehicles borne by trucks has remained fairly constant at 38 percent. Total operating taxes and licenses have been only about 5.8 percent of trucking revenues, and the President's proposed tax increases would add only a relatively small increment to the total taxpayments.

One test of the reasonableness of the President's proposals is their comparability with toll road charges. Toll charges for heavy trucks per mile are 5.5 cents on the Massachusetts Turnpike, 4.5 cents on the Oklahoma Turnpike, 3.8 cents on the New Jersey Turnpike, 4.6 cents on the Florida Turnpike, 5.3 cents on the Indiana Turnpike, and 7.5 cents on the West Virginia Turnpike. Trucks are using these toll roads voluntarily and in substantial numbers despite the fact that these rates are roughly four times the cost per mile under the President's proposed tax schedule. Moreover, the relative increase in the use of these turnpikes by trucks in the last few years has been much greater than the increase by passenger cars. These facts alone prove beyond any reasonable doubt that the benefits derived by the trucking industry from the highway system will be greater by severalfold than the costs to the trucking industry proposed by the President. Why, then, should we adopt even lower tax rates for the trucking industry?

I believe that the President's proposals, rather than the committee's recommendations, should be adopted. The principal reason for this is that the committee's recommendations do not accurately reflect user cost. To this extent, the committee's recommendations provide a thinly disguised subsidy for one industry. I know of no social justification for subsidizing this type of commercial operation.

At the same time, it is obvious from the committee's recommendations that the highway program can only be continued at its planned

pace by increased contributions from general revenues. Such additional contributions imply one of three things:

(a) That highway building should replace other planned expenditures, for example, for defense, aid to schools, veterans, etc;

(b) That these latter functions should be carried on as planned by increasing general revenues; or

(c) That highway construction should be financed by general budget deficits.

I do not think that the Congress or the American people should be asked to accept any of these three alternatives. I do not believe that heavy trucks should be allowed to run over the American people.

PAUL H. DOUGLAS.