

## SUSPENSION OF DUTIES AND IMPORT TAXES ON METAL SCRAP

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

### R E P O R T

[To accompany H. R. 8636]

The Committee on Finance to whom was referred the bill (H. R. 8636) to continue until the close of June 30, 1957, the suspension of duties and import taxes on metal scrap, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

#### PURPOSE OF THE ORIGINAL BILL

The purpose of H. R. 8636 is to continue the existing exemptions of metal scrap from import duties and taxes for another year, until the close of June 30, 1957. The suspension would apply to such types of scrap as iron and steel, aluminum, magnesium, nickel, and other metals but not to lead or zinc scrap, to lead alloy scrap, antimonial lead scrap, scrap battery lead or plates, or zinc alloy scrap or articles of lead alloy, antimonial lead, zinc, or zinc alloy, imported for remanufacture by melting.

#### PURPOSE OF THE AMENDMENTS

Several amendments to the bill were approved by the Committee.

1. Tungsten scrap was excepted and will not be included in the provision for continued suspension of duties.

2. Nickel concentrates, whether processed by chemical, physical, or other means, would be entered free of duty by amendment to paragraph 1734 of the Tariff Act of 1930.

3. The present suspension of the duties on certain bookbindings or covers was continued for another 2 years.

4. An amendment was adopted to permit abatement of taxes on stolen spirits where proof of loss is indicated by a conviction in the case.

## GENERAL STATEMENT

*Scrap metals*

The temporary suspension of the duties and import taxes on imports of scrap metal provided under various public laws since March 1942, expired June 30, 1956. H. R. 8636 would provide for continued suspension through June 30, 1957. Such suspension has not, and would not now, relate to imports of tin and tinplate scrap, as imports of such scrap are more specifically provided for and would not be dutiable in any case. Copper scrap is also provided for elsewhere and in any case where a conflict might arise the other provision of law is to apply.

The rates of duty on the principal types of metal scrap covered by the bill are shown in the following table:

Type of scrap	Para- graph No.	Rate of duty	Sec. 4541, Internal Revenue Code, rate of import tax
Iron and steel.....	301.....	37½ cents per long ton plus additional duties on alloy content.	None.
Aluminum.....	374.....	1½ cents per pound.....	None.
Copper.....	1658.....	Free.....	2 cents per pound on the copper content.
Brass.....	1634.....	Free.....	2 cents per pound on the copper content.
Magnesium.....	375.....	20 cents per pound.....	None.
Nickel and nickel alloy.....	5 or 389..	12½ percent ad valorem or 1¼ cents per pound.	None.
Tin and tin plate.....	1786.....	Free.....	None.

<sup>1</sup>The import tax imposed under sec. 4541, Internal Revenue Code of 1954, on certain copper-bearing articles, including metal scrap containing copper, is also suspended under Public Law 38, 82d Cong., as amended. Public Law 38, as amended, expires on June 30, 1958, or earlier if the average market price of electrolytic copper (delivered Connecticut Valley) for any 1 calendar month has been below 24 cents per pound.

Relaying and rerolling rails would, in the absence of this legislation, be dutiable at the rate of one-twentieth cent per pound plus additional duties on alloy content under paragraphs 305 and 322 of the Tariff Act of 1930, as modified. Other metal articles not considered scrap within the meaning of the tariff classifications but imported to be used in remanufacture by melting are also exempt from duty under Public Law 869 of the 81st Congress. Such articles would be dutiable, in the absence of special legislation, at various rates. Data on the volume of imports of such articles are not available but it is probable that in the past few years such imports have not been of major importance.

Scrap of the various nonferrous metals, whether imported or of domestic origin, may be considered for most purposes simply as relatively small components in the total United States supplies of the respective metals, although some manufacturers depend wholly on metal scrap as a source of raw material. The relation of iron and steel scrap to the total supplies of iron and steel is somewhat different from that existing with respect to nonferrous metals. This is because the economical production of steel by the open-hearth process requires that part of the iron-bearing materials used consist of heavy melting scrap. Thus, much iron and steel scrap constitutes a material important to the domestic production of steel. Despite the fact that imports of scrap metals have not in the past few years constituted important components of the total supplies of the various metals, the

imports in some cases have represented important sources of the metals for limited numbers of consumers of such metals in some sections of the country.

Import duties and taxes on metal scrap were suspended from March 14, 1942, to June 30, 1949, inclusive, under Public Law 497, 77th Congress, and Public Laws 384 and 613, 80th Congress. The import duties on metal scrap were again suspended from October 1, 1950, to June 30, 1951, under Public Law 869, 81st Congress. This suspension was extended from July 1, 1951, to the close of June 30, 1952, by Public Law 66, 82d Congress.

Public Law 535, also of the 82d Congress, extended the suspension to the close of June 30, 1953, with the proviso that the act was not applicable to lead scrap. Public Law 221 of the 83d Congress continued the suspension to June 30, 1954, with provision for zinc scrap to come in under the suspension only if imported under the terms of a written contract entered into prior to July 1, 1953; lead scrap was excluded from the suspension. Public Law 678 of the 83d Congress continued the suspension to June 30, 1955, with provision for the duty on zinc scrap to be suspended only in cases where such scrap was imported under the terms of a contract entered into prior to July 1, 1954. Public Law 66 of the 84th Congress further extended the period of application of Public Law 869 from July 1, 1955, to June 30, 1956, and continued the exclusion of lead and zinc scrap from the suspension; unlike Public Laws 221 and 678 of the 83d Congress, Public Law 66 did not exempt from duty imports of zinc scrap purchased under written contracts entered into before specified dates. Thus, enactment of H. R. 8636 would continue the suspension until June 30, 1957, of the duties and taxes only on those types of metal scrap presently exempt from duties and taxes under Public Law 86, as amended, with the additional exclusion from the suspension provided by the amendment.

#### *Tungsten*

Tungsten scrap has heretofore, under past suspensions of duties on metal scrap, been entered free of duty. The amendment adopted by the Finance Committee would not permit the continued free importation of that type of scrap.

Domestic production of tungsten is in excess of consumption and there is no need for continued free importation of scrap. Imports have been substantial and seemingly in excess of the normal supply of foreign scrap, which suggests that there may have been instances where tungsten metal ingots or bars have been broken up and shipped to the United States as scrap in order to avoid payment of duty. Even in the absence of such abuse of the free entry privilege, the original legislation having been adopted to permit free entry of metal scrap in order to augment the "short supply" in the United States, there exists no reason for the continued exemption.

The committee therefore placed tungsten scrap in the category of dutiable items, and continued to except lead and zinc scrap from the suspension of duties which applies to most other types of scrap.

#### *Nickel "concentrates"*

The adoption of this amendment would allow the free entry of "nickel-containing material in powder, slurry, or any other form, derived from ore by chemical, physical, or any other means."

Under existing legislation nickel concentrates enter free of duty, but such concentrates have been imported only after a mechanical or physical concentrating process. Under a recent court decision, material produced as a result of a chemical process may not be a "concentrate" under the terms of the free-entry provision. It is the purpose of the amendment to define certain nickel-containing material as a concentrate and thereby continue its free entry whether produced by chemical or other means.

A critical shortage of nickel exists in the United States. Defense needs are large and there is no foreseeable domestic supply adequate for those needs.

At the present time the United States Government is producing primary nickel in Cuba. A relatively new method of obtaining nickel from certain types of ore by a chemical development known as the Freeport Sulphur process permits the economical recovery of a form of nickel concentrate from a large body of ore discovered in Cuba. Because of the urgent need for additional nickel, and because of the court decision which classified the nickel material obtained as a result of the operation of the Freeport Sulphur process, the Finance Committee agreed that the law should be amended to permit the free entry of chemically produced material the same as if it was a concentrate obtained by mechanical or physical separation.

#### *Book bindings or covers*

Paragraph 1631 of the Tariff Act of 1930 provides for the free importation of books, maps, music, engravings, and charts by religious, educational, or scientific institutions when not for sale and when such importations are regulated by the Secretary of the Treasury.

After the Korean conflict libraries became interested in bringing in certain book covers or bindings for valuable books, especially books for east Asiatic sections of those libraries. Many of the books imported come from east Asia with only a thin paper cover with the heavier bindings or covers imported separately, often in later shipments. In order to maintain the antiquity and original form of many of the valuable volumes imported, the libraries use only the specific type of cover or binding used in the country of origin of the particular book.

In 1954 the Congress became aware of this new development and a law was enacted to provide for the temporary free importation of these book covers. The international situation in eastern Asia has been such that a great number of valuable historical and other books have become available to the libraries of the United States and for some time the bindings or covers peculiar to the books in question will continue to be needed.

The committee found no objection from any source to a continuation for another 2 years of the present free entry for the book covers which are the subject of this amendment.

#### *Spirits stolen from customs bond*

The committee adopted an amendment to permit under certain conditions the abatement of taxes on stolen spirits. By virtue of a technicality there was no provision in the law prior to 1950 for abatement of excise taxes when spirits were stolen from customs bond, although the law had long provided for such abatement when spirits were stolen from internal-revenue bond. Customs duties are also

affected, as they are imposed only on amounts which are subject to internal-revenue taxes.

The law was amended in 1950 to provide for abatement when spirits were stolen from any type of Government bond, provided that neither the owner nor his employees were guilty of negligence or complicity in the theft. The amendment at that time was not made retroactive and it now appears that this may be causing severe hardship.

The Committee feels that it would be unjust to impose such taxes on innocent owners when their property was taken from Government bond. The Treasury Department commented on this principal as follows:

There does not appear to have been any basis for the difference in tax treatment between losses by theft from internal revenue bonded warehouses and losses by theft from customs bonded warehouses which existed prior to 1950.

However, in order to insure that escapement from taxes has not been through collusion and to prevent possible abuse of the provision, the Committee has limited the abatement to cases where conviction was obtained for the theft in a court of competent jurisdiction.

#### CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which not change is proposed is shown in roman):

#### PUBLIC LAW 869—81ST CONGRESS

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act of March 13, 1942 (ch. 180, 56 Stat. 171), as amended, is hereby amended to read as follows:*

“SEC. 1. (a) No duties or import taxes shall be levied, collected, or payable under the Tariff Act of 1930, as amended, or under section 3425 of the Internal Revenue Code with respect to metal scrap, or relaying and rerolling rails.

“(b) The word ‘scrap’, as used in this Act, shall mean all ferrous and nonferrous materials and articles, of which ferrous or nonferrous metal is the component material of chief value, which are second-hand or waste or refuse, or are obsolete, defective or damaged, and which are fit only to be remanufactured.”

“SEC. 2. Articles of which metal is the component material of chief value, other than ores or concentrates or crude metal, imported to be used in remanufacture by melting, shall be accorded entry free of duty and import tax, upon submission of proof, under such regulations and within such time as the Secretary of the Treasury may prescribe, that they have been used in remanufacture by melting: *Provided, however,* That nothing contained in the provisions of this section shall be construed to limit or restrict the exemption granted by section 1 of this Act.”

SEC. 2. The amendment made by this Act shall be effective as to merchandise entered, or withdrawn from warehouse, for consumption

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on or after the day following the date of the enactment of this Act and before the close of June 30, [1956] 1957. It shall also be effective as to merchandise entered, or withdrawn from warehouse, for consumption before the period specified where the liquidation of the entry or withdrawal covering the merchandise, or the exaction or decision relating to the rate of duty applicable to the merchandise, has not become final by reason of section 514, Tariff Act of 1930.

TARIFF ACT OF 1930

Par. 1734. Ores of gold, silver, or nickel: *nickel-containing material in powder, slurry, or any other form, derived from ore by chemical, physical, or any other means, and requiring further processing for the recovery therefrom of nickel or other metals*; nickel matte; nickel oxide; ores of the platinum metals; sweepings of gold and silver.

PUBLIC LAW 694, 83D CONGRESS

SEC. 2. (a) Paragraph 1631 of the Tariff Act of 1930, as amended, is amended by inserting "book binding or cover" after "book,".

(b) The amendment made by this section shall be effective as to articles entered for consumption or withdrawn from warehouse for consumption on or after the tenth day following the date of this Act and prior to [September 1, 1956] *September 1, 1958*.

