

PUBLIC DEBT AND TAX RATE EXTENSION ACT OF 1960

JUNE 6, 1960.—Ordered to be printed

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

REPORT

[To accompany H.R. 12381]

The Committee on Finance, to whom was referred the bill (H.R. 12381) to increase for a 1-year period the public debt limit set forth in section 21 of the Second Liberty Bond Act and to extend for 1 year the existing corporate normal-tax rate and certain excise-tax rates, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

I. SUMMARY OF BILL

H.R. 12381 contains two titles. The first title provides for a temporary increase in the statutory debt limit. Your committee has accepted the House version of this title without change. The second title of the House bill provided for the continuation for 1 year of certain existing tax rates. Your committee's version of title II also continues most of these rates for 1 year but provides for the elimination of the excise tax on the transportation of persons and the excise tax on general (formerly local) telephone service and domestic telegraph service.

The bill decreases the temporary debt limitation from \$10 billion to \$8 billion. The present permanent statutory debt limit is \$285 billion. For the period from July 1, 1959, to June 30, 1960, there has been a further temporary increase of \$10 billion, raising the maximum statutory debt limitation for this period to \$295 billion. Title I of this bill provides an \$8 billion temporary increase in the statutory debt limitation for the fiscal year 1961. Thus, under this bill the combined permanent and temporary debt limitation for the period from July 1, 1960, to June 30, 1961, will be \$293 billion.

The existing tax rates which under both the House and your committee's versions of title II of this bill are continued for 1 year, or until July 1, 1961, are the present 52-percent corporate income tax

rate (which would otherwise revert to 47 percent) and the present rates of excise tax on distilled spirits, beer, wine, cigarettes, passenger cars and automobile parts and accessories.

Under title II of the House bill the present 10-percent tax on general telephone service also is continued for 1 year. Under your committee's bill the elimination of this tax which is scheduled under present law for reduction on July 1, 1960 (generally for amounts paid on or after that date), is permitted to go into effect. However, under your committee's amendments the present 10-percent tax will be retained on amounts paid for the leasing of certain telephone or radiotelephone lines or channels which extend outside of a local exchange area. In addition, your committee's amendments repeal the present 10-percent tax on domestic telegraph service effective as of July 1, 1960. Your committee's amendments also repeal the present tax on the transportation of persons effective for amounts paid on or after July 1, 1960. Presently this tax is 10 percent but is scheduled under present law to go down to 5 percent for amounts paid on or after July 1, 1960. The House bill would have extended the 10-percent rate for 1 more year.

If all of the tax rates were continued as provided by the House bill it is estimated that there would be a revenue gain of about \$4 billion in a full year of operation and a gain in the fiscal year 1961 of about \$2.6 billion. The action taken by your committee will reduce this gain by about \$750 million in a full year of operation or by \$565 million in the fiscal year 1961. Thus, the action taken by your committee will result in a revenue gain over present law of about \$3.2 billion for a full year of operation or about \$2.0 billion in the fiscal year 1961.

II. TITLE I—PUBLIC DEBT LIMITATION

The present permanent limitation on the public debt, provided by the Second Liberty Bond Act, as amended, is \$285 billion. In addition, for the period from July 1, 1959, to June 30, 1960, there has been a temporary increase in the statutory debt limitation of \$10 billion. As a result, in the current fiscal year the statutory debt limit is \$295 billion and on June 30, 1960, but for this bill, would revert to the permanent limitation of \$285 billion.

On June 30, 1959, the debt subject to the statutory debt limitation amounted to \$284.4 billion and it is now estimated by the Treasury Department that the public debt on June 30 of this year will slightly exceed \$285 billion.¹ However, in large part because of seasonal factors, primarily attributable to variations in revenue collections, the debt during the current year has substantially exceeded the level of \$285 billion. On December 15, 1959, for example, the statutory debt amounted to almost \$292 billion while on January 15, 1960, it was only slightly below this level. The details of this are shown in table 1 by semimonthly intervals from last July 15 through May 31 of this year.

¹ On table 3, which is presented later, the debt as of June 30, 1960, is shown as \$283.6 billion, but this is on the basis of an assumed cash balance of only \$3.5 billion. The actual cash balance on June 30 is expected to be above this level.

TABLE 1.—Actual cash balance and public debt outstanding, July 1959–May 1960

[In billions]

	Operating balance, Federal Reserve banks and depositories (excluding free gold)	Public debt subject to limitation		Operating balance, Federal Reserve banks and depositories (excluding free gold)	Public debt subject to limitation
Actual:			Actual—Continued		
July 15, 1959.....	\$6.2	\$288.8	Dec. 31, 1959.....	\$4.7	\$290.5
July 31.....	4.9	288.4	Jan. 15, 1960.....	3.6	291.6
Aug. 15.....	3.8	287.9	Jan. 31.....	3.8	290.8
Aug. 31.....	5.8	290.1	Feb. 15.....	2.6	290.2
Sept. 15.....	3.3	289.7	Feb. 29.....	4.3	290.3
Sept. 30.....	6.1	288.0	Mar. 15.....	2.7	286.0
Oct. 15.....	5.0	289.6	Mar. 31.....	4.3	286.6
Oct. 31.....	5.5	291.0	Apr. 15.....	4.1	289.0
Nov. 15.....	3.3	290.2	Apr. 30.....	5.1	288.5
Nov. 30.....	4.1	290.3	May 15.....	5.1	287.8
Dec. 15.....	3.7	291.9	May 31.....	6.6	289.1

NOTE.—From July 1, 1959, to June 30, 1960, the statutory debt limit is \$295,000,000,000. Thereafter, but for this bill, it would revert to \$285,000,000,000.

When the 15th of a month falls on Saturday or Sunday, the figures relate to the following business day.

Source: U.S. Treasury Department.

Because of seasonal variation an increase in the statutory debt limit is required for the coming year. Both the House and your committee's versions of the bill provide a temporary increase of \$8 billion, as compared with the \$10 billion provided last year. No change, however, is made in the permanent statutory debt level. This temporary increase of \$8 billion is in conformance with the request made to your committee by the administration.

Your committee in providing this increase in the statutory debt limitation has made provision for only a temporary increase because this will again present the specific opportunity next year to focus congressional and public attention on the problems of sound Government financing.

The lower temporary ceiling than that provided last year is at least in part attributable to the small surplus anticipated by the administration for the fiscal year 1960 and the somewhat larger surplus now estimated for the fiscal year 1961. The Director of the Bureau of the Budget has pointed out that this last January's budget was based upon an estimated surplus of \$200 million for the fiscal year 1960. He stated that it now looks as if the Government will end the year with a surplus of about that amount or even slightly more. For the fiscal year 1961 the surplus estimated in the budget this last January was \$4.2 billion. Actions taken by your committee in title II of this bill will reduce this surplus to about \$3.6 billion. The Director of the Bureau of the Budget has stated that it is too early to say with any degree of certainty what effect developments will have on the final budget result for the fiscal year 1961 although he has presented to your committee a table, shown below as table 2, specifying areas which might decrease the budget surplus in the fiscal year 1961. In any case, less than half of any surplus obtained in the fiscal year 1961 will be available next November, December, and January, the months in which the debt customarily reaches its highest levels during the year.

The estimates presented to your committee by the Treasury Department as to the need for a temporary increase in the statutory debt ceiling are based upon assumptions as to several items. One of these has already been indicated; namely, the level of budgetary expenditures and receipts anticipated in the fiscal years 1960 and 1961. A second factor is the leeway required for contingencies. The Treasury estimate makes allowance for \$3 billion to cover contingencies, such as variations in economic levels which can have an important effect on either the revenue or expenditure side of the budget. This \$3 billion margin for contingencies is the same as was used in the estimates presented last year. In addition to covering various contingencies this will provide greater flexibility in debt management, since it will remove the necessity of waiting until obligations are matured before new issues intended as replacements are issued. The \$3 billion margin can also be used to cover national emergencies, especially any which arise in periods when Congress is not in session and also the smaller surplus provided by title II of this bill.

Another factor to be taken into account in estimating the level of the statutory debt is the cash balance it is necessary for the Treasury to maintain in various deposits throughout the country. As was indicated in table 1, the cash balances of the Treasury have varied, or are expected to vary, during the current year from \$2.5 billion to \$6.6 billion. Material presented to your committee by the Treasury Department indicates that the average end-of-month cash balance has been reduced somewhat in recent years, having dropped from \$5.2 billion in the period 1953 to 1956 to \$4.7 billion in the period 1957 to date. This has occurred despite the fact that average monthly budget expenditures in the latter period were somewhat greater than in the former. The need for an increase in the statutory debt ceiling has been based upon an average operating cash balance of \$3.5 billion, a figure which is relatively low both when compared to the actual cash balances to date in the current year and also when compared with the average balances in recent years.

TABLE 2.—*Programs and items which may reduce the budget surplus in 1961, and affect future budgets, as summarized by the Director of the Bureau of the Budget*

[In millions]

	1961	Total or 5-year effect
I. Budget proposals which may not be adopted:		
Aviation fuel tax.....	\$89	\$521
Taxation of cooperatives (H.R. 7875).....	0	100
Extension of telephone tax.....	350	2, 162
Extension of excise tax on transportation of persons.....	105	625
Postal rates (S. 3192).....	554	2, 770
Forest and public lands highways.....	39	183
Rescission of diversion of automobile, etc., excise taxes to the highway trust fund.....	0	2, 568
Highway gas tax increase of $\frac{1}{2}$ cent a gallon.....	¹ 237	¹ 2, 946
Total.....	1, 374	11, 875
II. Unbudgeted proposals to increase expenditures:		
Employees pay increase (H.R. 9883).....	850	4, 250
Emergency Home Ownership Act (H.R. 10213).....	703	763
School construction (H.R. 10123).....	325	1, 300
Youth Conservation Corps (S. 812).....	125	1, 590
Peacetime ex-servicemen's benefits (S. 1138).....	181	1, 706
Educational TV grants (S. 12).....	10	50
International health and medical research act.....	50	250
Brucellosis eradication (H.J. Res. 619) ²	5	25
Veterans direct loans (S. 3276).....	145	917
OASI amendments remove age requirement for disability benefits.....	¹ 238	¹ 1, 500
Interior appropriations (H.R. 10401) ²	4	10
HEW appropriations (H.R. 11390) ²	98	182
Medicare program (administration's proposal).....	5	2, 255
Area redevelopment act (S. 3569) ²	1	50
Total.....	2, 740	14, 848
III. Unbudgeted proposals to reduce revenues:		
Foreign Investment Incentives Tax Act (H.R. 5).....	0	200
Foreign tax credits (H.R. 10087).....	0	80
Voluntary pension plan (H.R. 10) ³	356	1, 825
Total.....	356	2, 105
Total threats.....	4, 470	28, 828

¹ Applies to trust funds.² Over budget estimates.³ Treasury has proposed compromise plan involving revenue loss of \$150-\$250,000,000 a year.

Still another factor which must be taken into account is the seasonal variation in budget receipts and expenditures. Although there is no distinct seasonal pattern in budget expenditures between the first and the second half of the year, budget receipts are much lower in the period from July through December than in the period from January to June. The requirement that corporations with the larger tax liabilities make advance payments in September and December (if they are calendar year corporations) with respect to part of their tax liabilities has tended to even out somewhat the seasonal variation in tax receipts. Withholding tax receipts under the individual income tax also are spread relatively evenly throughout the year. However, payments of individual income tax liability through the use of declarations or with final returns have resulted in high tax receipts in January through June of each year. This is also true in the case of the smaller corporations which continue to make most of their taxpayments in the spring or early summer.

Based upon the factors outlined above, the Treasury Department has prepared an estimate of the public debt outstanding, subject to limitation, for the fiscal year ending June 30, 1961, by semimonthly intervals. This takes into account a \$3.5 billion cash balance and \$3 billion for contingencies. The estimates of the Treasury are shown in table 3. It will be noted that the statutory debt computed on this basis is estimated at \$292.8 billion on December 15, or within \$200 million of the temporary ceiling provided by this bill. Other high points in the debt under this estimate are expected on November 15 and January 15, at which times it is estimated the debt will reach \$292.3 billion. Table 3 also shows that the Treasury expects the statutory debt by next June 30 to be down to about \$283 billion or possibly to about \$280 billion if the \$3 billion for contingencies, etc., is not needed. Chart 1 shows the variation in the statutory debt for the past several years, as well as the estimate for the fiscal year 1961, together with the applicable statutory debt ceilings.

TABLE 3.—Treasury Department forecast of public debt outstanding, fiscal year 1961, based on constant operating cash balance of \$3,500,000,000 (excluding free gold) (based on 1961 budget estimates of receipts and expenditures)

[In billions]

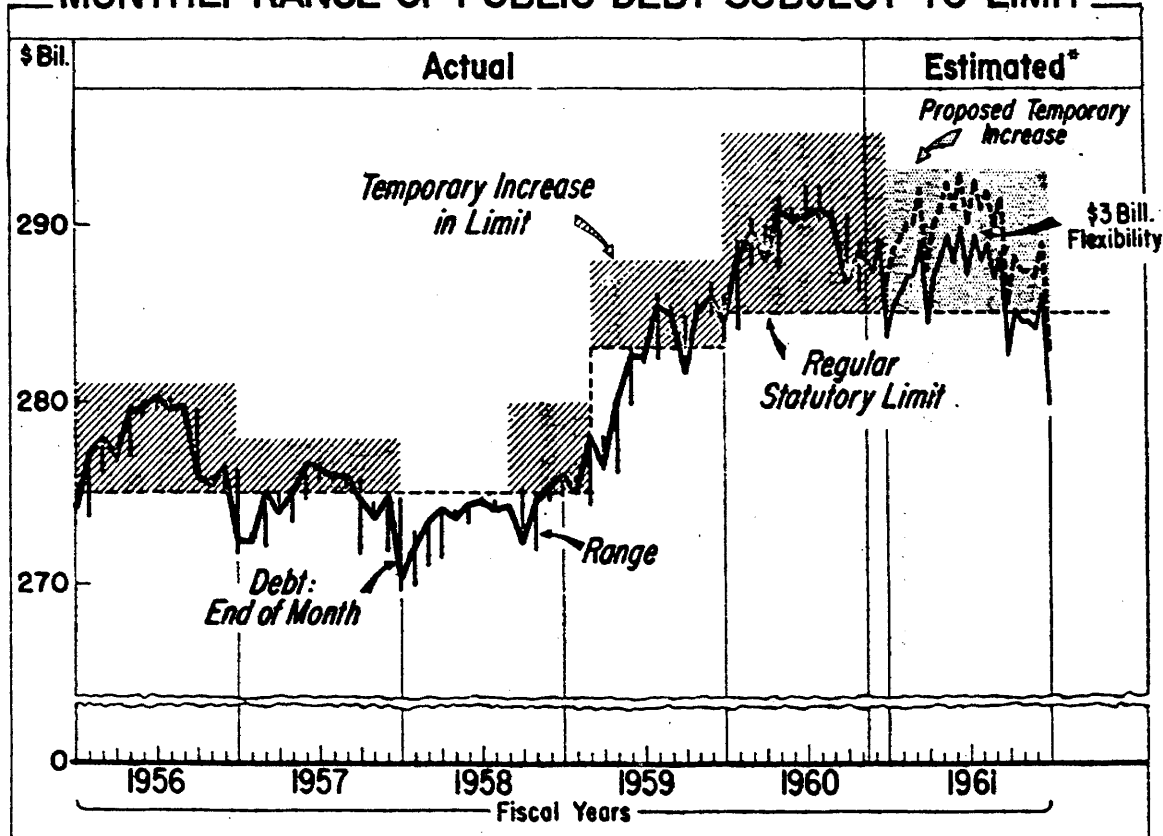
	Operating balance, Federal Reserve banks and depositories (excluding free gold)	Public debt subject to limitation	Allowances to provide flexibility in financing and for contingencies	Total public debt limita- tion required
June 30, 1960.....	\$3.5	\$283.6	\$3.0	\$286.6
July 15.....	3.5	285.5	3.0	288.5
July 31.....	3.5	286.2	3.0	289.2
Aug. 15.....	3.5	287.0	3.0	290.0
Aug. 31.....	3.5	287.0	3.0	290.0
Sept. 15.....	3.5	289.0	3.0	292.0
Sept. 30.....	3.5	284.3	3.0	287.3
Oct. 15.....	3.5	287.0	3.0	290.0
Oct. 31.....	3.5	287.9	3.0	290.9
Nov. 15.....	3.5	289.3	3.0	292.3
Nov. 30.....	3.5	287.8	3.0	290.8
Dec. 15.....	3.5	289.8	3.0	292.8
Dec. 31.....	3.5	287.1	3.0	290.1
Jan. 15, 1961.....	3.5	289.3	3.0	292.3
Jan. 31.....	3.5	287.8	3.0	290.8
Feb. 15.....	3.5	288.8	3.0	291.8
Feb. 28.....	3.5	286.8	3.0	289.8
Mar. 15.....	3.5	288.4	3.0	291.4
Mar. 31.....	3.5	292.5	3.0	295.5
Apr. 15.....	3.5	285.2	3.0	288.2
Apr. 30.....	3.5	284.4	3.0	287.4
May 15.....	3.5	284.4	3.0	287.4
May 31.....	3.5	283.9	3.0	286.9
June 15.....	3.5	286.1	3.0	289.1
June 30.....	3.5	279.8	3.0	282.8

NOTE.—When the 15th of a month falls on Saturday or Sunday the figures relate to the following business day.

Source: U.S. Treasury Department.

CHART 1-

MONTHLY RANGE OF PUBLIC DEBT SUBJECT TO LIMIT



*Estimate on basis of January 1960 Budget Message. Semimonthly; assuming \$3.5 billion operating balance excluding free gold.

III. TITLE II—EXTENSION OF EXISTING TAX RATES

A. EXPLANATION OF RATES EXTENDED

Title II of the House bill provided for a 1-year extension of the corporate income tax rates and the existing rates of certain excise taxes, including the taxes on general telephone service and transportation of persons. The rates of these taxes otherwise are scheduled for reduction on July 1, 1960.

Title II of your committee's bill also provides for a 1-year extension of the present corporate income tax rates and the existing rates of certain excise taxes. However, it does not extend the existing rates of tax on general telephone service or on transportation of persons. Instead, your committee's amendments repeal these two taxes as of July 1, 1960, and also provide for the repeal of the tax on domestic telegraph service as of the same date.

The present 52-percent corporate income tax rate, without the 1-year extension provided by both the House and your committee's versions of this bill, would revert to 47 percent as of July 1, 1960, through a reduction of the normal tax rate from 30 percent to 25 percent.

The excise tax rates which both the House and your committee's bill extend for another year or until July 1, 1960, are those on—

- (1) distilled spirits, which otherwise would be reduced from \$10.50 to \$9 per proof gallon;
- (2) beer, which otherwise would be reduced from \$9 to \$8 per barrel;
- (3) wines, subject to various tax rates which otherwise would be reduced by approximately 11 percent;
- (4) cigarettes, which otherwise would be reduced from 8 cents to 7 cents a pack;
- (5) passenger cars, which otherwise would be reduced from 10 percent to 7 percent of the manufacturer's price; and
- (6) auto parts and accessories, which otherwise would be reduced from 8 percent to 5 percent of the manufacturer's price.

The taxes which your committee's bill treats differently from the House bill are those on general telephone service (or local telephone service as it formerly was called), domestic telegraph service and transportation of persons, all of which are presently imposed at 10-percent rates. The tax on general telephone service and the tax on transportation of persons, as the result of action initiated by your committee in the Tax Rate Extension Act of 1959, presently are scheduled for repeal in the case of the general telephone service tax as of July 1, 1960, and for reduction to 5 percent in the case of the tax on the transportation of persons as of the same date. Your committee's amendments in general would repeal both of these taxes effective for payments made on or after July 1, 1960. However, the 10-percent rate of tax will continue to apply to leased wire service, which is presently included in general telephone service. This service is defined as the leasing of any telephone or radiotelephone line or channel which connects stations between which there otherwise would be a toll telephone charge. In the case of telegraph service, international telegraph service will remain subject to the present 10-percent tax. Such service means a telegraph cable or radio dispatch or message for which the charge is paid within the United States and which

originates in the United States and terminates outside of the United States or vice versa.

Table 4 summarizes in tabular form the various rates of the taxes affected by the House and your committee's bill for the coming year showing the present tax rates and the rates which would be in effect under existing law and the House and your committee's bill.

Title II of the bill, in addition to making the excise tax rate changes referred to above, also makes a number of technical changes, including the postponement for 1 more year of the floor stock refunds or credits presently effective with respect to stocks of various tax-paid products on hand on July 1, 1960. These floor stock refunds are available in the case of distilled spirits, wines and beer, cigarettes, and passenger cars.

TABLE 4.—Tax rates affected by the bill

	Unit of tax	Present rates	Rates to become effective July 1, 1960 under—		
			Present law	House bill	Committee bill
Rates continued in House and committee bill:					
Corporations.....	Normal tax net income (percent).	30	25	30	30
Excises:					
Liquor taxes:					
Distilled spirits.....	Per proof gallon.....	\$10.50	\$9.00	\$10.50	\$10.50
Beer.....	Per barrel.....	\$9.00	\$8.00	\$9.00	\$9.00
Wine:					
Still wine:					
Containing less than 14 percent alcohol.	Per wine gallon (cents)...	17	15	17	17
Containing 14 to 21 percent alcohol.	do.....	67	60	67	67
Containing 21 to 24 percent alcohol.	Per wine gallon.....	\$2.25	\$2.00	\$2.25	\$2.25
Containing more than 24 percent alcohol.	do.....	\$10.50	\$9.00	\$10.50	\$10.50
Sparkling wines, liqueurs, etc.:					
Champagne or sparkling wine.	do.....	\$3.40	\$3.00	\$3.40	\$3.40
Liqueurs, cordials, etc.	do.....	\$1.92	\$1.60	\$1.92	\$1.92
Artificially carbonated wine.	do.....	\$2.40	\$2.00	\$2.40	\$2.40
Tobacco taxes: Cigarettes.....	Per thousand.....	\$4.00	\$3.50	\$4.00	\$4.00
Manufacturers excise taxes:					
Passenger cars.....	Manufacturers sale price (percent).	10	7	10	10
Auto parts and accessories.....	do.....	8	5	8	8
Rates repealed under committee bill: Miscellaneous taxes:					
General telephone.....	Amount charged (percent).	10	0	10	0
Domestic telegraph service.....	do.....	10	10	10	0
Transportation of persons.....	Amount paid (percent)...	10	5	10	0

Source: Staff of the Joint Committee on Internal Revenue Taxation.

B. REASONS FOR YOUR COMMITTEE'S ACTIONS

The continuation of the present corporate tax rate and the excise tax rates on alcoholic beverages, cigarettes, passenger cars and auto parts and accessories are essential in view of the 1961 budgetary requirements. Your committee deemed it essential, however, to make an exception to the continuation of existing rates in the case of the

general telephone service, domestic telegraph service, and transportation of persons taxes for the reasons outlined below.

Your committee has approved of the repeal of the tax on general telephone service both because the burden of this tax bears most heavily on those least able to pay, and because a substantial portion of this tax is a business cost item which enters into the costs of other goods and services and therefore is a factor tending toward higher prices generally. The tax on domestic telegraph service is repealed in part on the grounds that this tax also is a substantial business cost item. Also, it should be recognized that these taxes (to the extent they are not reflected in the higher prices) result in reductions in profits subject to the individual or corporate income taxes. Thus, the loss in revenue resulting from the repeal of these taxes can be expected to be offset, to some extent, by increased income tax collections.

In the case of domestic telegraph service, your committee also believes that it is desirable to eliminate the tax involved since this has been an industry of declining profits and declining employment where the burden of the tax bears heavily on the industry. Thus, despite the fact that incomes generally more than doubled in the period from 1945 to 1958, public telegraph message volume during this period fell from 193 million messages in 1945 to less than 112 million in 1958, a decrease of more than 40 percent. Corresponding with this decline in volume, employment in the telegraph industry dropped from 64,570 in 1945 to 35,400 in 1958.

In the case of the tax on transportation of persons also the industries involved have been faced with problems of maintaining their volume of business. This, of course, has been especially true in the case of the passenger traffic on the railroads. For example, the passenger operating revenues of the class 1 railways in the first 3 months of the calendar year 1960 amounted to \$55 million, \$51 million and \$52 million respectively, while the operating revenues of these railways in the first 3 months of 1957 were \$66 million, \$58 million, and \$58 million, respectively. To a lesser extent the airlines also have had problems in developing their passenger business. The tax on the transportation of persons also is a substantial business cost item. In addition, discriminatory problems are created as between transportation within and without the United States, since the latter transportation, for the most part, is not subject to tax.

C. REVENUE EFFECT OF HOUSE BILL AND YOUR COMMITTEE'S AMENDMENTS

Table 5 shows the revenue effect of the House bill and your committee's bill, both for a full year of operation and for the fiscal year 1961. The full year effect of the House bill would be to maintain receipts of almost \$4 billion which would otherwise be lost. Your committee's bill, on the same basis maintains revenues of about \$3.2 billion which would otherwise be lost. In the fiscal year 1961 the House bill would increase revenues over what they would be if present law were allowed to become effective by \$2.6 billion while your committee's action would increase revenues over what they otherwise would be by about \$2 billion (these figures take into account the effect of floor stock refunds). The differences between the full year effect and the effect in the fiscal year 1961 are primarily attrib-

utable to the postponement of the corporate rate reduction which under both versions of the bill is not fully reflected in receipts in the fiscal year 1961.

TABLE 5.—Revenue effect of the bill as passed by the House and as amended by your committee; gain (+) or loss (–) of House or your committee's bill over yield under present law (rates scheduled to be in effect on July 1, 1960)

[Millions of dollars]

	Full year effect		Fiscal 1961 effect	
	House bill	Your committee bill	House bill	Your committee bill
A. Rates extended under both bills—revenue gain:				
52-percent corporate tax rate.....	+2,375	+2,375	+1,075	+1,075
Excise tax rates:				
Distilled spirits.....	+158	+158	¹ +258	¹ +258
Beer.....	+88	+88	¹ +96	¹ +96
Wines.....	+10	+10	¹ +14	¹ +14
Cigarettes.....	+231	+231	¹ +251	¹ +251
Passenger cars.....	+420	+420	¹ +399	¹ +399
Auto parts and accessories.....	+71	+71	+62	+62
Subtotal, excises.....	+978	+978	+1,080	¹ +1,080
Total for rates continued under both bills.....	+3,353	+3,353	+2,155	¹ +2,155
B. Taxes repealed under your committee bill:				
Transportation of persons.....	+145	–145	+109	–109
General telephone.....	+450	+5	+338	+4
Domestic telegraph service.....	0	–17	0	–13
Total.....	+595	–157	+447	–118
C. Net revenue gain.....	+3,948	+3,196	+2,602	+2,037

¹ Includes effect of postponing floor stock refunds.

Source: Joint Committee on Internal Revenue Taxation.

On a full year basis both versions of the bill result in an increase of nearly \$2.4 billion in corporate income tax collections. Both versions of the bill also result in an increase in revenues of almost \$1 billion in the case of the so-called Korean war excise tax rates; namely, those increased at that time on distilled spirits, beer, wine, cigarettes, passenger cars and auto parts and accessories.

The difference between the House bill and your committee's action is reflected in the effect on the transportation and communication taxes. The House bill in the case of the tax on the transportation of persons instead of permitting the rate to decline from 10 percent to 5 percent maintains the present 10-percent rate while your committee's action repeals this tax altogether. This on a full year's basis accounts for a net decrease in revenues otherwise available of \$290 million. In the case of the general telephone service tax, the House bill continues the rate which present law would repeal, while your committee's bill, except for the minor effect on leased wires, repeals this tax. This accounts for a decrease in revenues otherwise available of \$445 million on a full year's basis. The remainder of the difference can be accounted for by the repeal by your committee of the domestic tax on telegraph service which results in a revenue loss of \$17 million.

The President in his budget message this last January forecast a budgetary surplus for the fiscal year 1961 of \$4.2 billion. This was predicated upon the acceptance by Congress of the President's proposal for the extension of the tax rates involved in this bill. Therefore, your committee's action can be expected to have the effect in

the fiscal year 1961 of reducing this estimated surplus by about \$565 million, or reduce the estimated surplus of \$4.2 billion to a figure of slightly over \$3.6 billion.

IV. APPENDIX

Debt limitation under sec. 21 of the Second Liberty Bond Act as amended—History of legislation

1917	
Act of—	
Sept. 24, 1917:	
Sec. 1 (40 Stat. 288) authorized bonds in the amount of	¹ \$7, 538, 945, 400
Sec. 5 (40 Stat. 290) authorized certificates of indebtedness outstanding (revolving authority)	² 4, 000, 000, 000
1918	
Apr. 4, 1918:	
Amending sec. 1 (40 Stat. 502) increased bond authority to	¹ 12, 000, 000, 000
Amending sec. 5 (40 Stat. 504) increased authority for certificates outstanding to	² 8, 000, 000, 000
July 9, 1918, amending sec. 1 (40 Stat. 844) increased bond authority to	¹ 20, 000, 000, 000
1919	
Mar. 3, 1919:	
Amending sec. 5 (40 Stat. 1311) increased authority for certificates outstanding to	² 10, 000, 000, 000
New sec. 18 added (40 Stat. 1309) authorized notes in the amount of	¹ 7, 000, 000, 000
1921	
Nov. 23, 1921, amending sec. 18 (42 Stat. 321) increased note authority to outstanding (establishing revolving authority)	² 7, 500, 000, 000
1929	
June 17, 1929, amending sec. 5 (46 Stat. 19) authorized Treasury bills in lieu of certificates of indebtedness, no change in limitation for the outstanding	² 10, 000, 000, 000
1931	
Mar. 3, 1931, amending sec. 1 (46 Stat. 1506) increased bond authority to	¹ 28, 000, 000, 000
1934	
Jan. 30, 1934, amending sec. 18 (48 Stat. 343) increased authority for notes outstanding to	² 10, 000, 000, 000
1935	
Feb. 4, 1935:	
Amending sec. 1 (49 Stat. 20) limited bonds outstanding (establishing revolving authority) to	² 25, 000, 000, 000
New sec. 21 added (49 Stat. 21) consolidated authority for certificates and bills (sec. 5) and authority for notes (sec. 18). Same aggregate amount outstanding	² 20, 000, 000, 000
New sec. 22 added (49 Stat. 21) authorized U.S. savings bonds within authority of sec. 1.	

¹ Limitation on issue.

² Limitation on outstanding.

*Debt limitation under sec. 21 of the Second Liberty Bond Act as amended—
History of legislation—Continued*

1938

May 26, 1938, amending secs. 1 and 21 (52 Stat. 447) consolidated in sec. 21, authority for bonds, certificates of indebtedness, Treasury bills and notes (outstanding bonds limited to \$30,000,000,000); same aggregate total outstanding-----² \$45, 000, 000, 000

1939

July 20, 1939, (53 Stat. 1071) amending sec. 21 removed limitation on bonds without change total authorized outstanding of bonds, certificates of indebtedness, Treasury bills and notes-----² 45, 000, 000, 000

1940

June 25, 1940 (54 Stat. 526), sec. 302, sec. 21 of the Second Liberty Bond Act, as amended, is hereby further amended by inserting "(a)" after "21." and by adding at the end of such section a new paragraph as follows: "(b) In addition to the amount authorized by the preceding paragraph of this section, any obligations authorized by sections 5 and 18 of this Act, as amended, not to exceed in the aggregate \$4,000,000,000 outstanding at any one time, less any retirements made from the special fund made available under section 301 of the Revenue Act of 1940, may be issued under said sections to provide the Treasury with funds to meet any expenditures made, after June 30, 1940, for the national defense, or to reimburse the general fund of the Treasury therefor, any such obligations so issued shall be designated 'National Defense Series'."-----³ 4, 000, 000, 000

1941

Feb. 19, 1941 (55 Stat. 7), amending sec. 21 to read "*Provided*, That the face amount of obligations issued under the authority of this Act shall not exceed in the aggregate \$65,000,000,000 outstanding at any one time." Eliminates separate authority of \$4,000,000,000 of national defense series obligations-----² 65, 000, 000, 000

1942

Mar. 28, 1942 (56 Stat. 189), amending sec. 21 increasing limitation to \$125,000,000,000-----² 125, 000, 000, 000

1943

Apr. 11, 1943 (57 Stat. 63), amending sec. 21 increasing limitation to \$210,000,000,000-----² 210, 000, 000, 000

1944

June 9, 1944 (58 Stat. 272), amending sec. 21 increasing limitation to \$260,000,000,000-----² 260, 000, 000, 000

1945

Apr. 3, 1945 (59 Stat. 47), amending sec. 21 to read: "The face amount of obligations issued under authority of this Act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such guaranteed obligations as may be held by the Secretary of the Treasury), shall not exceed in the aggregate \$300,000,000,000 outstanding at any one time"-----² 300, 000, 000, 000

² Limitation on outstanding.

³ Limitation on issues less retirements.

*Debt limitation under sec. 21 of the Second Liberty Bond Act as amended—
History of legislation—Continued*

1946

June 26, 1946 (60 Stat. 316), amending sec. 21 decreasing limitation to \$275,000,000,000 and adding, "the current redemption value of any obligation issued on a discount basis which is redeemable prior to maturity at the option of the holder thereof shall be considered, for the purposes of this section, to be the face amount of such obligation" -----² \$275, 000, 000, 000

1954

Aug. 28, 1954 (68 Stat. 895), amending sec. 21, effective Aug. 28, 1954, and ending June 30, 1955, temporarily increasing limitation by \$6,000,000,000 to -----² 281, 000, 000, 000

1955

June 30, 1955 (69 Stat. 241), amending Aug. 28, 1954, act by extending until June 30, 1956, increase in limitation to -----² 281, 000, 000, 000

1956

July 9, 1956 (70 Stat. 519):
Amending act of Aug. 28, 1954, temporarily increasing limitation by \$3,000,000,000, for period beginning on July 1, 1956, and ending on June 30, 1957, to -----² 278, 000, 000, 000

1957

Effective July 1, 1957, temporary increase terminates and limitation reverts, under act of June 26, 1946, to -----² 275, 000, 000, 000

1958

Feb. 26, 1958 (72 Stat. 27), amending sec. 21, effective Feb. 26, 1958, and ending June 30, 1959, temporarily increasing limitation by \$5,000,000,000 to -----² 280, 000, 000, 000
Sept. 2, 1958 (72 Stat. 1758), amending sec. 21, increasing limitation to \$283,000,000,000, which, with temporary increase of Feb. 26, 1958, makes limitation ----² 288, 000, 000, 000

1959

June 30, 1959 (73 Stat. 156):
Amending sec. 21, effective June 30, 1959, increasing limitation to \$285,000,000,000, which, with temporary increase of Feb. 26, 1958, makes limitation on June 30, 1959 -----² 290, 000, 000, 000
Amending sec. 21, temporarily increasing limitation by \$10,000,000,000 for period beginning on July 1, 1959, and ending on June 30, 1960, which makes limitation beginning July 1, 1959 -----² 295, 000, 000, 000

V. CHANGES IN EXISTING LAW

In the opinion of the committee, it is necessary, in order to expedite the business of the Senate, to dispense with the requirements of subsection 4 of rule XXIX of the Standing Rules of the Senate (relating to the showing of changes in existing law made by the bill, as reported).

² Limitation on outstanding.