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[COMMITTEE PRINT]

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES
EIGHTY-NINTH CONGRESS
SECOND SESSION

PROPOSED LEGISLATION SUBMITTED BY THE SECRETARY OF THE TREASURY

AND

THE SECRETARY OF COMMERCE

ENTITLED

THE "FEDERAL-AID HIGHWAY ACT OF 1966"

AND

THE "HIGHWAY, AIRWAY, AND WATERWAY USER ACT OF 1966"

TOGETHER WITH

Section-by-Section Analysis

AND

Technical Explanation

KANSAS STATE UNIVERSITY LIBRARY
MAY 25 1966
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I. LETTER FROM THE SECRETARY OF THE TREASURY AND THE SECRETARY OF COMMERCE

THE SECRETARY OF THE TREASURY,
THE SECRETARY OF COMMERCE,
Washington, D.C., March 21, 1966.

HON. JOHN W. MCCORMACK,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: Enclosed are four copies of a draft of a proposed bill, the Federal-Aid Highway Act of 1966 together with a section-by-section analysis, and four copies of a draft of a proposed bill, the Highway, Airway, and Waterway User Act of 1966 together with a section-by-section analysis.

FEDERAL-AID HIGHWAY ACT OF 1966

The bill authorizes an increase of $4.9 billion in the appropriations for the Interstate System, including authorizations for an additional year until June 30, 1972, and authorizes use of the apportionment factor contained in the 1965 cost estimate in making apportionments of interstate funds for fiscal years 1968 and 1969. The bill also authorizes the appropriation of funds for the Federal-aid primary and secondary highway systems and extensions thereof within urban areas for the fiscal years 1968 and 1969, and authorizes appropriations of funds for other highways in Federal domain areas for those years.

The bill increases the authorization for reconstruction of disaster-damaged highways for fiscal year 1967 and thereafter from $30 to $50 million annually, provides for a 2-year carryover of unexpended authorizations for that purpose, and provides for reimbursement from the general fund of the Treasury to cover the Federal share of the cost of reconstruction of roads not on the Federal-aid systems.

Finally, the bill revises the prohibition against use of the highway trust fund for making appropriations for highway beautification to limit this prohibition to appropriations made during fiscal year 1966, and provides contract authority thereafter for such purposes as now applicable to the regular Federal-aid highway program.

HIGHWAY, AIRWAY, AND WATERWAY USER ACT OF 1966

Enactment of this draft bill is essential if we are to complete our interstate highway program as contemplated.

The bill provides for raising additional revenues for the highway trust fund by increasing the tax on diesel fuel used in highway vehicles from 4 to 6 cents a gallon. In addition, the annual tax of $3 per thousand pounds of gross weight now imposed on use of trucks and buses with a gross weight in excess of 26,000 pounds would be changed to a graduated tax applicable only to buses and "combination" trucks. The rates proposed range from $3.50 per thousand pounds for vehicles

with a gross weight in excess of 26,000 pounds and less than 40,000 pounds to $8 per thousand pounds for vehicles with a gross weight of 60,000 pounds or more.

Even with the additional revenues proposed in this bill, the pay-as-you-go policy requires us to extend collection of highway user charges for 5 additional months. Without the additional taxes proposed in this bill, the interstate program and the collection of taxes for the highway trust fund would have to be stretched out for a further time.

The bill also provides for financing the Highway Beautification Act and the now-pending Traffic Safety Act of 1966 from the trust fund. Under the bill those two programs will be financed by transfer to the trust fund of amounts equal to a 1-percent passenger automobile excise tax. Provision is made for additional appropriations from the general fund as are necessary to meet the cost of these programs if the 1-percent tax on passenger automobiles is insufficient.

The draft bill also imposes charges to reflect the special benefits received from the Federal Government by those using our inland waterways and our airways.

At present a tax of 2 cents per gallon is imposed on gasoline and certain special fuels used in motorboats on our inland waterways. Diesel fuel used in motorboats is not taxed. We are currently spending more than $50 million a year for operating and maintaining the inland waterways, and over $200 million a year for new investment. In view of these large and increasing public expenditures, equity requires that all users of the inland waterways contribute to the cost of providing their transport network. Accordingly, the bill imposes a tax of 2 cents per gallon on all fuel used on the inland waterways. The proposed tax will recover a very small fraction of the operating and maintenance costs of the waterways, and contribute nothing to capital costs.

At present, airways users pay a tax of 2 cents per gallon on gasoline used as fuel in airplanes. A 5-percent tax is levied on amounts paid for the transportation of persons by air. But no tax is paid on transportation of property by air or on aviation fuels other than gasoline.

Users of the airways benefit from Federal outlays for our airways system which exceed receipts from the present taxes on transportation of persons by air and fuel used in airplanes. Accordingly, the bill provides for increasing the user charge for noncommercial aviation by taxing all fuels used for such purpose at 4 cents a gallon instead of the present tax of 2 cents a gallon on gasoline only.

For commercial aviation, the bill proposes that revenues be derived from taxes on air transportation service only. No tax will be imposed on the use of any fuel for commercial aviation commencing on July 1, 1966. The tax on transportation of persons is continued. However, to make the revenues therefrom more adequately reflect airways costs, the tax would be raised from 5 to 6 percent for the period July 1, 1966, through December 31, 1968. The growth in air passenger traffic during this period is expected to be such that the tax then can be reduced to 5 percent on and after January 1, 1969. In the case of transportation of property by air, a tax of 2 percent of the amount paid would be imposed for the 2½-year period from July 1, 1966, through December 31, 1968. Thereafter the rate would be 4 percent.

We recommend enactment of these two draft bills in order to insure

the orderly continuation of our highway program, to provide additional revenues for that program and to promote equitable cost recovery in other transportation programs.

We have been advised by the Bureau of the Budget that enactment of these two draft bills would be in accord with the program of the President.

Sincerely yours,

HENRY H. FOWLER, *Secretary of the Treasury.*
JOHN T. CONNOR, *Secretary of Commerce.*

II. THE FEDERAL-AID HIGHWAY ACT OF 1966

A BILL To authorize appropriations for the fiscal years 1968 and 1969 for the construction of certain highways in accordance with title 23 of the United States Code, and for other purposes.

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

SEC. 1. SHORT TITLE.

This Act may be cited as the "Federal-Aid Highway Act of 1966."

SEC. 2. 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 103 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 $3,000,000,000 for the fiscal year ending June 30, 1967, the additional sum of $3,300,000,000 for the fiscal year ending June 30, 1968, the additional sum of $3,600,000,000 for the fiscal year ending June 30, 1969, the additional sum of $3,600,000,000 for the fiscal year ending June 30, 1970, the additional sum of $3,600,000,000 for the fiscal year ending June 30, 1971, and the additional sum of $2,685,000,000 for the fiscal year ending June 30, 1972."

SEC. 3. AUTHORIZATION OF USE OF COST ESTIMATE FOR APPORTIONMENT OF INTERSTATE FUNDS.

The Secretary of Commerce is authorized to make the apportionment for the fiscal years ending June 30, 1968, and 1969, of the sums authorized to be appropriated for such years for expenditures on the National System of Interstate and Defense Highways, using the apportionment factors contained in table 5 of House Document Numbered 42, Eighty-ninth Congress.

SEC. 4. EXTENSION OF TIME FOR COMPLETION OF SYSTEM.

(a) The second paragraph of section 101(b) of title 23, United States Code, is amended by striking out "fifteen years" and inserting in lieu thereof "sixteen years" and by striking out "June 30, 1971", and inserting in lieu thereof "June 30, 1972".

(b) The second and third sentences of section 104(b)(5) of title 23, United States Code, are amended by striking "1971" where it appears and inserting in lieu thereof "1972", and by striking "fiscal year ending June 30, 1971", at the end of the penultimate sentence and inserting in lieu thereof "fiscal years ending June 30, 1971, and June 30, 1972".

SEC. 5. AUTHORIZATIONS.

For the purpose of carrying out the provisions of title 23 of the United States Code, the following sums are hereby authorized to be appropriated:

(1) For the Federal-aid primary system and the Federal-aid secondary system and for their extension within urban areas, out of the highway trust fund, $1,000,000,000 for the fiscal year ending June 30, 1968, and $1,000,000,000 for the fiscal year ending June 30, 1969. The sums authorized in this paragraph for each fiscal year shall be available for expenditure as follows:

(A) 45 per centum for projects on the Federal-aid primary highway system;

(B) 30 per centum for projects on the Federal-aid secondary highway system; and

(C) 25 per centum for projects on extensions of the Federal-aid primary and Federal-aid secondary highway systems in urban areas.

(2) For forest highways on the Federal-aid highway systems, out of the highway trust fund, $33,000,000 for the fiscal year ending June 30, 1968, and $33,000,000 for the fiscal year ending June 30, 1969.

(3) For public lands highways on the Federal-aid highway systems, out of the highway trust fund, $7,000,000 for the fiscal year ending June 30, 1968, and $7,000,000 for the fiscal year ending June 30, 1969.

(4) For forest development roads and trails, $85,000,000 for the fiscal year ending June 30, 1968, and $110,000,000 for the fiscal year ending June 30, 1969.

(5) For public lands development roads and trails, $2,000,000 for the fiscal year ending June 30, 1968, and $3,000,000 for the fiscal year ending June 30, 1969.

(6) For park roads and trails, $25,000,000 for the fiscal year ending June 30, 1968, and $30,000,000 for the fiscal year ending June 30, 1969.

(7) For parkways, $9,000,000 for the fiscal year ending June 30, 1968, and $11,000,000 for the fiscal year ending June 30, 1969.

(8) For Indian reservation roads and bridges, $18,000,000 for the fiscal year ending June 30, 1968, and $23,000,000 for the fiscal year ending June 30, 1969.

SEC. 6. HIGHWAY BEAUTIFICATION.

(a) The last sentence in subsections 131(m) and 136(m) of title 23, United States Code, is hereby deleted and the following is substituted in lieu thereof:

"No part of the highway trust fund shall be available to carry out this section before July 1, 1966. The provisions of chapter 1 of this

title relating to the obligation, period of availability, and expenditure of Federal-aid primary highway funds, except as determined by the Secretary to be inconsistent with this section, shall apply to the funds authorized to be appropriated to carry out this section after June 30, 1966."

(b) The last sentence in subsection 319(b) of title 23, United States Code, is hereby deleted and the following is substituted in lieu thereof:

"No part of the highway trust fund shall be available to carry out this subsection before July 1, 1966. The provisions of chapter 1 of this title relating to the obligation, period of availability, and expenditure of Federal-aid primary highway funds, except as determined by the Secretary to be inconsistent with this subsection, shall apply to the funds authorized to be appropriated to carry out this subsection after June 30, 1966."

SEC. 7. EMERGENCY RELIEF.

Subsection (a) of section 125 of title 23, United States Code, is amended to read as follows:

"(a) The Secretary is hereby granted standby authority to expend, from any funds heretofore or hereafter appropriated for expenditure in accordance with the provisions of this title, including existing Federal-aid appropriations, and subject to the provisions of this section and section 120(f), the sum of $50,000,000 for the fiscal year 1967, and a like sum for each fiscal year thereafter, for the repair or reconstruction of highways, roads, and trails which he shall find have suffered serious damage as a result of disaster over a wide area, such as by floods, hurricanes, tidal waves, earthquakes, severe storms, landslides, or other catastrophes in any part of the United States. The unexpended balance of such authorization shall remain available for expenditure for a period of two years after the close of the fiscal year for which such sum is authorized. Expenditures under this section on any of the Federal-aid highway systems shall be reimbursed by appropriations from the highway trust fund, and expenditures under this section for highways, roads, and trails not on any Federal-aid highway system shall be reimbursed by appropriations from the general funds of the Treasury, which appropriations are hereby authorized."

(b) Subsections (b) and (c) of section 125 of title 23, United States Code, are amended by striking the words "from the emergency fund" where they appear.

III. SECTION-BY-SECTION ANALYSIS OF THE FEDERAL-AID HIGHWAY ACT OF 1966

Section 1. Cites this act as the "Federal-Aid Highway Act of 1966"

Section 2. Revision of authorization of appropriations for interstate system

Extends for 1 fiscal year (until June 30, 1972) the authorizations and increases by $4.9 billion the total amount authorized for completion of the National System of Interstate and Defense Highways. The revised amounts to be authorized are as follows:

(1) An additional $300 million (totaling $3,300 million) for the fiscal year ending June 30, 1968;

(2) An additional $600 million (totaling $3,600 million) for the fiscal year ending June 30, 1969;

(3) An additional $600 million (totaling $3,600 million) for the fiscal year ending June 30, 1970;

(4) An additional $715 million (totaling $3,600 million) for the fiscal year ending June 30, 1971; and

(5) The sum of $2,685 million for the fiscal year ending June 30, 1972.

Section 3. Authorization of use of cost estimate for apportionmen of funds

This section authorizes use of the cost estimate contained in table 5 of House Document No. 42, 89th Congress, by the Secretary of Commerce in making the apportionment for the fiscal years ending June 30, 1968, and 1969, of the sums authorized to be appropriated for such years on the National System of Interstate and Defense Highways.

Section 4. Extension of time for completion of system

This section provides a conforming amendment to take into account the amendments made to section 108(b) of the Federal-Aid Highway Act of 1956 by section 2 of the Federal-Aid Highway Act of 1966 which extends the authorization for completion of the National System of Interstate and Defense Highways for an additional year, until June 30, 1972.

Subsection (a) would declare it to be the intent of Congress that the Interstate System be completed as nearly as practicable over the period of availability of the 16 years' appropriations authorized for the purpose of expediting its construction, reconstruction, or improvement through the fiscal year ending June 30, 1972.

Subsection (b) extends by 1 year, until June 30, 1972, the application of the formula for apportionment of funds for the Interstate System. It further authorizes the Secretary, upon the approval of Congress, to use the Federal share of such approved estimate in making apportionment for the fiscal year ending June 30, 1972.

Section 5. Authorization

This section provides authorizations for projects on the Federal-aid primary system, the Federal-aid secondary system and extensions of these systems in urban areas, for the fiscal years 1968 and 1969. The section also authorizes funds for these fiscal years for forest highways, forest development roads and trails, public lands development roads and trails, park roads and trails, parkways, Indian reservation roads and bridges, and public lands highways. For the Federal-aid systems, the following sums are authorized for the fiscal years 1968 and 1969:

	1968	1969
Primary	$450,000,000	$450,000,000
Secondary	300,000,000	300,000,000
Urban	250,000,000	250,000,000
	1,000,000,000	1,000,000,000

The following sums are authorized for forest highways and public lands highways on the Federal-aid system for the fiscal years 1968 and 1969:

	1968	1969
Forest highways	$33,000,000	$33,000,000
Public lands highways	7,000,000	7,000,000

The amounts requested for these programs are the same as were authorized for fiscal years 1966 and 1967. However, expenditures of funds for forest highways and public lands highways would be limited to those on the Federal-aid systems, and these funds would come from the highway trust fund.

The section also authorizes appropriations for the fiscal years 1968 and 1969 for certain categories of roads administered by the Department of Agriculture and the Department of the Interior, as follows:

	1968	1969
Forest development roads and trails	$85,000,000	$110,000,000
Public lands development roads and trails	2,000,000	3,000,000
Park roads and trails	25,000,000	30,000,000
Parkways	9,000,000	11,000,000
Indian reservation roads and bridges	18,000,000	23,000,000

Section 6. Highway beautification

This section amends the Highway Beautification Act of 1965 to remove the prohibition against the use of the highway trust fund during fiscal year 1967 to finance the highway beautification program. The Highway Beautification Act of 1965 prohibits the use of the highway trust fund for fiscal years 1966 and 1967 in carrying out the provisions of sections 131, 136, and 319(b) of title 23, United States Code, relating to control of outdoor advertising, control of junkyards, and promotion of landscaping and scenic enhancement.

This section also makes applicable the Bureau's contract authority as relates to Federal-aid primary highway funds, for implementation

of the above sections of title 23, United States Code, after June 30, 1966.

Section 7. Emergency relief

This section increases from $30 to $50 million annually the authorization for the repair or reconstruction of highways, roads, and trails damaged in disasters. Any unexpended balance would remain available for the 2 years succeeding the year for which authorized. Expenditures on any of the Federal-aid highway systems would be reimbursed from the highway trust fund, and expenditures for highways, roads, and trails not on any Federal-aid system would be reimbursed from the general fund of the Treasury.

IV. HIGHWAY, AIRWAY, AND WATERWAY USER ACT OF 1966

SECTION 101. SHORT TITLE, ETC.

(a) SHORT TITLE.—This Act may be cited as the "Highway, Airway, and Waterway User Act of 1966."

(b) AMENDMENT OF 1954 CODE.—Except as otherwise expressly provided, whenever in this title an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1954.

SEC. 102. TAX ON MOTOR VEHICLE, AVIATION, AND MOTORBOAT FUEL.

Subchapter E of chapter 31 (relating to tax on special fuels) is amended to read as follows:

"Subchapter E—Special Fuels

"Sec. 4041. Imposition of tax on special fuels.
"Sec. 4042. Exemptions.

"SEC. 4041. IMPOSITION OF TAX ON SPECIAL FUELS.

"(a) MOTOR VEHICLES.—

"(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), there is hereby imposed a tax of 2 cents a gallon upon any liquid (other than any product taxable under section 4081)—

"(A) sold by any person to an owner, lessee, or other operator of a motor vehicle, for use as a fuel in such vehicle; or

"(B) used by any person as a fuel in a motor vehicle unless there was a taxable sale of such liquid under this section.

"(2) DIESEL-POWERED HIGHWAY VEHICLES.—In lieu of the tax imposed by paragraph (1), there is hereby imposed a tax of 6 cents a gallon upon any liquid (other than any product taxable under section 4081)—

"(A) 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

"(B) used by any person as a fuel in a diesel-powered highway vehicle unless there was a taxable sale of such liquid under this section.

"(3) OTHER HIGHWAY VEHICLES.—In lieu of the tax imposed by paragraph (1), there is hereby imposed a tax of 4 cents a gallon upon any liquid (other than any product taxable under section 4081)—

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

"(B) used by any person as a fuel in a highway vehicle (other than a diesel-powered highway vehicle) unless there was a taxable sale of such liquid under this section.

"(4) DEFINITION OF HIGHWAY VEHICLE.—For purposes of this chapter, the term 'highway vehicle' means a motor vehicle—

"(A) which is registered, or required to be registered, for highway use under the laws of any State or foreign country, or

"(B) which, if owned by the United States, is used on the highway.

"(b) NONCOMMERCIAL AVIATION.—

"(1) IN GENERAL.—There is hereby imposed a tax of 4 cents a gallon upon any liquid (other than any product taxable under section 4081)—

"(A) sold by any person to an owner, lessee, or other operator of an aircraft, for use as a fuel in such aircraft in noncommercial aviation, or

"(B) used by any person as a fuel in an aircraft in noncommercial aviation, unless there was a taxable sale of such liquid under this section.

"(2) DEFINITION OF NONCOMMERCIAL AVIATION.—For purposes of this chapter, the term 'noncommercial aviation' means any use of an aircraft other than by a person engaged in the business of transporting persons or property for compensation or hire by air while in the course of the operation of such business.

"(c) MOTORBOATS.—

"(1) MOTORBOATS HAVING A MAXIMUM DRAFT OF 15 FEET OR LESS.—There is hereby imposed a tax of 2 cents a gallon upon any liquid (other than any product taxable under section 4081)—

"(A) sold by any person to an owner, lessee, or other operator of a motorboat having a maximum draft of 15 feet or less for use as a fuel in such motorboat; or

"(B) used by any person as a fuel in such motorboat unless there was a taxable sale of such product under this section.

"(2) OTHER MOTORBOATS.—There is hereby imposed a tax of 2 cents a gallon upon benzol, benzene, naphtha, liquefied petroleum gas, and casing head and natural gasoline—

"(A) sold by any person to any owner, lessee, or other operator of a motorboat having a maximum draft of more than 15 feet for use as a fuel in such motorboat; or

"(B) used by any person as a fuel in such motorboat unless there was a taxable sale of such liquid under this section.

"(3) DEFINITION OF MOTORBOAT.—For purposes of this chapter the term 'motorboat' includes any craft used in water which is propelled by an internal combustion, electric or steam engine, any combination thereof, or any other mechanical means.

"(d) ADDITIONAL TAX.—If a liquid on which tax was imposed on the sale thereof is taxable at a higher rate on the use thereof under this section, there is hereby imposed a tax equal to the difference between the tax so imposed and the tax payable at such higher rate.

"(e) RATE REDUCTION.—On and after March 1, 1973—

"(1) the tax imposed by paragraph (1) of subsection (a), and paragraph (2) of subsection (c) shall be 1½ cents a gallon; and

"(2) paragraphs (2) and (3) of subsection (a) shall not apply.

"SEC. 4042. EXEMPTIONS.

"(a) EXEMPTION FOR FARM USE.—

"(1) EXEMPTION.—Under regulations prescribed by the Secretary or his delegate, no tax shall be imposed under section 4041 on any liquid sold for use or 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).

"(b) EXEMPTION FOR USE AS SUPPLIES FOR VESSELS.—Under regulations prescribed by the Secretary or his delegate, no tax shall be imposed under section 4041 on any liquid sold for use or used as supplies for vessels or aircraft (within the meaning of section 4221)."

SEC. 103. AMENDMENT OF TAX ON TRANSPORTATION OF PERSONS BY AIR AND IMPOSITION OF TAX ON TRANSPORTATION OF PROPERTY BY AIR.

(a) TAX ON TRANSPORTATION OF PERSONS BY AIR.—

(1) Section 4261 (relating to imposition of tax) is amended to read as follows:

"(a) IN GENERAL.—There is hereby imposed upon the amount paid—

"(1) within the United States for taxable transportation (as defined in section 4262) of any person by air;

"(2) without the United States for taxable transportation (as defined in section 4262) of any person by air, but only if such transportation begins and ends in the United States; and

"(3) for seating or sleeping accommodations in connection with transportation with respect to which a tax is imposed by paragraph (1) or (2),

a tax in accordance with the following table:

If the amounts are paid for or in connection with transportation which begins after—	But not after—	The tax is the following percentage of the amount paid
Nov. 15, 1962	June 30, 1966	5
June 30, 1966	Dec. 31, 1968	6
Dec. 31, 1968		5

"(b) BY WHOM PAID.—Except as provided in section 4264, the tax imposed by this section shall be paid by the person making the payment subject to the tax."

(2) Section 4262(c) (relating to definitions) is amended by adding at the end thereof a new paragraph to read as follows:

"(4) TRANSPORTATION.—For purposes of this part, the term 'transportation' includes layover or waiting time and movement of the aircraft in deadhead service."

(3) Section 4263(d) (relating to small aircraft on nonestablished lines) is repealed.

(b) IMPOSITION OF TAX ON TRANSPORTATION OF PROPERTY BY AIR.—Subchapter C of chapter 33 is amended by adding at the end thereof a new part to read as follows:

"PART II—PROPERTY

"Sec. 4271. Imposition of tax.
"Sec. 4272. Exemptions.

"SEC. 4271. IMPOSITION OF TAX.

"(a) IN GENERAL.—There is hereby imposed upon the amount paid within or without the United States for the transportation of property by air from one point in the United States to another, a tax equal to 2 percent of the amount so paid for transportation which begins after June 30, 1966, and before January 1, 1969, and 4 percent of the amount so paid for transportation which begins after December 31, 1968. Such tax shall apply only to amounts paid to a person engaged in the business of transporting property for hire by air.

"(b) APPLICATION OF TAX TO TRANSPORTATION OF PROPERTY INTO THE UNITED STATES.—In the case of property transported from a point without the United States to a point within the United States, the tax shall apply to the amount paid within the United States for that part of the transportation which takes place within the United States. Such tax shall apply only to amounts paid to a person engaged in the business of transporting property for hire by air.

"(c) TRANSPORTATION.—For purposes of this part, the term 'transportation' includes layover or waiting time and movement of the aircraft in deadhead service.

"(d) BY WHOM PAID.—The tax imposed by this section shall be paid by the person making the payment subject to the tax.

"(e) DEFINITION.—The term 'person engaged in the business of transporting property for hire by air' does not include a freight forwarder, express company, or similar person.

"SEC. 4272. EXEMPTIONS.

"(a) SHIPMENT FOR EXPORT.—Under regulations prescribed by the Secretary or his delegate, no tax shall be imposed under section 4271 upon amounts paid within the United States for the transportation of property in the course of exportation (including shipment to a possession of the United States) by continuous movement, and in due course so exported or shipped.

"(b) CERTAIN ORGANIZATIONS.—The tax imposed by section 4271 shall not apply to amounts paid for the transportation of property to or from an international organization (as defined in section 7701(a)(18)), or any corporation created by Act of Congress to act in matters of relief under the treaty of Geneva of August 22, 1864."

(c) CONFORMING AMENDMENT.—Subchapter C of chapter 33 is amended by striking out the heading of such subchapter and inserting in lieu thereof the following:

"Subchapter C—Transportation by Air

"Part I. Persons.
"Part II. Property.

"PART I—PERSONS"

SEC. 104. TAX ON USE OF CERTAIN VEHICLES.

Subsection (a) of section 4481 (relating to tax on use of certain highway motor vehicles) is amended to read as follows:

"(a) IMPOSITION OF TAX.—A tax is hereby imposed on the use of any highway motor vehicle, other than a single unit truck, as follows:

If the taxable gross weight of such highway motor vehicle is equal to or more than—	But less than—	The tax for each 1,000 pounds of taxable gross weight or fraction thereof for each taxable period is—	Except that for the taxable period beginning on July 1, 1972, and ending on Feb. 28, 1973, the tax for each 1,000 pounds of taxable gross or fraction thereof is—
26,001 pounds	40,000 pounds	$3.50	$2.33
40,000 pounds	50,000 pounds	5.00	3.33
50,000 pounds	60,000 pounds	6.50	4.33
60,000 pounds		8.00	5.33

SEC. 105. EXTENSION OF PERIOD FOR IMPOSITION OF HIGHWAY USER TAXES.

(a) The following provisions are amended by striking out "October 1, 1972" each time it appears and inserting in lieu thereof "March 1, 1973":

(1) Section 4061(a)(1) (relating to tax on automobiles);

(2) Section 4061(b)(1) (relating to tax on parts and accessories);

(3) Section 4071(c) (relating to tax rate reduction on tires and tubes);

(4) Section 4081(b) (relating to tax rate reduction on gasoline);

(5) Section 4481(e) (relating to termination of tax on certain vehicles);

(6) Section 6412(a)(2) (relating to floor stocks refunds on trucks and buses, tires, tubes, tread rubber, and gasoline); and

(7) Section 6421(h) (relating to nonhighway or local transit use of gasoline).

(b) Paragraph (2) of section 6412(a) (relating to floor stocks refunds) is amended by striking out "February 10, 1973" and "January 1, 1973" in each place they appear and inserting in lieu thereof "July 10, 1973" and "June 1, 1973", respectively.

(c) Paragraph (4) of section 4482(c) (relating to definition of taxable period) is amended by striking out "September 30, 1972" and inserting in lieu thereof "February 28, 1973".

(d) Section 6156(a) (relating to privilege to pay tax in installments) is amended to read as follows:

"(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 table shown in paragraph (1) or (2), whichever is applicable:

"(1) If liability is incurred before April 1, 1972, in—

	The number of installments shall be:
July, August, or September	4
October, November, or December	3
January, February, or March	2

"(2) If liability is incurred in—

	The number of installments shall be:
July, August, or September, 1972	3
October, November, or December, 1972	2

(e) Paragraph (2) of section 6156(e) (relating to inapplicability of section 6156 to certain liabilities) is amended to read as follows:

"(2) January or February of 1973."

SEC. 106. TECHNICAL AND CLERICAL AMENDMENTS.

(a) Section 6421(a) (relating to nonhighway use of gasoline) is amended by adding the following sentence at the end thereof:

"In the case of gasoline used as a fuel in an aircraft in commercial aviation (any aviation other than noncommercial aviation as defined in section 4041(b)(2)) the Secretary or his delegate shall pay (without interest) to the ultimate purchaser of such gasoline an amount equal to the amount determined by multiplying the number of gallons of gasoline so used by the rate at which tax was imposed on such gasoline under section 4081."

(b) Section 6421(e) (relating to exempt sales, other payments, or refunds available) is amended by adding the following paragraph at the end thereof:

"(3) GASOLINE USED IN NONCOMMERCIAL AVIATION.—This section shall not apply in respect of gasoline which is used as a fuel in an aircraft in noncommercial aviation (as defined in section 4041(b)(2))."

(c) Section 4082(c) (relating to certain uses defined as sales) is amended by striking out "or of special motor fuels referred to in section 4041(b)" and inserting in lieu thereof "or of special fuels referred to in section 4041".

(d) Section 4292 (relating to State and local governmental exemption) is amended by striking out "section 4251 or 4261" and inserting in lieu thereof "sections 4251, 4261, or 4271".

(e) Section 4294 (a) (relating to exemption for nonprofit educational organizations) is amended by striking out "section 4251 or 4261" and inserting in lieu thereof "sections 4251, 4261, or 4271".

(f) Section 6415 (relating to credits or refunds to persons who collected certain taxes) is amended by striking out "section 4251 or 4261" each place it appears and inserting in lieu thereof "sections 4251, 4261, or 4271."

(g) Subparagraph (A) of section 6416(a)(2) (relating to exceptions) is amended by striking out "section 4041 (a)(2) or (b)(2) (use of diesel and special motor fuels)" and inserting in lieu thereof "section 4041 (relating to tax on special fuels) on the use of any liquid".

(h) Paragraph (2) of section 6416(b) (relating to special cases in which tax payments considered overpayments) is amended—

(1) by striking out "(or under section 4041 (a)(1) or (b)(1))" and inserting in lieu thereof "(or under section 4041 on the sale of any liquid)";

(2) by amending subparagraph (G) to read as follows:

"(G) in the case of a liquid in respect of which tax was paid on the sale thereof (whether such sale occurred on, before, or after June 30, 1966), if (i) the vendee used such liquid other than for the use for which sold, or resold such liquid, or (ii) such liquid was (within the meaning of para-

graphs (1), (2), and (3) of section 6420(c)) used on a farm for farming purposes; except that the amount of any overpayment by reason of this subparagraph shall be reduced by an amount equal to the amount of tax applicable on the use thereof under section 4041 on the date used.";

(3) by amending subparagraph (H) as follows:

(A) striking out "at the rate of 3 cents or 4 cents a gallon" and inserting in lieu thereof "at the rate of 3 cents, 4 cents, or 6 cents a gallon";

(B) striking out "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" and inserting in lieu thereof "1 cent (where tax was paid at the 3-cent rate), 2 cents (where tax was paid at the 4-cent rate), or 4 cents (where tax was paid at the 6-cent rate) for each gallon";

(4) by striking out subparagraphs (I) and (J);

(5) by amending subparagraph (M) to read as follows:

"(M) in the case of gasoline, used or sold for use in the production of special fuels referred to in section 4041."

(i) Section 6420(i)(1) (relating to cross references) is amended—

(1) by striking out "diesel fuel and special motor fuels" and inserting in lieu thereof "special fuels", and

(2) by striking out "section 4041(d)" and inserting in lieu thereof "section 4042(a)".

(j) Section 6421(j) (relating to cross references) is amended to read as follows:

"(j) CROSS REFERENCES.—

"(1) For rate of tax in case of special fuels used in noncommercial aviation or for nonhighway purposes, see section 4041.

"(2) For refund or partial refund of tax in case of special fuels used for certain purposes or resold, see section 6416(b)(2).

"(3) For civil penalty for excessive claims under this section, see section 6675.

"(4) For fraud penalties, etc., see chapter 75 (section 7201 and following, relating to crimes, other offenses, and forfeitures)."

SEC. 107. HIGHWAY TRUST FUND.

Section 209 of the Highway Revenue Act of 1956, as amended, (relating to the Highway Trust Fund) is amended as follows:

(a) Subparagraph (A) of subsection (c)(1) (relating generally to transfer to trust fund of amounts equivalent to certain taxes) and subparagraph (A) of subsection (c)(3) (relating to liabilities incurred before October 1, 1972, for new or increased taxes) are amended by striking out "under sections 4041 (taxes on diesel fuel and special motor fuels)" and inserting in lieu thereof "under subsections (a) and (c) of section 4041 (tax on special fuels)".

(b) Subsection (c)(1) and subsection (f)(3) (relating to transfers from trust fund for gasoline and lubricating oil used for certain purposes) are amended by striking out "October 1, 1972" and inserting in lieu thereof "March 1, 1973".

(c) Subsection (c)(3) is amended by striking out "after September 30, 1972, and before July 1, 1973, and which are attributable to liability for tax incurred before October 1, 1972" and inserting in lieu thereof "after February 28, 1973, and before July 1, 1973, and which are attributable to liability for tax incurred before March 1, 1973".

(d) The heading of subsection (c)(3) is amended to read "Liabilities Incurred Before March 1, 1973, for New or Increased Taxes."

(e) Subsection (c) (relating to transfer to trust fund of amounts equivalent to certain taxes) is amended by adding at the end thereof the following new paragraph:

"(5) TRANSFER TO TRUST FUND OF PORTION OF TAX ON PASSENGER AUTOMOBILES AND AUTHORIZATION TO TRANSFER OTHER AMOUNTS.—There is hereby appropriated to the Trust Fund, out of any money in the Treasury not otherwise appropriated, received in the Treasury after June 30, 1966, and before July 1, 1973, and attributable to liability for tax under section 4061(a)(2) of the Internal Revenue Code of 1954 incurred before March 1, 1973, an amount equivalent to the amount of tax that would be imposed under section 4061(a)(2) of such Code if such section imposed a tax at the rate of one percent. If additional amounts over and above the amounts appropriated by the preceding sentence are necessary for the purposes of carrying out the provisions of the "Traffic Safety Act of 1966", and programs under sections 131, 136, and 319 (b) of title 23, United States Code, relating to highway beautification, such amounts are hereby authorized to be appropriated from the general fund of the Treasury to the Trust Fund for those purposes."

(f) Subsection (c)(4) (relating to method of transfer) is amended by striking out "paragraphs (1), (2), and (3)" each place it appears, and inserting in lieu thereof "paragraphs (1), (2), (3), and (5)".

(g) Subsection (e)(1) (relating generally to management of trust fund) is amended by striking out "June 30, 1973" and inserting in lieu thereof "June 30, 1974".

(h) Subsection (f)(1) (relating to Federal-aid highway program) is amended to read as follows:

"(1) FEDERAL-AID HIGHWAY PROGRAMS.—Amounts in the Trust Fund shall be available, as provided by appropriation Acts, for making expenditures to meet obligations of the United States which are attributable (A) to Federal-aid highways; (B) after June 30, 1966, to forest highways and public lands highways which are on any Federal-aid highway system and for payment of obligations incurred prior to July 1, 1966, for forest highways and public lands highways including those not on any Federal-aid highway system; (C) after June 30, 1966, to the "Traffic Safety Act of 1966"; (D) after June 30, 1966, to sections 131, 136, and 319(b) of title 23, United States Code, relating to highway beautification, and for payment of obligations incurred therefor prior to July 1, 1966; (E) to programs under section 135 of title 23, United States Code, relating to highway safety and payment of obligations incurred therefor prior to July 1, 1966; and (F) to general administrative expenses of the Bureau of Public Roads in carrying out the programs to be financed from the Trust Fund. Amounts appropriated to the Trust Fund under section 209(c)(5) of the Highway Revenue Act of 1956, as amended, shall be available only for carrying out subparagraphs (C) and (D) above (including administrative expenses attributable thereto).

(i) Subsection (f)(3) and subsection (f)(4) (relating to 1972 floor stocks refunds) are amended by striking out "July 1, 1973" and inserting in lieu thereof "July 1, 1974".

(j) The heading of subsection (f)(4) is amended to read "1973 Floor Stocks Refunds".

(k) Subsection (f)(5) (relating to transfers from the trust fund for special motor fuels and gasoline used in motorboats) is amended to read as follows:

"(5) TRANSFERS FROM THE TRUST FUND FOR SPECIAL FUELS AND GASOLINE USED IN MOTORBOATS.—The Secretary of the Treasury shall pay from time to time from the Trust Fund into the land and water conservation fund provided for in title I of the Land and Water Conservation Fund Act of 1965 amounts as determined by him in consultation with the Secretary of Commerce equivalent to the taxes received;

"(A) on or after January 1, 1965, under section 4081 of the Internal Revenue Code of 1954 with respect to gasoline used as fuel in motorboats;

"(B) on or after January 1, 1965, and before July 1, 1966, under section 4041(b) of such Code, with respect to special motor fuels used as fuel for the propulsion of motorboats; and

"(C) on or after July 1, 1966, under section 4041(c) of such Code with respect to special fuels used as fuel in motorboats."

On and after June 30, 1973, such amounts shall be paid by the Secretary of the Treasury directly from the general fund to such land and water conservation fund.

(l) Subsection (f) (relating to expenditures from trust fund) is amended by adding at the end thereof the following new paragraph:

"(7) TRANSFERS FROM THE TRUST FUND FOR GASOLINE USED IN AIRCRAFT.—The Secretary of the Treasury shall pay from time to time from the Trust Fund into the general fund of the Treasury amounts as determined by him equivalent to the taxes (not otherwise refundable) received under section 4081 of such Code with respect to gasoline used on and after July 1, 1966 in aircraft."

SEC. 108. EFFECTIVE DATES.

(a) TRANSPORTATION TAXES.—The amendments made by section 203 of this Act shall apply to amounts paid for or in connection with transportation which begins afer June 30, 1966.

(b) SPECIAL FUELS AND GASOLINE.—The amendments and repeals made by this Act with respect to gasoline and special fuels shall apply to sales or uses after June 30, 1966.

(c) All other amendments made by this title shall take effect on July 1, 1966.

V. TECHNICAL EXPLANATION OF PROPOSED HIGHWAY, AIRWAY, AND WATERWAY USER ACT OF 1966

Section 101. Short title; amendment of 1954 code

Section 101(a) of the bill provides that the act may be cited as the "Highway, Airway, and Waterway User Act of 1966."

Section 101(b) of the bill provides that unless otherwise specified, references are to sections or other provisions of the Internal Revenue Code of 1954.

Section 102. Tax on motor vehicle, aviation, and motorboat fuel

Section 102 amends subchapter E of chapter 31 of the Internal Revenue Code (relating to tax on special fuels).

Present law.—Under present law, diesel fuel is taxed under section 4041(a) and special motor fuels are taxed under section 4041(b). The general rate of tax on both diesel fuel and special motor fuel is 4 cents a gallon, but the incidence and rate of tax vary according to the use of the fuel and according to the type of fuel. For example, liquids (other than gasoline) sold for use or used as fuel in a diesel-powered highway vehicle which is registered or required to be registered for highway use are taxed as diesel fuel at the 4-cent-per-gallon rate. If such vehicle is not registered or required to be registered for highway use, the tax is 2 cents per gallon. Similarly, the special motor fuel tax of 4 cents a gallon is imposed on designated fuels (such as benzol, benzene, etc.) sold for use or used as a fuel for the propulsion of a motor vehicle, motorboat, or airplane. However, the rate of tax on special motor fuels is only 2 cents per gallon where sold for use or used in a vehicle (including a motorboat or airplane) other than a highway vehicle. No tax is imposed on certain liquid fuels such as kerosene (jet airplane fuel).

The amendment made by section 102 is designed both to change the rate of tax applicable in certain cases and to clarify the present system of taxing diesel fuel and special motor fuels by reorganizing section 4041 into separate subsections each of which deals with a different use of liquid fuel other than gasoline. Thus, subsection (a) imposes tax on liquids sold for use or used as fuel in motor vehicles, while subsections (b) and (c) impose tax on liquids sold for use or used as fuel in aircraft or motorboats, respectively.

Subsection (d) deals with the additional tax imposed in certain cases where a fuel is sold for one type of use and actually used for another type of use. Subsection (e) deals with the rate reduction applicable on and after March 1, 1973.

Motor vehicles.—Subsection (a) of section 4041 imposes a tax on fuel sold for use or used in motor vehicles.

Paragraph (1) of subsection (a) provides the general rule that, except as provided in paragraphs (2) and (3), any liquid (other than gasoline) sold for use or used as a fuel in a motor vehicle is subject

to tax at the rate of 2 cents per gallon, the same rate as generally applicable under present law.

Present section 4041(b) provides for the imposition of tax on special motor fuels sold for use or used for the "propulsion of" a motor vehicle, motorboat, or airplane. This language has not been continued. Instead, proposed section 4041 would use the language of present section 4041(a) relating to tax on diesel fuel (sold for use or used in a diesel-powered highway vehicle). No substantive change from present law is intended since the present regulations interpret present sections 4041 (a) and (b) as having the same meaning.

Under paragraph (1) of section 4041(a) any liquid (other than gasoline which is taxable under section 4081) is taxable if it is sold for use or used as fuel in a motor vehicle. This is a change from present law wherein some liquids (including kerosene, gas, oil, and fuel oil) are not subject to tax unless sold for use or used in diesel-powered highway vehicles. It is desirable to remove the possible competitive advantage accorded fuels not presently subject to tax.

Paragraph (2) of section 4041(a) imposes a tax of 6 cents a gallon (as compared to 4 cents a gallon under present law) on any liquid (except gasoline) sold for use or used in a diesel-powered highway vehicle.

Paragraph (3) of section 4041(a) imposes a tax of 4 cents a gallon on any liquid (except gasoline) sold for use or used in highway vehicles which are not diesel powered.

Paragraph (4) of section 4041(a) defines "highway vehicle" for purposes of chapter 31 to mean a motor vehicle which is registered, or required to be registered, for highway use under the laws of any State or foreign country, or which, if owned by the United States, is used on the highway. This definition is consistent with present law.

Noncommercial aviation.—Subsection (b) of section 4041 imposes a tax on fuel sold for use or used in an aircraft in noncommercial aviation.

Paragraph (1) of section 4041(b) imposes a tax of 4 cents a gallon on any liquid (other than gasoline) sold for use or used as a fuel in an aircraft, if the aircraft is used in noncommercial aviation. Under present law, special motor fuels are taxed at the rate of 2 cents a gallon if sold for use in any aircraft, whether the aircraft is used in commercial or noncommercial aviation. Moreover, under present law, no tax is imposed on kerosene (jet fuel), gas, oil, and fuel oil sold for use or used in airplanes. Under the bill, all liquids, including kerosene, etc., would be taxable if sold for use or used in noncommercial aviation. No tax would apply to fuel sold for use or used in commercial aviation since separate user charges are imposed on commercial aviation under section 103 of this bill in the form of higher rates of tax on air fares and a new tax on airfreight charges. These taxes apply only to commercial aviation.

Paragraph (2) of section 4041(b) defines the term "noncommercial aviation" for purposes of chapter 31 to mean any use of an aircraft other than by a person engaged in the business of transporting persons or property for compensation by air while in the course of such business.

Motorboats.—Subsection (c) of section 4041 imposes a tax on fuel sold for use or used in motorboats.

Paragraph (1) of section 4041(c) imposes a tax of 2 cents a gallon on any liquid (other than gasoline) sold for use or used in motorboats having a maximum draft of 15 feet or less. Liquids taxable under

this paragraph include diesel fuel, kerosene, gas oil, fuel oil, and bunker fuel, none of which is presently subject to tax if sold for use or used as fuel in a motorboat.

Paragraph (2) of section 4041(c) imposes a tax of 2 cents a gallon on benzol, benzene, naphtha, liquefied petroleum gas, and casing head and natural gasoline, sold for use or used in motorboats having a maximum draft of more than 15 feet. The liquids specified are those presently taxable if sold for use or used as a fuel in any motorboat. Thus, this paragraph does not change the present law with respect to these larger motorboats.

Paragraph (3) of section 4041(c) defines the term "motorboat" for purposes of chapter 31, to include any craft used in water which is propelled by an internal combustion, electric or steam engine, any combination thereof, or any other mechanical means. No definition of the term "motorboat" is contained in the existing statute.

Additional tax.—Subsection (d) of section 4041 provides for the imposition of an additional tax if a liquid on the sale of which tax was imposed is subject to tax at a higher rate on the actual use made of such liquid. This additional tax is equal to the difference between (*a*) the tax imposed on the sale of such liquid and (*b*) the tax payable at such higher rate on the use thereof, computed as if no tax were imposed on the sale of such liquid.

Rate reduction.—Subsection (e) of section 4041 provides that on or after March 1, 1973, the taxes imposed on special fuels sold for use or used in motor vehicles, and in motorboats having a maximum draft of more than 15 feet shall be reduced from 2 cents a gallon to 1½ cents a gallon, and that the taxes on special fuels sold for use or used in highway vehicles, under section 4041(a) (2) and (3), will no longer apply. Under existing law, a similar rate reduction is scheduled to take effect on and after October 1, 1972. However, under present law the rate reduction would apply to all motorboats and aviation.

Exemptions.—Section 4042 provides for the same exemptions from the taxes on special fuels as are provided under present law.

Farm use.—Paragraph (1) of section 4042 (a) provides that no tax shall be imposed under section 4041 on any liquid sold for use or used on a farm for farming purposes. This exemption applies with respect to all farm uses of special fuels even if used in a motor vehicle, aircraft, or motorboat.

Paragraph (2) of section 4042(a) continues the present definition of the term "use on a farm for farming purposes."

Supplies for vessels or aircraft.—Subsection (b) of section 4042 provides that no tax shall be imposed under section 4041 on any liquid sold for use or used as supplies for vessels or aircraft, within the meaning of section 4221 (including the reciprocity provision of section 4221(e)(1)). In general, this exemption applies to military ships and planes, fishing vessels, and vessels engaged in foreign trade.

Section 103. Amendment of tax on transportation of persons by air and imposition of tax on transportation of property by air

Section 103 of the bill amends subchapter C of chapter 33 to increase the tax on air passenger fares and to impose a new tax on air freight charges. Section 103 divides subchapter C into two parts. Part I contains the tax on transportation of persons by air and part II contains the new tax on the transportation of property by air.

Air passenger fares.—Subsection (a) of section 103 of the bill amends section 4261 (relating to imposition of tax) to provide for an increase in the rate of tax from 5 to 6 percent on amounts paid for transportation of persons by air. The higher rate applies to such transportation which begins after June 30, 1966, but not after December 31, 1968. Amounts paid for transportation which begins after December 31, 1968, will again be taxed at the rate of 5 percent. Thus, regardless of when the amounts for transportation are paid, the increased rate applies to such amounts if the transportation begins after June 30, 1966, but not after December 31, 1968.

Subsection (b) of section 4261 provides that the tax imposed by section 4261 shall be paid by the person (generally the passenger) making the payment subject to the tax (except as otherwise provided in section 4264). This provision makes no change in existing law.

Paragraph (2) of subsection 103(a) of the bill adds a new paragraph (4) to existing section 4262(c) (relating to definitions) to provide that the term "transportation" includes layover or waiting time and movement of the aircraft in deadhead service. The purpose of this provision is to make clear that amounts paid for layover and waiting time and for the movement of the aircraft in deadhead service (whether or not stated or billed separately) are subject to tax.

Paragraph (3) of section 103(a) of the bill repeals the exemption from the tax on the transportation of persons by air provided by present section 4263(d). That exemption currently applies to transportation by aircraft having a gross takeoff weight of less than 12,500 pounds and a passenger seating capacity of less than 10 adult passengers, including the pilot, except when the aircraft is operated as a part of an established line. These carriers, as well as other air carriers, benefit from the Federal programs relating to airways and should bear their share of the costs.

Air freight charges.—Subsection (b) of section 103 of the bill adds a new part II to chapter 33 to impose a tax on the transportation of property by air. The tax under subsections (a) and (b) of section 4271 is imposed at the rate of 2 percent on amounts paid for transportation which begins after June 30, 1966, but before January 1, 1969, and at the rate of 4 percent on amounts paid for transportation which begins after December 31, 1968.

Subsection (a) of section 4271 provides that the tax is applicable to amounts paid within or without the United States for transportation of property by air from one point in the United States to another.

Subsection (b) of section 4271 provides that, when property is transported from a point without the United States to a point within the United States, the tax shall apply to the amount paid within the United States for that part of the transportation which takes place within the United States. Thus, amounts paid outside the United States for the transportation of property by air from a point without the United States to a point within the United States are not subject to tax. The determination of whether the amounts paid for transportation are paid within or without the United States will in general conform to the rules applicable to the tax on amounts paid for transportation of property by land, water, and air which was in effect prior to August 1, 1958, and the corresponding rules applicable to the present tax on transportation of persons by air.

The tax imposed by subsections (a) and (b) of section 4271 applies only to amounts paid to a person engaged in the business of transporting property for hire by air.

Subsection (c) of section 4271 provides that payments for layover or waiting time or deadhead movement of an aircraft are taxable, whether or not separately stated or billed. This is consistent with the provisions of section 4262(c)(4), as amended by the bill.

Subsection (d) of section 4271 provides that the tax imposed shall be paid by the person making the payment subject to tax.

Subsection (e) of section 4271 defines the term "person engaged in the business of transporting property for hire by air" to exclude freight forwarders, express companies, or similar persons, if such persons engage others to transport the property. Thus, if a shipper engages a freight forwarder to transport property, the tax is not levied on the payment by the shipper to the freight forwarder. It is imposed on the freight forwarder when he pays the carrier, and the tax is computed on the basis of the amount so paid.

Amounts paid to carriers not engaged in the business of transporting property by air are not taxable under section 4271. Under section 102 of this bill such carriers will be subject to user charges on the basis of the fuel they use since they are engaged in noncommercial aviation.

Section 4272 provides for exemptions from the tax on amounts paid for transportation of property by air. Subsection (a) of section 4272 provides for an exemption with respect to amounts paid for the transportation of property in the course of exportation (including shipment to a possession of the United States) by continuous movement, and in due course so exported or shipped. Movement is not continuous if in the course of such movement the property transported is processed, fabricated, or similarly treated.

Subsection (b) of section 4272 provides that the tax on transportation of property by air shall not apply to amounts paid for transportation of property to or from an international organization, as defined in section 7701(a)(18), or the Red Cross.

Section 104. Tax on use of certain vehicles

Section 104 of the bill amends subsection (a) of section 4481 (relating to imposition of tax on use of certain highway motor vehicles) by increasing the rate of tax and by instituting a graduated rate system. Under present law the rate of tax is $3 for each 1,000 pounds of taxable gross weight or fraction thereof if the taxable gross weight is more than 26,000 pounds. The rates imposed by section 4481(a) as amended by the bill on each 1,000 pounds of taxable gross weight or fraction thereof for each taxable period are:

Taxable gross weight equal to or more than—	But less than—	Rate
26,001 pounds	40,000 pounds	$3.50
40,000 pounds	50,000 pounds	5.00
50,000 pounds	60,000 pounds	6.50
60,000 pounds		8.00

Provision is made for proration of the tax for the taxable period beginning on July 1, 1972, and ending on February 28, 1973 (the day immediately preceding the date on which the tax is scheduled to terminate).

In accordance with the highway cost allocation study conducted by the Bureau of Public Roads, section 4481(a), as amended by section 104 of the bill, modifies existing law to provide that the tax shall not apply to single-unit trucks. Thus, the tax would generally apply only to trucks composed of tractors and trailers and to buses.

Section 105. Extension of period for imposition of highway user taxes

Section 105 of the bill defers from October 1, 1972, to March 1, 1973, presently scheduled rate reductions and terminations applicable to the taxes paid into the highway trust fund, and makes necessary conforming amendments.

Section 106. Technical and clerical amendments

Subsection (a) of section 106 of the bill amends section 6421(a) (relating to nonhighway use of gasoline) by adding a new sentence at the end thereof. This sentence provides that, in the case of gasoline used as fuel in commercial aviation after June 30, 1966, a full refund of the manufacturers' tax imposed on such gasoline will be paid to the ultimate purchaser thereof.

Subsection (b) of section 106 of the bill amends section 6421(e) (relating to exempt sales) by adding a new paragraph (3) at the end thereof. This new paragraph provides that no refunds of gasoline tax will be made with respect to gasoline used in noncommercial aviation. This is necessary so that gasoline and special fuels used in noncommercial aviation will be taxed at the same rate.

Subsection (c) of section 106 of the bill amends section 4082(c) (relating to certain uses defined as sales). Present section 4082(c) permits a producer or importer of gasoline to use gasoline free of tax in the production of other gasoline or of special motor fuels referred to in section 4041(b) of present law. This amendment would provide for an exemption from tax for gasoline used to produce any special fuel taxable under section 4041, as amended by section 102 of the bill.

Subsections (d), (e), and (f) of section 106 of the bill amend sections 4294 (relating to State and local governmental exemption), section 4294(a) (relating to exemption for nonprofit educational organizations), and section 6415 (relating to credits or refunds to persons who collected certain taxes) to extend the provisions of such sections to the tax on transportation of property by air imposed by section 103(b) of the bill.

Subsection (g) of section 106 of the bill amends subparagraph (A) of section 6416(a)(2) (relating to exceptions) to provide that the requirements for refund of tax under section 6416(a) are not applicable to taxes imposed under section 4041 on the use of any liquid.

Subsection (h) of section 106 of the bill amends section 6416(b)(2) (relating to special cases in which taxpayments considered overpayments), as follows:

Paragraph (1) of subsection (h) amends section 6416(b)(2) to provide for the allowance of refunds with respect to taxes imposed on the sale of special fuels referred to in section 4041.

Paragraph (2) of subsection (h) amends subparagraph (G) of section 6416(b)(2). Subparagraph (G) of section 6416(b)(2) presently

provides for credit or refund of tax paid on the sale of diesel fuel or special motor fuels if the vendee either resold the fuel, used it on a farm for farming purposes, or used it in other than a motor vehicle, motorboat, or airplane. Subparagraph (G), as amended provides for a credit or refund of tax paid on the sale of a special fuel under section 4041, whether such sale occurred on, before, or after June 30, 1966, if the vendee either used such fuel for other than the use for which it was sold, resold such liquid, or used it on a farm for farming purposes. However, the credit or refund will not exceed the amount of the tax so paid less the tax applicable under section 4041 on the use actually made of such liquid on the date used.

Paragraph (3) of subsection (h) amends subparagraph (H) of section 6416(b)(2) to conform such provision to the increase in the rate of tax on liquids sold for use in diesel-powered highway vehicles.

Paragraph (4) of subsection (h) strikes out subparagraphs (I) and (J) of section 6416(b)(2) which provide special rules for determining the amount of overpayment since they are no longer necessary in view of the amendment of subparagraph (G) of section 6416(b)(2), discussed above.

Paragraph (5) of subsection (h) amends subparagraph (M) of section 6416(b)(2) to permit credit or refund of tax paid on gasoline which is sold for use or used in the production of special fuels referred to in section 4041 (as amended by the bill).

Section 107. Highway trust fund

Section 107 of the bill amends the highway trust fund provisions in section 209 of the Highway Revenue Act of 1956, as amended.

Subsection (a) of section 107 of the bill amends subparagraph (A) of sections 209(c) (1) and (3) of the Highway Revenue Act to provide for the transfer to the highway trust fund of taxes collected on the sale or use of special fuels in motor vehicles and motor boats imposed by section 4041 of the code as amended by section 202 of the bill.

Subsections (b) and (c) of section 107 of the bill amend subsections (c)(1), (f)(3), and (c)(3) of section 209 of the Highway Revenue Act to make conforming changes with respect to the extension from October 1, 1972, to March 1, 1973, of the date upon which the imposition of certain user taxes will be terminated or reduced.

Subsection (d) of section 107 of the bill makes a clerical amendment to change the heading of subsection (c)(3) of section 209 of the Highway Revenue Act.

Subsection (e) of section 107 of the bill amends subsection (c) of section 209 of the Highway Revenue Act to add a new paragraph (5). Paragraph (5) provides for the transfer to the highway trust fund of that portion of amounts received in the Treasury from the tax imposed on passenger automobiles, under section 4061(a)(2) of the Internal Revenue Code, as if such tax were imposed at the rate of 1 percent. If additional amounts over and above such amounts are necessary to carry out the provisions of the Traffic Safety Act of 1966 and certain programs relating to highway beautification such amounts are authorized to be appropriated from the Treasury to the trust fund for those purposes.

Subsection (f) of section 107 of the bill amends subsection (c)(4) of section 209 of the Highway Revenue Act to provide that the amounts specified in new paragraph (5) of subsection (c) shall be transferred

to the highway trust fund in accordance with the method prescribed under present law.

Subsection (g) of section 107 of the bill makes a conforming amendment to subsection (e)(1) of section 209 of the Highway Revenue Act.

Subsection (h) of section 107 of the bill amends subsection (f)(1) of section 209 of the Highway Revenue Act to provide for expenditures from the highway trust fund to carry out the purposes of certain Federal highway programs. Under subsection (f)(1), as amended, amounts in the highway trust fund may be used, as provided by appropriation acts, to meet specified obligations of the United States. However, amounts representing taxes on passenger automobiles and appropriations from the general fund of the Treasury (as provided in section 209(c)(5) of the Highway Revenue Act) transferred to the highway trust fund will be available only for carrying out the programs enumerated in subparagraphs (C) and (D) of section 209(f)(1) of the Highway Revenue Act. These programs relate to traffic safety and highway beautification.

Subsections (i) and (j) of section 107 of the bill make conforming amendments to subsections (f)(3) and (f)(4) of section 209 of the Highway Revenue Act.

Subsection (k) of section 107 of the bill amends subsection (f)(5) of section 209 of the Highway Revenue Act to provide that the Secretary of the Treasury shall pay, from the highway trust fund into the land and water conservation fund, amounts received with respect to taxes imposed on gasoline and special fuels used in motorboats. On and after June 30, 1973, these amounts shall be paid by the Secretary directly from the general fund of the Treasury into the land and water conservation fund since no portion of any amounts received in the Treasury after that date are to be transferred to the highway trust fund.

Subsection (1) of section 107 of the bill amends subsection (f) of section 209 of the Highway Revenue Act to add a new paragraph (7), which provides that the Secretary of the Treasury, shall, from time to time, pay from the highway trust fund into the general fund of the Treasury that part of the taxes imposed on the sale or use of gasoline which is used in aircraft after July 1, 1966. This will exclude from the highway trust fund taxes on gasoline used in aviation.

Section 108. Effective dates

Section 108 of the bill sets forth the effective dates of the amendments and repeals contained in the bill.

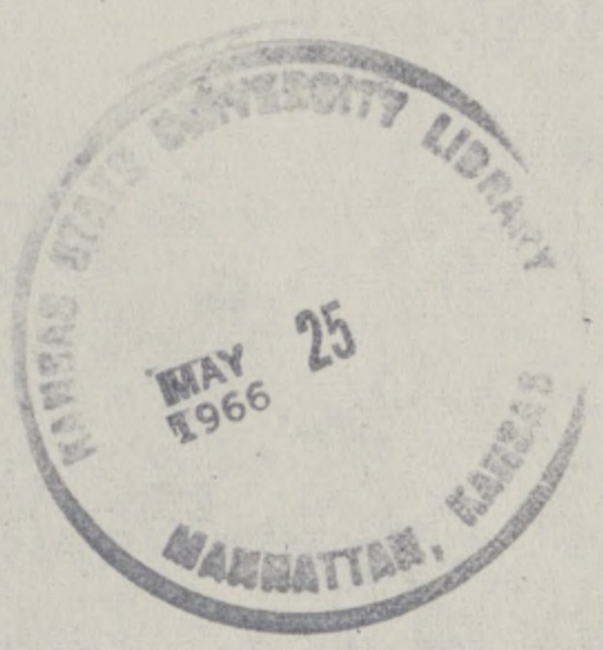
Subsection (a) of section 108 of the bill provides that the amendments and repeals made by section 103 of the bill, relating to the tax on transportation of persons by air and the tax on transportation of property by air, shall apply to amounts paid for or in connection with such transportation which begins after June 30, 1966.

Subsection (b) of section 108 of the bill provides that the amendments and repeals made by the act with respect to taxes on gasoline and special fuels shall apply to sales or uses thereof after June 30, 1966.

Subsection (c) of section 108 of the bill provides that all other amendments made by title II of the bill shall take effect on July 1, 1966.

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