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MATERIAL RELATING TO THE PROPOSED
“HIGHWAY USER ACT OF 1968”

SUBMITTED BY THE

DEPARTMENT OF TRANSPORTATION

TO THE

U.S. HOUSE OF REPRESENTATIVES

AND REFERRED TO THE

COMMITTEE ON WAYS AND MEANS

On April 23, 1968

INCLUDING

Letter of Transmittal, Draft Bill,
and Section-by-Section Analysis

NOTE.—This document is printed for information only so as to make it generally available, and is not to be construed as the statement or position of the Committee on Ways and Means or any member thereof.

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LETTER OF TRANSMITTAL

THE SECRETARY OF TRANSPORTATION,
Washington, D.C., April 22, 1968.

Hon. JOHN W. McCORMACK,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: The Department of Transportation has prepared and submits herewith as a part of the legislative program for the 90th Congress, second session, a draft of a proposed bill to provide additional revenue for the highway trust fund, to extend the duration of the highway trust fund, and for other purposes.

This bill may be cited as the "Highway User Act of 1968."

Enactment of the Highway User Act is necessary to fulfill the policy of the Congress as expressed in section 209(b) of the Highway Revenue Act of 1956, 70 Stat. 374. In that enactment, the Congress declared that (1) if the total receipts from the trust fund will be less than total expenditures from it or (2) if the distribution of the tax burden among the various classes of persons using the Federal-aid highways, or otherwise deriving benefits from such highways is not equitable, the Congress shall enact legislation in order to bring about a balance of total receipts and total expenditures or such equitable distribution.

The bill provides (1) a more equitable distribution of the costs of the program borne by different classes of users; and (2) 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 a gross weight in excess of 26,000 pounds but less than 40,000 pounds to \$8 per thousand pounds for vehicles with a gross weight of 60,000 pounds or more.

Due to increased costs indicated by the 1968 interstate system cost estimate, highway trust funds under existing legislation will not be sufficient to complete the Interstate System on schedule. Therefore, this legislation will extend the life of the highway trust fund for an additional 28 months, thereby adding the necessary receipts to provide for the Interstate System completion and other highway programs during this period.

The bill would also authorize financing of forest highways (\$33 million is authorized for fiscal year 1969) and public lands highways (\$16 million is authorized for fiscal year 1969) from the highway trust fund. In the past these authorizations have been financed from the general fund of the Treasury. Because these two types of highways

serve substantially the same functions as roads on the Federal-aid primary or secondary systems and in many cases are part of the Federal-aid system, it is logical that their costs should be met by user revenues deposited in the highway trust fund.

We recommend enactment of this legislation to promote equitable distribution of the cost of construction, to provide additional revenues necessary for completing the Interstate Highway System, and to maintain the current rate of progress on the other Federal-aid highways which would include the forest and public lands highways.

We have been advised by the Bureau of the Budget that enactment of this legislation would be in accord with the program of the President.

Sincerely,

ALAN S. BOYD.

HIGHWAY USER ACT OF 1968

A BILL To provide additional revenues for the highway trust fund, to extend the duration of the highway trust fund, and for other purposes

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

SEC. 101. SHORT TITLE.

(a) SHORT TITLE.—This Act may be cited as the “Highway User Act of 1968.”

(b) AMENDMENT OF 1954 CODE.—Except as otherwise expressly provided, whenever in this Act 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 SPECIAL FUELS.

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) **SPECIAL MOTOR FUELS.**—There is hereby imposed a tax of 2 cents a gallon on benzol, benzene, naphtha, liquefied petroleum gas, casinghead and natural gasoline, or any other liquid (other than kerosene, gas oil, or fuel oil, or any product taxable under section 4081 or subsection (a) of this section)—

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

“(2) used by any person as a fuel in a motorboat or airplane unless there was a taxable sale of such liquid under paragraph (1).

“(c) **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.

“(d) **RATE REDUCTION.**—On and after February 1, 1975—

“(1) the taxes imposed by subsections (a)(1) and (b) shall be 1½ cents a gallon; and

“(2) subsections (a)(2), (a)(3), and (c) 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. TAX ON USE OF CERTAIN VEHICLES.

Section 4481(a) (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—		The tax for each 1,000 pounds of taxable gross weight or fraction thereof for each taxable period is—
Equal to or more than:	But less than:	
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"

SEC. 104. TECHNICAL AND CLERICAL AMENDMENTS.

(a) 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 4041".

(b) Section 6416(a)(2)(A) (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".

(c) Section 6416(b)(2) (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 taxable under section 4041 in respect of which tax was paid on the sale thereof (whether such sale occurred on, before, or after June 30, 1968), 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 paragraphs (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) by 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) by 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); and

(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."

- (d) 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)”.
- (e) 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 for certain 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. 105. HIGHWAY TRUST FUND.

Section 209 of the Highway Revenue Act of 1956 (relating to the highway trust fund) is amended as follows:

(a) Subsection (c)(1) (relating to transfer to highway trust fund of amounts equivalent to certain taxes) is amended by striking out “October 1, 1972” and inserting in lieu thereof “February 1, 1975”.

(b) Subsection (c)(1)(A) (relating generally to transfer to trust fund of amounts equivalent to certain taxes) and subsection (c)(3)(A) (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 sections 4041 (tax on special fuels)”.

(c) Subsection (c)(3) is further amended—

(1) by striking out “October 1, 1972, for new or increased taxes.” in the heading and inserting in lieu thereof “February 1, 1975.”; and

(2) 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 January 31, 1975, and before November 1, 1975, and which are attributable to liability for tax incurred before February 1, 1975.”.

(d) Subsection (e)(1) (relating to management of trust fund in general) is amended by striking out “June 30, 1973” and inserting in lieu thereof “June 30, 1976”;

(e) Subsection (f) (relating to expenditures from trust fund) is amended as follows:

(1) Paragraph (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 before February 1, 1975, to meet obligations of the United States which are attributable (A) to Federal-aid highways; (B) after June 30, 1968, to forest highways and public lands highways and for payment of obligations incurred prior to July 1, 1968, for forest highways and public lands highways; and (C) to general expenses of the Federal Highway

Administration for carrying out the programs to be financed from the Trust Fund."

(2) Paragraph (3) (relating to transfers from trust fund for gasoline and lubricating oil used for certain purposes) is amended by striking out "July 1, 1973" and inserting in lieu thereof "November 1, 1975"; and by striking out "October 1, 1972" and inserting in lieu thereof "February 1, 1975".

(3) Paragraph (4) (relating to 1972 floor stocks refunds) is amended by striking out "1972" in the heading; and by striking out "July 1, 1973" in the first sentence and inserting in lieu thereof "November 1, 1975".

(4) Paragraph (6) (relating to transfer from the trust fund for income tax credits allowed for certain uses of gasoline and lubricating oil) is amended by striking out "October 1, 1972" and inserting in lieu thereof "February 1, 1975".

SEC. 106. TRANSFERS FROM LAND AND WATER CONSERVATION FUND.

Section 201(b) of the Land and Water Conservation Fund Act of 1965 is amended—

(a) by striking out "July 1, 1973" and "October 1, 1972" in paragraph (1) and inserting in lieu thereof "November 1, 1975" and "February 1, 1975", respectively; and

(b) by striking out "July 1, 1973" in paragraph (2) and inserting in lieu thereof "November 1, 1975".

SEC. 107. POSTPONEMENT OF CERTAIN EXCISE TAX RATE REDUCTIONS.

(a) Each of the following provisions is amended by striking out "October 1, 1972" and inserting in lieu thereof "February 1, 1975":

(1) Section 4061(a)(1) (relating to imposition of tax on automobiles).

(2) Section 4061(b)(1) (relating to imposition of tax on parts and accessories).

(3) Section 4071(d) (relating to imposition of tax on tires and tubes).

(4) Section 4081(b) (relating to imposition of tax on gasoline).

(5) Section 4481(e) (relating to imposition of tax on certain highway motor vehicles).

(6) Section 6421(h) (relating to tax on gasoline used for certain nonhighway purposes or by local transit systems).

(b) Section 4482(c)(4) (relating to definition of taxable period) is amended to read as follows:

"(4) TAXABLE PERIOD.—The term 'taxable period' means any year beginning before July 1, 1974, and the period which begins on July 1, 1974, and ends at the close of January 31, 1975."

(c) Section 6156(e)(2) (relating to installment payments of tax on use of highway motor vehicles) is amended to read as follows:

"(2) November or December of 1974, or January of 1975."

(d) Section 6412(a)(2) (relating to floor stocks refunds on trucks and buses, tires, tubes, tread rubber, and gasoline) is amended—

(1) by striking out "October 1, 1972" each place it appears therein and inserting in lieu thereof "February 1, 1975";

(2) by striking out "February 10, 1973" each place it appears therein and inserting in lieu thereof "June 10, 1975"; and

(3) by striking out "January 1, 1973" and inserting in lieu thereof "May 1, 1975".

SEC. 108. EFFECTIVE DATES.

(a) 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, 1968.

(b) All other amendments made by this Act shall take effect on July 1, 1968.

SECTION-BY-SECTION ANALYSIS OF PROPOSED HIGHWAY USER ACT OF 1968

Section 101. Short title; amendment of 1954 code

Section 101(a) of the bill provides that the act may be cited as the "Highway User Act of 1968".

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 special fuels

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 effective rate of tax varies according to the use of the fuel and 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 of this bill is designed 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. Thus, subsection (a) imposes tax on liquids sold for use or used as fuel in motor vehicles, while subsection (b) imposes tax on liquids sold for use or used as fuel in aircraft or motorboats.

Motor vehicles.—Under the bill subsection (a) of section 4041 will impose 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.

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.

Special motor fuels.—Under this bill subsection (b) of section 4041 continues the present tax on special motor fuels (benzol, benzene, naphtha, liquefied petroleum gas, casinghead and natural gasoline, or any other liquid (other than kerosene, gas oil, or fuel oil or any product taxable under section 4081 or subsection (a) of section 4041)). The bill deletes the reference to motor vehicles in this subsection because all fuel used in such vehicles is taxable under section 4041(a). Hence, subsection (b) will only apply a tax of 2 cents a gallon on these fuels when sold for use or used in motorboats or aircraft in order to preserve existing law.

Additional tax.—Subsection (c) of section 4041 provides for the imposition of an additional tax if a liquid is subject to tax at a higher rate on the actual use made of such liquid than the rate levied on its sale. 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.

Rate reduction.—Subsection (d) of section 4041 provides that on or after July 1, 1974, the taxes imposed on special fuels under section 4041 (a) and (b) shall be reduced to 1½ cents a gallon. Under existing law, a similar rate reduction is scheduled to take effect on the same date.

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

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. Tax on use of certain vehicles

Section 103 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 year 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

In accordance with the highway cost allocation study conducted by the Bureau of Public Roads, section 4481(a), as amended by section 103 of the bill, modifies existing law to provide that the tax shall not apply to single-unit trucks. Thus, the tax would apply only to combination trucks and trailers, tractors and trailers, and buses.

Section 104. Technical and clerical amendments

Subsection (a) of section 104 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 make a conforming change to section 4082(c) to permit tax-free use of gasoline used in the production of any liquid referred to in section 4041.

Subsection (b) of section 104 of the bill amends subparagraph (A) of section 6416(a)(2) (relating to exceptions from the unjust enrichment provisions) to conform the present reference to section 4041, to the new structure of section 4041.

Subsection (c) of section 104 of the bill amends section 6416(b)(2) (relating to special cases in which tax payments considered overpayment), as follows:

Paragraph (1) of subsection (c) amends section 6416(b)(2) to make a conforming change to continue the allowance of certain refunds with respect to taxes imposed on the sale of any special fuel under section 4041.

Paragraph (2) of subsection (c) 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, 1968, 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 cannot 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 (c) amends subparagraph (H) of section 6416(b)(2) to provide a 4 cents a gallon refund to urban bus companies for diesel fuel tax paid at 6 cents a gallon. This fuel is currently taxed at 4 cents a gallon, subject to a refund of 2 cents to these companies.

Paragraph (4) of subsection (c) strikes out subparagraphs (I) and (J) of section 6416(b)(2) which provide special rules for determining the amount of overpayment of tax on diesel fuels or special motor fuels, since they are no longer necessary in view of the revision of section 4041 and the amendment of subparagraph (G) of section 6416(b)(2), discussed above.

Paragraph (5) of subsection (c) 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).

Subsections (d) and (e) make amendments to the cross references contained in sections 6420(i)(1) and 6421(j) made necessary by amendments in this bill.

Section 105. Highway trust fund

Section 105 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 105 of the bill amends paragraph (1) of section 209(c) by extending the life of the highway trust fund from October 1, 1972, as provided by present law, to February 1, 1975. The amounts equivalent to the taxes set forth in section 209(c)(1) will continue to be transferred by the Treasury to the trust fund until February 1, 1975.

Subsection (b) of section 105 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 as imposed by section 4041 of the code as amended by section 102 of the bill and makes a change in the date required by the extension of the trust fund.

All revenues from the present tax on special fuels imposed by section 4041 of the code now are transferred to the highway trust fund. Currently, estimated revenues from the tax on special motor fuels used in all motorboats are now and would continue to be transferred from the highway trust fund to the land and water conservation fund.

Subsection (c) of section 105 of the bill amends paragraph (3) of section 209(c) of the Highway Revenue Act by extending the period during which liabilities for new or increased taxes incurred before the new termination date of February 1, 1975, will be transferred to the trust fund.

Subsection (d) of section 105 of the bill requires the Secretary of the Treasury to report annually to the Congress on the condition, etc., of the trust fund up to and including the fiscal year ending June 30, 1976 (present law specifies June 30, 1973).

Subsection (e)(1) of section 105 of the bill amends section 209(f)(1) of the Highway Revenue Act of 1956 to extend the date during which expenditures may be made from the trust fund. Present law terminates such expenditures on October 1, 1972; the bill changes the date

to February 1, 1975. The subsection also adds a provision to permit amounts in the trust fund to be expended after June 30, 1968, for forest highways and public lands highways and for payment of obligations incurred prior to July 1, 1968, for such highways. A clarifying amendment is made in the language relating to general expenses. Also, the bill deletes the reference to Bureau of Public Roads made necessary due to the creation of the Federal Highway Administration.

Subsection (e)(2) of section 105 of the bill revises the dates in section 209(f)(3) of the Highway Revenue Act. Under present law 209(f)(3) provides that the Secretary of the Treasury shall pay from the trust fund into the general fund of the Treasury amounts equivalent to the amounts paid before July 1, 1973 (revised to Nov. 1, 1975), under sections 6420 (gasoline used on farms), 6421 (gasoline used for certain nonhighway purposes or by local transit systems), and 6424 (oil not used in highway motor vehicles) of the Internal Revenue Code of 1954 on the basis of claims filed for periods beginning after June 30, 1956, and ending before October 1, 1972 (revised to Feb. 1, 1975).

Subsection (e)(3) of section 105 of the bill revises dates in section 209(f)(4) of the Highway Revenue Act. Section 209(f)(4) provides that the Secretary of the Treasury shall pay from the trust fund into the general fund of the Treasury amounts equivalent to certain percentages of the floor stocks refunds made before July 1, 1973, under section 6412(a)(2) of the Internal Revenue Code (refunds on trucks and buses, tires, tubes, tread, rubber, and gasoline). This date is changed to November 1, 1975.

Subsection (e)(4) of section 105 of the bill amends section 209(f)(6) of the Highway Revenue Act by revising the date. Section 209(f)(6) provides that the Secretary of the Treasury shall pay from the trust fund into the general fund of the Treasury certain amounts equivalent to the credits allowed under section 39 of the Internal Revenue Code (relating to credit for certain uses of gasoline and lubricating oil) with respect to gasoline and lubricating oil used before October 1, 1972. This date is changed to February 1, 1975.

Section 106. Transfers from land and water conservation fund

Subsection (a) of section 106 of the bill amends section 201(b)(1) of the Land and Water Conservation Fund Act of 1965 by extending the dates in that section. The section provides that there shall be set aside in the land and water conservation fund certain amounts specified in section 209(f)(5) of the Highway Revenue Act (relating to special motor fuels and gasoline used in motorboats).

Section 201(b) provides that there shall be paid from the land and water conservation fund into the general fund of the Treasury amounts estimated by the Secretary of the Treasury as equivalent to (1) amounts paid before July 1, 1973 (changed to November 1, 1975), under section 6421 with respect to gasoline used after December 31, 1964, in motorboats, on the basis of claims filed for periods ending before October 1, 1972 (changed to February 1, 1975); and (2) 80 percent of the floor stock refunds made before July 1, 1973 (changed to November 1, 1975), under section 6421(a)(2) of such code with respect to gasoline to be used in motorboats.

Section 107. Postponement of certain excise tax rate reductions

Subsection (a) of this section amends the code to make the necessary changes in dates in order to postpone the tax rate reductions in present law provided for in section 4061(a)(1) (relating to imposition of tax on automobiles), section 4061(b)(1) (relating to imposition of tax on parts and accessories), section 4071(d) (relating to imposition of tax on tires and tubes), section 4081(b) (relating to imposition of tax on gasoline), section 4481(e) (relating to imposition of tax on certain highway motor vehicles), and section 6421(h) (relating to tax on gasoline used for certain nonhighway purposes or by local transit systems). Present law provides that the tax rate in the above sections would be reduced on and after October 1, 1972; this section postpones these reductions on and after February 1, 1975.

Subsection (b) of this section amends the definition of "taxable period", contained in section 4482(c)(4) of the code, for the purposes of the subchapter on the tax on use of certain vehicles. Under present law "taxable period" means any year beginning before July 1, 1972, and the period which begins in July 1, 1972, and ends at the close of September 30, 1972. This section amends the definition of "taxable period" to mean any year beginning before July 1, 1974, and the period which begins on July 1, 1974, and ends at the close of January 31, 1975.

Subsection (c) of this section amends paragraph (2) of section 6156(e) of the code which sets forth the months in which the tax on highway motor vehicles may not be paid in installments. Presently, the tax may not be paid in installments in April, May, or June of any year, or in July, August, or September of 1972. This bill provides that the tax may not be paid in April, May, or June of any year, and in November or December of 1974, or January of 1975.

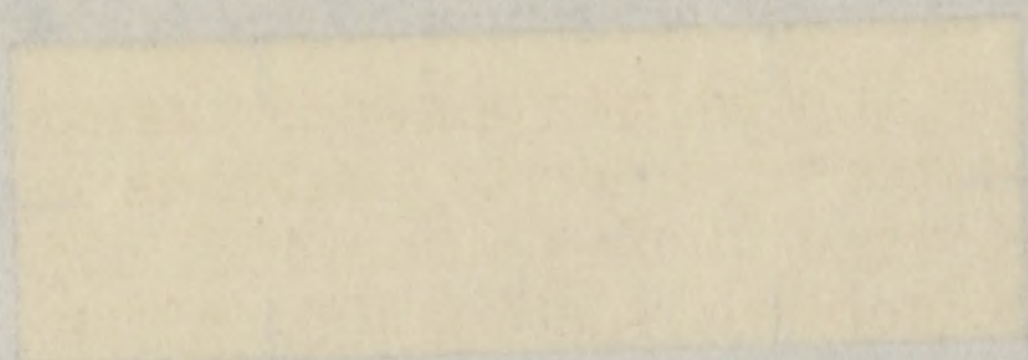
Subsection (d) of this section amends paragraph (2) of section 6412(a) of the code (relating to floor stocks refunds to manufacturers, producers, or importers) by revising the date after which refunds may be obtained, the date when applications for such refunds must be filed, the date when a dealer must request a refund from the manufacturer, producer, or importer, and the date when the manufacturer, producer, or importer must make reimbursement to the dealer.

Section 108. Effective dates

Section 108 of the bill sets forth the effective date 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 the bill with respect to taxes on gasoline and special fuels shall apply to sales or uses after June 30, 1968.

Subsection (b) of section 108 of the bill provides that all other amendments made by the bill shall take effect on July 1, 1968.





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