

Public Law 89-44

AN ACT

To reduce excise taxes, and for other purposes.

June 21, 1965
[H. R. 8371]

Excise Tax Reduction Act of 1965.

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

SECTION 1. SHORT TITLE, ETC.

(a) **SHORT TITLE.**—This Act may be cited as the “Excise Tax Reduction Act of 1965”.

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

68A Stat. 3.
26 USC 1 et seq.

TITLE I—RETAILERS EXCISE TAXES**SEC. 101. REPEAL OF RETAILERS EXCISE TAXES.**

(a) **IN GENERAL.**—Subchapters A (relating to jewelry and related items), B (relating to furs), C (relating to toilet preparations), and D (relating to luggage, handbags, etc.) of chapter 31 are repealed.

(b) **TECHNICAL AND CONFORMING AMENDMENTS.**—

(1) The table of subchapters for chapter 31 is amended by striking out the items relating to subchapters A, B, C, and D.

(2) Sections 4051 through 4053 are repealed and the table of sections for subchapter F of chapter 31 is amended by striking out the items relating to sections 4051, 4052, and 4053.

(3) Section 4055 is amended by striking out “, in the case of the tax imposed by section 4041,”.

(4) Section 4057(a) is amended by striking out “, in the case of a tax imposed by section 4041,”.

(5) Section 4224 (relating to exemption for articles taxable as jewelry) is repealed and the table of sections for subchapter G of chapter 32 is amended by striking out the item relating to section 4224.

(6) Section 6011(c) (relating to return of retailers excise taxes by suppliers) is repealed.

68A Stat. 473;
72 Stat. 1275,
1276.

72 Stat. 1277;
73 Stat. 617.

72 Stat. 1286.

72 Stat. 1305.

TITLE II—MANUFACTURERS EXCISE TAXES**SEC. 201. AUTOMOBILES AND AUTOMOBILE PARTS.**

(a) **PASSENGER AUTOMOBILES, ETC.**—Paragraph (2) of section 4061(a) (relating to imposition of tax) is amended to read as follows:

“(2) (A) Articles enumerated in subparagraph (B) are taxable at whichever of the following rates is applicable:

“10 percent for the period ending on the date of the enactment of the Excise Tax Reduction Act of 1965.

“7 percent for the period beginning with the day after the date of the enactment of the Excise Tax Reduction Act of 1965 through December 31, 1965.

“6 percent for the period January 1, 1966, through December 31, 1966.

“4 percent for the period January 1, 1967, through December 31, 1967.

“2 percent for the period January 1, 1968, through December 31, 1968.

68A Stat. 481.

“1 percent for the period after December 31, 1968.

“(B) The articles to which subparagraph (A) applies are:

“Automobile chassis and bodies other than those taxable under paragraph (1).

“Chassis and bodies for trailers and semitrailers (other than house trailers) suitable for use in connection with passenger automobiles.

A sale of an automobile, or of a trailer or semitrailer suitable for use in connection with a passenger automobile, shall, for the purposes of this paragraph, be considered to be a sale of a chassis and of a body enumerated in this subparagraph.”

(b) PARTS AND ACCESSORIES.—

(1) Effective as provided by section 701(a)(1), subsection (b) of section 4061 (relating to imposition of tax on parts and accessories) is amended by striking out “and other than automobile radio and television receiving sets” and by striking out “, except that on and after July 1, 1965, the rate shall be 5 percent”.

(2) Effective as provided by section 701(a)(2), subsection (b) of section 4061 is amended to read as follows:

“(b) PARTS AND ACCESSORIES.—

“(1) Except as provided in paragraph (2), there is hereby imposed upon parts or accessories (other than tires and inner tubes) for any of the articles enumerated in subsection (a)(1) sold by the manufacturer, producer, or importer a tax equivalent to 8 percent of the price for which so sold, except that on and after October 1, 1972, the rate shall be 5 percent.

“(2) No tax shall be imposed under this subsection upon any part or accessory which is suitable for use (and ordinarily is used) on or in connection with, or as a component part of, any article enumerated in subsection (a)(2) or a house trailer.”

(c) TECHNICAL AMENDMENT.—The last sentence of paragraph (1) of section 4061(a) is amended by striking out “the chassis and of the body” and inserting in lieu thereof “a chassis and of a body enumerated in this paragraph”.

SEC. 202. LUBRICATING OIL.

(a) IMPOSITION OF TAX.—Section 4091 (relating to imposition of tax) is amended to read as follows:

“SEC. 4091. IMPOSITION OF TAX.

“There is hereby imposed on lubricating oil (other than cutting oils) which is sold in the United States by the manufacturer or producer a tax of 6 cents a gallon, to be paid by the manufacturer or producer.”

(b) PAYMENTS TO ULTIMATE PURCHASERS.—Subchapter B of chapter 65 (relating to rules of special application) is amended by adding at the end thereof the following new section:

“SEC. 6424. LUBRICATING OIL NOT USED IN HIGHWAY MOTOR VEHICLES.

“(a) PAYMENTS.—Except as provided in subsection (g), if lubricating oil (other than cutting oils, as defined in section 4092(b), and other than oil which has previously been used) is used otherwise than in a highway motor vehicle, the Secretary or his delegate shall pay (without interest) to the ultimate purchaser of such lubricating oil an amount equal to 6 cents for each gallon of lubricating oil so used.

“(b) TIME FOR FILING CLAIMS; PERIOD COVERED.—

“(1) GENERAL RULE.—Except as provided in paragraph (2), not more than one claim may be filed under subsection (a) by any person with respect to lubricating oil used during his taxable year.

Post, p. 155.

68A Stat. 482.

69 Stat. 676.

68A Stat. 794;
70 Stat. 87, 394;
72 Stat. 9.

69 Stat. 676.

No claim shall be allowed under this paragraph with respect to lubricating oil used during any taxable year unless filed by such person not later than the time prescribed by law for filing an income tax return for such taxable year. For purposes of this subsection, a person's taxable year shall be his taxable year for purposes of subtitle A, except that a person's first taxable year beginning after December 31, 1965, shall include the period after December 31, 1965, and before the beginning of such first taxable year.

“(2) EXCEPTION.—If \$1,000 or more is payable under this section to any person with respect to lubricating oil used during any of the first three quarters of his taxable year, a claim may be filed under this section by such person with respect to lubricating oil used during such quarter. No claim filed under this paragraph shall be allowed unless filed on or before the last day of the first quarter following the quarter for which the claim is filed.

“(c) EXEMPT SALES.—No amount shall be payable under this section with respect to any lubricating oil which the Secretary or his delegate determines was exempt from the tax imposed by section 4091. The amount which (but for this sentence) would be payable under this section with respect to any lubricating oil shall be reduced by any other amount which the Secretary or his delegate determines is payable under this section, or is refundable under any provision of this title, to any person with respect to such lubricating oil.

Ante, p. 137.

“(d) APPLICABLE LAWS.—

“(1) IN GENERAL.—All provisions of law, including penalties, applicable in respect of the tax imposed by section 4091 shall, insofar as applicable and not inconsistent with this section, apply in respect of the payments provided for in this section to the same extent as if such payments constituted refunds of overpayments of the tax so imposed.

“(2) EXAMINATION OF BOOKS AND WITNESSES.—For the purpose of ascertaining the correctness of any claim made under this section, or the correctness of any payment made in respect of any such claim, the Secretary or his delegate shall have the authority granted by paragraphs (1), (2), and (3) of section 7602 (relating to examination of books and witnesses) as if the claimant were the person liable for tax.

68A Stat. 901.

“(e) REGULATIONS.—The Secretary or his delegate may by regulations prescribe the conditions, not inconsistent with the provisions of this section, under which payments may be made under this section.

“(f) EFFECTIVE DATE.—This section shall apply only with respect to lubricating oil placed in use after December 31, 1965.

“(g) INCOME TAX CREDIT IN LIEU OF PAYMENT.—

“(1) PERSONS NOT SUBJECT TO INCOME TAX.—Payment shall be made under subsection (a) only to—

“(A) the United States or an agency or instrumentality thereof, a State, a political subdivision of a State, or an agency or instrumentality of one or more States or political subdivisions, or

“(B) an organization exempt from tax under section 501(a) (other than an organization required to make a return of the tax imposed under subtitle A for its taxable year).

“(2) EXCEPTION.—Paragraph (1) shall not apply to a payment of a claim filed under subsection (b) (2).

“(3) ALLOWANCE OF CREDIT AGAINST INCOME TAX.—

“For allowance of credit against the tax imposed by subtitle A for lubricating oil used, see section 39.”

“(h) CROSS REFERENCES.—

“(1) For civil penalty for excessive claims under this section, see section 6675.

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

(c) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) (A) Subpart B of part III of subchapter A of chapter 32 is amended by adding at the end thereof the following new section:

68A Stat. 483.

“SEC. 4094. CROSS REFERENCE.

“For provisions to relieve purchasers of lubricating oil from excise tax in the case of lubricating oil used otherwise than in a highway motor vehicle, see sections 39 and 6424.”

Ante, p. 137.

(B) The table of sections for such subpart B is amended by adding at the end thereof the following:

“Sec. 4094. Cross reference.”

(2) (A) Section 6206 is amended—

70 Stat. 90, 396.

(i) by striking out “6420 AND 6421” in the heading and inserting in lieu thereof “6420, 6421, AND 6424”,

(ii) by striking out “6420 or 6421” each place it appears in the text and inserting in lieu thereof “6420, 6421, or 6424”, and

(iii) by inserting “(or, in the case of lubricating oil, by section 4091)” after “4081”.

Ante, p. 137.

(B) The table of sections for subchapter A of chapter 63 is amended by striking out “6420 and 6421” and inserting in lieu thereof “6420, 6421, and 6424”.

(3) (A) Section 6675 is amended—

70 Stat. 90, 396.

(i) by inserting “OR LUBRICATING OIL” after “GASOLINE” in the heading;

(ii) by striking out “or” before 6421 in subsection (a) and inserting in lieu thereof a comma, and by inserting “, or 6424 (relating to lubricating oil not used in highway motor vehicles)” in such subsection after “systems”;

(iii) by striking out “or 6421,” in subsection (b) (1) and inserting in lieu thereof “6421, or 6424.”

(B) The table of sections for subchapter B of chapter 68 is amended by striking out “certain gasoline” and inserting in lieu thereof “certain gasoline or lubricating oil”.

(4) Sections 7210, 7603, and 7604, and the first sentence of section 7605(a), are each amended by inserting “6424(d)(2),” after “6421(f)(2),”. The second sentence of section 7605(a) is amended by striking out “or 6421(f)(2),” and inserting in lieu thereof “, 6421(f)(2), or 6424(d)(2),”.

68A Stat. 854,
902; 70 Stat. 91,
396.

SEC. 203. HOUSEHOLD APPLIANCES.

Repeals.

Subchapter B of chapter 32 (relating to refrigeration equipment; electric, gas, and oil appliances; and electric light bulbs) is repealed and the table of subchapters for chapter 32 is amended by striking out the item relating to subchapter B.

68A Stat. 485,
26 USC 4111-
4131.

Repeal.

68A Stat. 487;
72 Stat. 1278.
26 USC 4141-
4151.

SEC. 204. ENTERTAINMENT EQUIPMENT.

Subchapter C of chapter 32 (relating to radio and television sets, phonographs and records, etc.; and musical instruments) is repealed and the table of subchapters for chapter 32 is amended by striking out the item relating to subchapter C.

SEC. 205. RECREATIONAL EQUIPMENT.

(a) **SPORTING GOODS.**—Section 4161 (relating to sporting goods) is amended to read as follows:

“SEC. 4161. IMPOSITION OF TAX.

“There is hereby imposed upon the sale of fishing rods, creels, reels, and artificial lures, baits, and flies (including parts or accessories of such articles sold on or in connection therewith, or with the sale thereof) by the manufacturer, producer, or importer a tax equivalent to 10 percent of the price for which so sold.”

(b) **PHOTOGRAPHIC EQUIPMENT.**—Part II of subchapter D of chapter 32 (relating to photographic equipment) is repealed and the table of parts for such subchapter is amended by striking out the item relating to part II.

SEC. 206. BUSINESS MACHINES AND OTHER ITEMS.

Subchapter E of chapter 32 (relating to business machines; pens and mechanical pencils and lighters; and matches) is repealed and the table of subchapters for chapter 32 is amended by striking out the item relating to subchapter E.

SEC. 207. PARTIAL PAYMENTS; SALES OF INSTALLMENT ACCOUNTS.

(a) **PARTIAL PAYMENTS.**—Section 4216(c) (relating to definition of price; partial payments) is amended by striking out “that portion of the total tax which is proportionate to the portion of the total amount to be paid represented by such payment.” in the material following paragraph (4) and inserting in lieu thereof “a percentage of such payment equal to the rate of tax in effect on the date such payment is due.”

(b) **SALES OF INSTALLMENT ACCOUNTS.**—Section 4216(e) (relating to definition of price; sales of installment accounts) is amended—

- (1) by striking out “total tax;” in paragraph (1) and inserting in lieu thereof “total tax which would be payable if such installment accounts had not been sold or otherwise disposed of (computed as provided in subsection (c));” and
- (2) by amending paragraph (2) to read as follows:

“(2) if any such sale is pursuant to the order of, or subject to the approval of, a court of competent jurisdiction in a bankruptcy or insolvency proceeding, the amount computed under paragraph (1) shall not exceed the sum of the amounts computed by multiplying (A) the proportionate share of the amount for which such accounts are sold which is allocable to each unpaid installment payment by (B) the rate of tax under this chapter in effect on the date such unpaid installment payment is or was due.”

(c) **CONFORMING AMENDMENT.**—Section 6416(b)(5) (relating to return of certain installment accounts) is amended by striking out “proportionate” and inserting in lieu thereof “allocable”.

SEC. 208. TECHNICAL AND CONFORMING CHANGES.

(a) Section 4216(b)(2) (relating to constructive sale price; special rule) is amended—

(1) by striking out the material immediately preceding subparagraph (A) and inserting in lieu thereof the following:

“(2) **SPECIAL RULE.**—If an article is sold at retail or to a retailer, and if—”;

Repeal.

26 USC 4171-
4173.

26 USC 4191-
4211.

72 Stat. 1280.

72 Stat. 1310.

72 Stat. 1279.

(2) by striking out in subparagraph (A) “, to retailers, or to special dealers” and inserting in lieu thereof: “or to retailers”;

(3) by striking out “(other than special dealers)” each place it appears; and

(4) by striking out in subparagraph (C) “4191 (relating to business machines), or 4211 (relating to matches),”.

(b) Paragraph (3) (relating to special dealer) of section 4216(b) is repealed.

Repeal.
72 Stat. 1279.

72 Stat. 1281.

(c) Section 4218 (relating to use by manufacturer or importer considered a sale) is amended—

(1) by striking out the heading to subsection (b) and inserting in lieu thereof the following:

“(b) TIRES AND TUBES.—”.

(2) by striking out in subsection (b) “or an automobile radio or television receiving set taxable under section 4141,”;

(3) by striking out the heading to subsection (c) and inserting in lieu thereof the following:

“(c) AUTOMOTIVE PARTS AND ACCESSORIES.—”

(4) by striking out in subsection (c) “a radio or television component taxable under section 4141, or a camera lens taxable under section 4171,”.

72 Stat. 1282.

(d) Section 4221 (relating to certain tax-free sales) is amended—

(1) by striking out in subsection (d)(6)(B) “a radio or television component taxable under section 4141, or a camera lens taxable under section 4171,”;

(2) by striking out the heading to paragraph (2) of subsection (e) and inserting in lieu thereof the following:

“(2) TIRES AND TUBES.—”;

(3) by striking out “or 4141” in subparagraphs (A) and (C) of subsection (e)(2);

(4) by striking out “tire, inner tube, or automobile radio or television receiving set” in subparagraphs (A) and (C) of subsection (e)(2) and inserting in lieu thereof “tire or inner tube”;

(5) by striking out “tire, tube, or receiving set” each place it appears in subparagraphs (A)(i) and (B) of subsection (e)(2) and inserting in lieu thereof “tire or tube”;

(6) by striking out paragraph (3) of subsection (e); and

(7) by striking out subsection (f).

(e) Section 4222 (relating to registration) is amended by striking out paragraph (4) of subsection (b).

(f) Section 4227(2) is amended by striking out “and automobile radio and television receiving sets,”.

68A Stat. 496;
70 Stat. 391.

SEC. 209. REFUNDS WITH RESPECT TO FLOOR STOCKS AND CERTAIN CONSUMER PURCHASES.

(a) PASSENGER AUTOMOBILES, ETC.—Section 6412(a)(1) (relating to floor stocks refunds on passenger automobiles, etc.) is amended to read as follows:

70 Stat. 392.

“(1) PASSENGER AUTOMOBILES, ETC.—Where before the day after the date of the enactment of the Excise Tax Reduction Act of 1965, or before January 1, 1966, 1967, 1968, or 1969, any article subject to the tax imposed by section 4061(a)(2) has been sold by the manufacturer, producer, or importer and on such day or such date is held by a dealer and has not been used and is intended for sale, there shall be credited or refunded (without interest) to the manufacturer, producer, or importer an amount equal to

Ante, p. 136.

the difference between the tax paid by the manufacturer, producer, or importer on his sale of the article and the amount of tax made applicable to the article on such day or such date, if—

“(A) claim for such credit or refund is filed with the Secretary or his delegate on or before the 10th day of the 8th calendar month beginning after such day or such date based upon a request submitted to the manufacturer, producer, or importer before the first day of the 7th calendar month beginning after such day or such date by the dealer who held the article in respect of which the credit or refund is claimed; and

“(B) on or before such 10th day reimbursement has been made to the dealer by the manufacturer, producer, or importer for the tax reduction on the article or written consent has been obtained from the dealer to allowance of the credit or refund.”

(b) FLOOR STOCK REFUNDS; OTHER MANUFACTURERS EXCISE TAXES AND TAX ON PLAYING CARDS.—

(1) IN GENERAL.—Where before the day after the date of the enactment of this Act, any article subject to the tax imposed by section 4111, 4121, 4141, 4151, 4161, 4171, 4191, or 4451 of the Internal Revenue Code of 1954 (hereinafter in this Act referred to as the “Code”), or where before January 1, 1966, any article subject to the tax imposed by section 4061(b), 4091(1), or 4131 of the Code, has been sold by the manufacturer, producer, or importer, and on such day or such date is held by a dealer and has not been used and is intended for sale, there shall be credited or refunded (without interest) to the manufacturer, producer, or importer an amount equal to the difference between the tax paid by the manufacturer, producer, or importer on his sale of the article and the amount of tax made applicable to the article on such day or such date, if—

(A) claim for such credit or refund is filed with the Secretary of the Treasury or his delegate on or before February 10, 1966 (or August 10, 1966, in the case of an article subject to the tax imposed by section 4061(b), 4091(1), or 4131 of the Code), based upon a request submitted to the manufacturer, producer, or importer before January 1, 1966 (or July 1, 1966, in the case of an article subject to the tax imposed by section 4061(b), 4091(1), or 4131 of the Code), by the dealer who held the article in respect of which the credit or refund is claimed; and

(B) on or before such February 10 (or such August 10 in the case of an article subject to the tax imposed by section 4061(b), 4091(1), or 4131 of the Code) reimbursement has been made to the dealer by the manufacturer, producer, or importer for the tax reduction on the article or written consent has been obtained from the dealer to allowance of the credit or refund.

(2) DEFINITIONS.—For purposes of this subsection—

(A) The term “dealer” includes a wholesaler, jobber, distributor, or retailer.

(B) An article shall be considered as “held by a dealer” if title thereto has passed to the dealer (whether or not delivery to him has been made), and if for purposes of con-

Ante, pp. 139, 140;
Post, p. 148.

Ante, pp. 137,
139.

sumption title to the article or possession thereof has not at any time been transferred to any person other than a dealer. For purposes of paragraph (1) and notwithstanding the preceding sentence, an article shall be considered as "held by a dealer" and not to have been used, although possession of such article has been transferred to another person, if such article is returned to the dealer in a transaction under which any amount paid or deposited by the transferee for such article is refunded to him (other than amounts retained by the dealer to cover damage to the article). Moreover, such an article shall be considered as held by a dealer on the day after the date of the enactment of this Act even though it is in the possession of the transferee on such day, if it is returned to the dealer (in a transaction described in the preceding sentence) before August 1, 1965.

(C) In the case of an article subject to the tax imposed by section 4451 (relating to playing cards)—

(i) an article shall be treated as having been sold by the manufacturer before the day after the date of the enactment of this Act if it has been removed for consumption or sale before such day, and

(ii) if an article has been removed for consumption or sale, but has not been sold, by the manufacturer before such day, the manufacturer shall be treated as the dealer.

(3) **LIMITATION ON ELIGIBILITY FOR CREDIT OR REFUND.**—No manufacturer, producer, or importer shall be entitled to credit or refund under paragraph (1) unless he has in his possession such evidence of the inventories with respect to which the credit or refund is claimed as may be required by regulations prescribed by the Secretary of the Treasury or his delegate under this subsection.

(4) **OTHER LAWS APPLICABLE.**—All provisions of law, including penalties, applicable in respect of the taxes imposed by sections 4061(b), 4091(1), 4111, 4121, 4131, 4141, 4151, 4161, 4171, 4191, and 4451 of the Code shall, insofar as applicable and not inconsistent with paragraphs (1), (2), and (3) of this subsection, apply in respect of the credits and refunds provided for in paragraph (1) to the same extent as if the credits or refunds constituted overpayments of the taxes.

Ante, pp. 137,
139, 140; *Post*,
p. 148.

(c) **REFUNDS WITH RESPECT TO CERTAIN CONSUMER PURCHASES.**—

(1) **IN GENERAL.**—Where after May 14, 1965, and before the day after the date of the enactment of this Act, a new automotive item subject to the tax imposed by section 4061(a)(2) of the Code, or a new self-contained air-conditioning unit subject to the tax imposed by section 4111 of the Code, has been sold to an ultimate purchaser, there shall be credited or refunded (without interest) to the manufacturer, producer, or importer of such article an amount equal to the difference between the tax paid by such manufacturer, producer, or importer on his sale of the article, and the tax made applicable to the article on such day, if—

Ante, p. 136.

(A) claim for such credit or refund is filed with the Secretary of the Treasury or his delegate on or before February 10, 1966, based upon information submitted to the manufacturer, producer, or importer before January 1, 1966, by the person who sold the article (in respect to which the credit or refund is claimed) to the ultimate purchaser; and

(B) on or before February 10, 1966, reimbursement has been made to the ultimate purchaser for the tax reduction on the article.

(2) **LIMITATION ON ELIGIBILITY FOR CREDIT OR REFUND.**—No manufacturer, producer, or importer shall be entitled to a credit or refund under paragraph (1) with respect to an article unless he has in his possession such evidence of the sale of the article to an ultimate purchaser, and of the reimbursement of the tax to such purchaser, as may be required by regulations prescribed by the Secretary of the Treasury or his delegate under this subsection.

(3) **OTHER LAWS APPLICABLE.**—All provisions of law, including penalties, applicable in respect to the taxes imposed by sections 4061(a) (2) and 4111 of the Code shall, insofar as applicable and not inconsistent with paragraphs (1) and (2) of this subsection, apply in respect of the credits and refunds provided for in paragraph (1) to the same extent as if the credits or refunds constituted overpayments of the tax.

(d) Section 6412(e) (relating to cross reference) is repealed.

SEC. 210. HIGHWAY TRUST FUND.

(a) Section 209(c) (1) of the Highway Revenue Act of 1956 (relating to general provisions for transfers to the Highway Trust Fund) is amended—

(1) by striking out “and” at the end of subparagraph (F);

(2) by striking out the period at the end of subparagraph (G) and inserting in lieu thereof “; and”;

(3) by inserting after subparagraph (G) the following new subparagraph:

“(H) 100 percent of the taxes received after December 31, 1965, under sections 4061(b) (tax on parts and accessories for trucks, buses, etc.) and 4091 (tax on lubricating oil).”; and

(4) by adding at the end thereof the following new sentence: “In the case of any tax described in subparagraph (H), amounts received during the calendar year 1966 shall be taken into account only to the extent attributable to liability for tax incurred after December 31, 1965.”

(b) Subparagraph (A) of section 209(c) (3) of the Highway Revenue Act of 1956 (relating to transfers to the Highway Trust Fund for liabilities incurred before October 1, 1972) is amended to read as follows:

“(A) 100 percent of the taxes under sections 4041 (taxes on diesel fuel and special motor fuels), 4061(b) (tax on parts and accessories for trucks, buses, etc.), 4071(a) (4) (tax on tread rubber), 4081 (tax on gasoline), and 4091 (tax on lubricating oil).”;

(c) Section 209(f) (3) of the Highway Revenue Act of 1956 (relating to transfers from trust fund for gasoline used on farms and for certain other purposes) is amended as follows:

(1) by striking out the heading and inserting in lieu thereof the following:

“(3) **TRANSFERS FROM TRUST FUND FOR GASOLINE AND LUBRICATING OIL USED FOR CERTAIN PURPOSES.**—”;

(2) by striking out “and 6421” and inserting “, 6421”; and

Ante, pp. 136,
139.

Repeal.
68A Stat. 797.

70 Stat. 398.
23 USC 120 note.

Ante, p. 137.

68A Stat. 478.

70 Stat. 388,
389.

(3) by inserting after "transit systems)" the following: ", and 6424 (relating to amounts paid in respect of lubricating oil not used in highway motor vehicles)".

Ante, p. 137.

TITLE III—TAXES ON FACILITIES AND SERVICES

SEC. 301. REPEAL OF ADMISSIONS AND CLUB DUES TAXES.

Subchapter A (relating to admissions and club dues) of chapter 33 is repealed and the table of subchapters for chapter 33 is amended by striking out the item relating to subchapter A.

68A Stat. 497.
26 USC 4231-4243.

SEC. 302. COMMUNICATIONS TAX.

Subchapter B of chapter 33 (relating to communications taxes) is amended to read as follows:

72 Stat. 1289.

"Subchapter B—Communications

"Sec. 4251. Imposition of tax.

"Sec. 4252. Definitions.

"Sec. 4253. Exemptions.

"Sec. 4254. Computation of tax.

"SEC. 4251. IMPOSITION OF TAX.

"(a) IN GENERAL.—

"(1) Except as provided in subsection (b), there is hereby imposed on amounts paid for the following communication services a tax equal to the percent of the amount so paid specified in paragraph (2):

"Local telephone service.

"Toll telephone service.

"Teletypewriter exchange service.

"The taxes imposed by this section shall be paid by the person paying for the services.

"(2) The rate of tax referred to in paragraph (1) is as follows:

"Amounts paid pursuant to bills first rendered—	Percent—
"During 1966.....	3
"During 1967.....	2
"During 1968.....	1

"(b) TERMINATION OF TAX.—The tax imposed by subsection (a) shall not apply to amounts paid pursuant to bills first rendered on or after January 1, 1969.

"(c) SPECIAL RULE.—For purposes of subsections (a) and (b), in the case of communication services rendered before November 1 of any calendar year for which a bill has not been rendered before the close of such year, a bill shall be treated as having been first rendered during such year.

"SEC. 4252. DEFINITIONS.

"(a) LOCAL TELEPHONE SERVICE.—For purposes of this subchapter, the term 'local telephone service' means—

"(1) the access to a local telephone system, and the privilege of telephonic quality communication with substantially all persons having telephone or radio telephone stations constituting a part of such local telephone system, and

"(2) any facility or service provided in connection with a service described in paragraph (1).

The term 'local telephone service' does not include any service which is a 'toll telephone service' or a 'private communication service' as defined in subsections (b) and (d).

"(b) TOLL TELEPHONE SERVICE.—For purposes of this subchapter, the term 'toll telephone service' means—

"(1) a telephonic quality communication for which (A) there is a toll charge which varies in amount with the distance and elapsed transmission time of each individual communication and (B) the charge is paid within the United States, and

"(2) a service which entitles the subscriber, upon payment of a periodic charge (determined as a flat amount or upon the basis of total elapsed transmission time), to the privilege of an unlimited number of telephonic communications to or from all or a substantial portion of the persons having telephone or radio telephone stations in a specified area which is outside the local telephone system area in which the station provided with this service is located.

"(c) TELETYPEWRITER EXCHANGE SERVICE.—For purposes of this subchapter, the term 'teletypewriter exchange service' means the access from a teletypewriter or other data station to the teletypewriter exchange system of which such station is a part, and the privilege of intercommunication by such station with substantially all persons having teletypewriter or other data stations constituting a part of the same teletypewriter exchange system, to which the subscriber is entitled upon payment of a charge or charges (whether such charge or charges are determined as a flat periodic amount, on the basis of distance and elapsed transmission time, or in some other manner). The term 'teletypewriter exchange service' does not include any service which is 'local telephone service' as defined in subsection (a).

"(d) PRIVATE COMMUNICATION SERVICE.—For purposes of this subchapter, the term 'private communication service' means—

"(1) the communication service furnished to a subscriber which entitles the subscriber—

"(A) to exclusive or priority use of any communication channel or groups of channels, or

"(B) to the use of an intercommunication system for the subscriber's stations,

regardless of whether such channel, groups of channels, or intercommunication system may be connected through switching with a service described in subsection (a), (b), or (c),

"(2) switching capacity, extension lines and stations, or other associated services which are provided in connection with, and are necessary or unique to the use of, channels or systems described in paragraph (1), and

"(3) the channel mileage which connects a telephone station located outside a local telephone system area with a central office in such local telephone system,

except that such term does not include any communication service unless a separate charge is made for such service.

"SEC. 4253. EXEMPTIONS.

"(a) CERTAIN COIN-OPERATED SERVICE.—Service paid for by inserting coins in coin-operated telephones available to the public shall not be subject to the tax imposed by section 4251 with respect to local telephone service, or with respect to toll telephone service if the charge for such toll telephone service is less than 25 cents; except that where such coin-operated telephone service is furnished for a guaranteed

amount, the amounts paid under such guarantee plus any fixed monthly or other periodic charge shall be subject to the tax.

“(b) **NEWS SERVICES.**—No tax shall be imposed under section 4251, except with respect to local telephone service, on any payment received from any person for services used in the collection of news for the public press, or a news ticker service furnishing a general news service similar to that of the public press, or radio broadcasting, or in the dissemination of news through the public press, or a news ticker service furnishing a general news service similar to that of the public press, or by means of radio broadcasting, if the charge for such service is billed in writing to such person.

“(c) **INTERNATIONAL, ETC., ORGANIZATIONS.**—No tax shall be imposed under section 4251 on any payment received for services furnished to an international organization, or to the American National Red Cross.

“(d) **SERVICEMEN IN COMBAT ZONE.**—No tax shall be imposed under section 4251 on any payment received for any toll telephone service which originates within a combat zone, as defined in section 112, from a member of the Armed Forces of the United States performing service in such combat zone, as determined under such section, provided a certificate, setting forth such facts as the Secretary or his delegate may by regulations prescribe, is furnished to the person receiving such payment.

“(e) **ITEMS OTHERWISE TAXED.**—Only one payment of tax under section 4251 shall be required with respect to the tax on any service, notwithstanding the lines or stations of one or more persons are used in furnishing such service.

“(f) **COMMON CARRIERS AND COMMUNICATIONS COMPANIES.**—No tax shall be imposed under section 4251 on the amount paid for any toll telephone service described in section 4252(b)(2) to the extent that the amount so paid is for use by a common carrier, telephone or telegraph company, or radio broadcasting station or network in the conduct of its business as such.

“(g) **INSTALLATION CHARGES.**—No tax shall be imposed under section 4251 on so much of any amount paid for the installation of any instrument, wire, pole, switchboard, apparatus, or equipment as is properly attributable to such installation.

“**SEC. 4254. COMPUTATION OF TAX.**

“(a) **GENERAL RULE.**—If a bill is rendered the taxpayer for local telephone service or toll telephone service—

“(1) the amount on which the tax with respect to such services shall be based shall be the sum of all charges for such services included in the bill; except that

“(2) if the person who renders the bill groups individual items for purposes of rendering the bill and computing the tax, then

(A) the amount on which the tax with respect to each such group shall be based shall be the sum of all items within that group, and

(B) the tax on the remaining items not included in any such group shall be based on the charge for each item separately.

“(b) **WHERE PAYMENT IS MADE FOR TOLL TELEPHONE SERVICE IN COIN-OPERATED TELEPHONES.**—If the tax imposed by section 4251 with respect to toll telephone service is paid by inserting coins in coin-

operated telephones, tax shall be computed to the nearest multiple of 5 cents, except that, where the tax is midway between multiples of 5 cents, the next higher multiple shall apply."

SEC. 303. TAX ON TRANSPORTATION OF PERSONS BY AIR.

76 Stat. 115;
78 Stat. 237.

(a) **IN GENERAL.**—Section 4261 (relating to imposition of tax on transportation of persons by air) is amended by striking out "November 15, 1962, and before July 1, 1965" wherever it appears and inserting in lieu thereof "November 15, 1962".

26 USC 4261
note.

(b) **CONFORMING AMENDMENT.**—Section 5 of the Tax Rate Extension Act of 1962 (76 Stat. 115) is amended by striking out subsection (e).

SEC. 304. SAFE DEPOSIT BOXES.

Repeal,
68A Stat. 510,
26 USC 4286,
4287.

Subchapter D of chapter 33 (relating to safe deposit boxes) is hereby repealed and the table of subchapters for chapter 33 is amended by striking out the item relating to subchapter D.

SEC. 305. CONFORMING CHANGES.

(a) Section 4291 (relating to cases where persons receiving payment must collect tax) is amended to read as follows:

"SEC. 4291. CASES WHERE PERSONS RECEIVING PAYMENT MUST COLLECT TAX.

76 Stat. 117.

"Except as otherwise provided in section 4264(a), every person receiving any payment for facilities or services on which a tax is imposed upon the payor thereof under this chapter shall collect the amount of the tax from the person making such payment."

68A Stat. 744;
78 Stat. 73.

(b) Section 6040 (relating to cross references) is amended by striking out paragraph (6).

TITLE IV—MISCELLANEOUS TAXES

Repeals.

SEC. 401. DOCUMENTARY STAMP TAXES.

72 Stat. 1293,
26 USC 4301-
4354.

(a) **IN GENERAL.**—Subchapters A (relating to issuance of capital stock, etc.) and B (relating to sales or transfers of capital stock, etc.) of chapter 34 are repealed and the table of subchapters for chapter 34 is amended by striking out the items relating to such subchapters.

(b) **CONVEYANCES.**—Section 4361 (relating to tax on conveyances) is amended by adding at the end thereof the following new sentence: "The tax imposed by this section shall not apply on or after January 1, 1968."

(c) **TECHNICAL AND CONFORMING CHANGES.**—Section 4381 (relating to definitions) is repealed and the table of sections for subchapter E of chapter 34 is amended by striking out the item relating to such section.

SEC. 402. PLAYING CARDS.

68A Stat. 529,
26 USC 4451-
4457.

Subchapter A of chapter 36 (relating to playing cards) is repealed and the table of subchapters for chapter 36 is amended by striking out the item relating to subchapter A.

SEC. 403. OCCUPATIONAL TAX ON COIN-OPERATED DEVICES.

68A Stat. 531;
73 Stat. 620.

(a) **IN GENERAL.**—Section 4461 (relating to imposition of tax) is amended by striking out subsection (a) and so much of subsection (b) as precedes paragraph (1) and inserting in lieu thereof the following:

"(a) **IN GENERAL.**—There shall be imposed a special tax to be paid by every person who maintains for use or permits the use of, on any

place or premises occupied by him, a coin-operated gaming device (as defined in section 4462) at the following rates:

“(1) \$250 a year; and

“(2) \$250 a year for each additional device so maintained or the use of which is so permitted. If one such device is replaced by another, such other device shall not be considered an additional device.

“(b) EXCEPTION.—No tax shall be imposed on a device which is commonly known as a claw, crane, or digger machine if—”

(b) DEFINITION.—Section 4462 (relating to definition of coin-operated amusement or gaming device) is amended to read as follows:

72 Stat. 1304.

“SEC. 4462. DEFINITION OF COIN-OPERATED GAMING DEVICE.

“(a) IN GENERAL.—For purposes of this subchapter, the term ‘coin-operated gaming device’ means any machine which is—

“(1) a so-called ‘slot’ machine which operates by means of the insertion of a coin, token, or similar object and which, by application of the element of chance, may deliver, or entitle the person playing or operating the machine to receive, cash, premiums, merchandise, or tokens, or

“(2) a machine which is similar to machines described in paragraph (1) and is operated without the insertion of a coin, token, or similar object.

“(b) EXCLUSIONS.—The term ‘coin-operated gaming device’ does not include—

“(1) a bona fide vending or amusement machine in which gaming features are not incorporated; or

“(2) a vending machine operated by means of the insertion of a one cent coin, which, when it dispenses a prize, never dispenses a prize of a retail value of, or entitles a person to receive a prize of a retail value of, more than 5 cents, and if the only prize dispensed is merchandise and not cash or tokens.”

(c) CLERICAL AMENDMENT.—The table of sections for subchapter B of chapter 36 is amended by striking out:

“Sec. 4462. Definition of coin-operated amusement or gaming device.” and inserting in lieu thereof:

“Sec. 4462. Definition of coin-operated gaming device.”

SEC. 404. OCCUPATIONAL TAX ON BOWLING ALLEYS, BILLIARD AND POOL TABLES.

Subchapter C of chapter 36 (relating to occupational tax on bowling alleys, billiard and pool tables) is repealed and the table of subchapters for chapter 36 is amended by striking out the item relating to subchapter C.

68A Stat. 532.
26 USC 4471-4474.

SEC. 405. TECHNICAL AND CONFORMING CHANGES.

(a) Section 4402(2) (relating to exemption from tax on wagers) is amended by striking out “section 4462(a)(2)(B),” and inserting in lieu thereof “section 4462(a)(2),”

72 Stat. 1305.

(b) Section 4901(a) (relating to payment of tax as condition precedent to carrying on certain business) is amended by striking out “4461(2)” and inserting in lieu thereof “4461(a)(1).”

68A Stat. 593.

(c) Section 4905(b)(1) (relating to registration) is amended by striking out “playing cards,” and by striking out “4455.”

(d) Paragraph (2) of section 4914(a) (relating to transactions not considered acquisitions) is amended by inserting before the semicolon at the end thereof “as in effect on January 1, 1965”.

78 Stat. 813.

TITLE V—ALCOHOL AND TOBACCO TAXES

SEC. 501. PRESENT TAX RATES MADE PERMANENT.

(a) Section 5001(a) (relating to imposition, rate, and attachment of tax on distilled spirits) is amended by striking out the last sentence of paragraph (1) and the last sentence of paragraph (3).

(b) Section 5022 (relating to tax on cordials and liqueurs containing wine) is amended by striking out at the end of the first sentence "until July 1, 1965, and on or after July 1, 1965, at the rate of \$1.60 per wine gallon and a proportionate tax at a like rate on all fractional parts of such wine gallon".

(c) Section 5041(b) (relating to rates of tax on wine) is amended—

(1) by striking out in paragraph (1) "except that on and after July 1, 1965, the rate shall be 15 cents per wine gallon";

(2) by striking out in paragraph (2) "except that on and after July 1, 1965, the rate shall be 60 cents a wine gallon";

(3) by striking out in paragraph (3) "except that on and after July 1, 1965, the rate shall be \$2.00 per wine gallon";

(4) by striking out in paragraph (4) "except that on and after July 1, 1965, the rate shall be \$3.00 per wine gallon"; and

(5) by striking out in paragraph (5) "except that on and after July 1, 1965, the rate shall be \$2.00 per wine gallon".

(d) Section 5051(a) (relating to imposition and rate of tax on beer) is amended by striking out the second sentence.

(e) Section 5063 (relating to floor stocks refunds on distilled spirits, wines, cordials, and beer) is hereby repealed and the table of sections for subpart E of part I of subchapter A of chapter 51 is amended by striking out the item relating to section 5063.

(f) Paragraph (1) of section 5701(c) (relating to rate of tax on cigarettes) is amended by striking out "until July 1, 1965, and \$3.50 per thousand on and after July 1, 1965".

(g) Section 5707 (relating to floor stocks refund on cigarettes) is hereby repealed and the table of sections for subchapter A of chapter 52 is amended by striking out the item relating to section 5707.

(h) Section 497 of the Revenue Act of 1951 (relating to refunds on articles from foreign trade zones) is hereby repealed.

SEC. 502. REPEAL OF TAX ON TOBACCO OTHER THAN CIGARS AND CIGARETTES.

(a) REPEAL.—Section 5701 (relating to rates of taxes on tobacco, cigars, cigarettes, etc.) is amended by striking out subsection (a) (relating to tobacco) and redesignating subsections (b), (c), (d), (e), and (f) as subsections (a), (b), (c), (d), and (e), respectively.

(b) CONFORMING AND CLERICAL AMENDMENTS.—

(1) The heading of chapter 52 is amended by striking out "TOBACCO,".

(2) The table of subchapters for chapter 52 is amended—

(A) by striking out in the item relating to subchapter B "export warehouse proprietors, and dealers in tobacco materials" and inserting in lieu thereof "and export warehouse proprietors";

(B) by striking out the item relating to subchapter D and redesignating the items relating to subchapters E, F, and G as relating to subchapters D, E, and F, respectively; and

(C) by striking out in the item relating to subchapter D

72 Stat. 1314;
78 Stat. 237.

Repeal.

Repeal.

65 Stat. 540;
78 Stat. 237.
26 USC 5701
note.

72 Stat. 1414.

(as redesignated by subparagraph (B)) "export warehouse proprietors, and dealers in tobacco materials" and inserting in lieu thereof "and export warehouse proprietors".

(3) Section 5702 (relating to definitions applicable to the taxes on tobacco, cigars, cigarettes, etc.) is amended—

72 Stat. 1415;
Post, p. 164.

(A) by striking out subsections (a), (l), and (m) and redesignating subsections (b), (c), (d), (e), (f), (g), (h), (i), (j), (k), (n), and (o) as subsections (a), (b), (c), (d), (e), (f), (g), (h), (i), (j), (k), and (l), respectively;

(B) by striking out "manufactured tobacco, cigars, and" in subsection (c) (as redesignated) and inserting in lieu thereof "cigars and"; and

(C) by striking out subsection (d) (as redesignated) and inserting in lieu thereof the following:

"(d) **MANUFACTURER OF TOBACCO PRODUCTS.**—Manufacturer of tobacco products' means any person who manufactures cigars or cigarettes, except that such term shall not include—

"(1) a person who produces cigars or cigarettes solely for his own personal consumption or use; or

"(2) a proprietor of a customs bonded manufacturing warehouse with respect to the operation of such warehouse."

(4) Section 5704 (relating to exemption from tax) is amended—

72 Stat. 1418.

(A) by striking out subsection (c) and redesignating subsections (d) and (e) as (c) and (d), respectively; and

(B) by striking out subsection (c) (as redesignated) and inserting in lieu thereof the following:

"(c) **TOBACCO PRODUCTS AND CIGARETTE PAPERS AND TUBES RELEASED IN BOND FROM CUSTOMS CUSTODY.**—Tobacco products and cigarette papers and tubes, imported or brought into the United States, may be released from customs custody, without payment of tax, for delivery to a manufacturer of tobacco products or cigarette papers and tubes, in accordance with such regulations and under such bond as the Secretary or his delegate shall prescribe."

(5) The heading of subchapter B of chapter 52 is amended by striking out "**Export Warehouse Proprietors, and Dealers in Tobacco Materials**" and inserting in lieu thereof "**and Export Warehouse Proprietors**".

(6) Section 5711(a) (relating to requirement for bond) is amended by striking out "as an export warehouse proprietor, or as a dealer in tobacco materials," and inserting in lieu thereof "or as an export warehouse proprietor,".

(7) Chapter 52 (relating to cigars, cigarettes, and cigarette papers and tubes) is amended by striking out subchapter D and redesignating subchapters E, F, and G as subchapters D, E, and F, respectively.

(8) The heading of subchapter D (as redesignated) is amended by striking out "**Export Warehouse Proprietors, and Dealers in Tobacco Materials**" and inserting in lieu thereof "**and Export Warehouse Proprietors**".

(9) Section 5741 (relating to records) is amended by striking out "every export warehouse proprietor, and every dealer in tobacco materials" and inserting in lieu thereof "and every export warehouse proprietor,".

(10) The table of sections for subchapter E (as redesignated) is amended by striking out in the item relating to section 5753 "cigarette papers and tubes, and tobacco materials" and inserting in lieu thereof "and cigarette papers and tubes".

72 Stat. 1425.

(11) Section 5753 (relating to disposal of forfeited, condemned, and abandoned tobacco products, cigarette papers and tubes, and tobacco materials) is amended to read as follows:

"SEC. 5753. DISPOSAL OF FORFEITED, CONDEMNED, AND ABANDONED TOBACCO PRODUCTS, AND CIGARETTE PAPERS AND TUBES.

"If it appears that any forfeited, condemned, or abandoned tobacco products, or cigarette papers and tubes, when offered for sale, will not bring a price equal to the tax due and payable thereon, and the expenses incident to the sale thereof, such articles shall not be sold for consumption in the United States but shall be disposed of in accordance with such regulations as the Secretary or his delegate shall prescribe."

(12) Section 5762 (relating to criminal penalties) is amended—

(A) by striking out "as an export warehouse proprietor, or as a dealer in tobacco materials" in subsection (a) (1) and inserting in lieu thereof "or as an export warehouse proprietor"; and

(B) by striking out subsection (a) (2) and inserting in lieu thereof the following:

"(2) **FALLING TO FURNISH INFORMATION OR FURNISHING FALSE INFORMATION.**—Fails to keep or make any record, return, report, or inventory, or keeps or makes any false or fraudulent record, return, report, or inventory, required by this chapter or regulations thereunder; or".

(13) Section 5763 (relating to forfeitures) is amended—

(A) by striking out subsection (b) and inserting in lieu thereof the following:

"(b) **PERSONAL PROPERTY OF QUALIFIED MANUFACTURERS, AND EXPORT WAREHOUSE PROPRIETORS, ACTING WITH INTENT TO DEFRAUD.**—All tobacco products and cigarette papers and tubes, packages, internal revenue stamps, machinery, fixtures, equipment, and all other materials and personal property on the premises of any qualified manufacturer of tobacco products or cigarette papers and tubes, or export warehouse proprietor, who, with intent to defraud the United States, fails to keep or make any record, return, report, or inventory, or keeps or makes any false or fraudulent record, return, report, or inventory, required by this chapter; or refuses to pay any tax imposed by this chapter, or attempts in any manner to evade or defeat the tax or the payment thereof; or removes, contrary to any provision of this chapter, any article subject to tax under this chapter, shall be forfeited to the United States." and

(B) by striking out subsection (c) and inserting in lieu thereof the following:

"(c) **REAL AND PERSONAL PROPERTY OF ILLICIT OPERATORS.**—All tobacco products, cigarette papers and tubes, machinery, fixtures, equipment, and other materials and personal property on the premises of any person engaged in business as a manufacturer of tobacco products or cigarette papers and tubes, or export warehouse proprietor,

without filing the bond or obtaining the permit, as required by this chapter, together with all his right, title, and interest in the building in which such business is conducted, and the lot or tract of ground on which the building is located, shall be forfeited to the United States."

TITLE VI—ADMINISTRATIVE PROVISIONS

SEC. 601. TECHNICAL AND CONFORMING CHANGES.

(a) Section 6103(a) (relating to public record and inspection of returns) is amended by striking out "B, C, and D" in paragraph (2) and inserting in lieu thereof "B and C".

68A Stat. 753.

(b) Section 6415 (relating to credits or refunds to persons who collected certain taxes) is amended—

(1) by striking out "section 4231(1), 4231(2), 4231(3), 4241, 4251, 4261, or 4286" each place it appears and inserting in lieu thereof "section 4251 or 4261"; and

(2) by striking out the last sentence of subsection (a).

(c) Section 6416 (relating to credits and refunds of certain taxes on sales and services) is amended—

72 Stat. 1306.
26 USC 6416.

(1) by striking out in the material in subsection (a) (1) which precedes subparagraph (A) "section 4231 (4), (5), or (6) (cabarets, etc.)";

(2) by striking out "admission, or service" each place it appears in subsection (a) (1) (A);

(3) by amending subparagraph (B) of subsection (a) (1) to read as follows:

"(B) has repaid the amount of the tax to the ultimate purchaser of the article;"

(4) by striking out "or (D)" in subsection (a) (1) (C);

(5) by striking out "(i), (ii), or (iii), as the case may be," in subsection (a) (1) (D);

(6) by striking out subparagraphs (A) and (B) of subsection (a) (3), by striking out "(ii)" in subparagraph (C) of such subsection, and by striking out "or (D)" in subparagraph (D) of such subsection;

(7) by striking out "31 or" and "(in the case of a tax imposed by chapter 32)" in subsection (b) (1);

(8) by amending subparagraph (F) of subsection (b) (2) to read as follows:

"(F) in the case of a tire or inner tube, resold for use as provided in subparagraph (C) of paragraph (3) and the other article referred to in such subparagraph is by any person exported or sold as provided in such subparagraph;"

(9) by striking out subparagraphs (N), (O), (P), and (Q) of subsection (b) (2);

(10) by striking out "(D)," in subparagraph (A) of subsection (b) (3), by striking out subparagraph (D) of such subsection, and by amending subparagraphs (B) and (C) of such subsection to read as follows:

"(B) in the case of a part or accessory taxable under section 4061(b), such article is used by the second manufacturer or producer as material in the manufacture or production of, or as a component part of, any other article manufactured or produced by him;

Ante, p. 137.

70 Stat. 388.

“(C) in the case of a tire or inner tube taxable under section 4071, such article is sold by the second manufacturer or producer on or in connection with, or with the sale of, any other article manufactured or produced by him and such other article is by any person exported, sold to a State or local government for the exclusive use of a State or local government, sold to a nonprofit educational organization for its exclusive use, or used or sold for use as supplies for vessels or aircraft;”;

(11) by amending paragraph (4) of subsection (b) to read as follows:

“(4) TIRES AND INNER TUBES.—If—

“(A) a tire or inner tube taxable under section 4071 is sold by the manufacturer, producer, or importer thereof on or in connection with, or with the sale of, any other article manufactured or produced by him; and

“(B) such other article is by any person exported, sold to a State or local government for the exclusive use of a State or local government, sold to a nonprofit educational organization for its exclusive use, or used or sold for use as supplies for vessels or aircraft,

any tax imposed by chapter 32 in respect of such tire or inner tube which has been paid by the manufacturer, producer, or importer thereof shall be deemed to be an overpayment by him.”;

(12) by striking out “4053(b) (1) or” each place it appears in subsection (b) (5).

(13) by amending subsection (c) to read as follows:

“(c) CREDIT FOR TAX PAID ON TIRES OR INNER TUBES.—If tires or inner tubes on which tax has been paid under chapter 32 are sold on or in connection with, or with the sale of, another article taxable under chapter 32, there shall (under regulations prescribed by the Secretary or his delegate) be credited (without interest) against the tax imposed on the sale of such other article, an amount determined by multiplying the applicable percentage rate of tax for such other article by—

“(1) the purchase price (less, in the case of tires, the part of such price attributable to the metal rim or rim base), if such tires or inner tubes were taxable under section 4071 (relating to tax on tires and inner tubes); or

“(2) if such tires or inner tubes were taxable under section 4218 (relating to use by manufacturer, producer, or importer), the price (less, in the case of tires, the part of such price attributable to the metal rim or rim base) at which such or similar tires or inner tubes are sold, in the ordinary course of trade, by manufacturers, producers, or importers thereof, as determined by the Secretary or his delegate.

The credit provided by this subsection shall be allowable only in respect of the first sale on or in connection with, or with the sale of, another article on the sale of which tax is imposed under chapter 32.”;

(14) by striking out subsection (d); and

(15) subsection (g) is amended by striking out “sections 4061(a), 4111, 4121, 4141,” and inserting in lieu thereof “section 4061(a).”

68A Stat. 829.

(d) Section 6802 (relating to supply and distribution of stamps) is amended—

(1) by striking out “(other than the stamps on playing cards)” in paragraph (1); and

(2) by striking out paragraph (3).

(e) Section 6806 (relating to posting occupation tax stamps) is amended by striking out "AMUSEMENT AND" in the heading of subsection (b).

68A Stat. 831.

(f) Section 6808 (relating to special provision relating to stamps) is amended by striking out paragraphs (1) and (9).

(g) Section 7012 (relating to cross references) is amended by striking out subsection (d).

(h) Section 7272(b) (relating to cross references) is amended by striking out "4455".

(i) Section 7275 (relating to failure to print correct price on tickets) is repealed and the table of sections for subchapter B of chapter 75 is amended by striking out the item relating to section 7275.

72 Stat. 1429.

(j) Section 7326(a) (relating to disposal of forfeited or abandoned property in special cases) is amended by striking out "section 4462 (a) (2)" and inserting in lieu thereof "section 4462".

Ante, p. 149.

TITLE VII—EFFECTIVE DATES OF TITLES I-VI

SEC. 701. EFFECTIVE DATES.

(a) RETAILERS AND MANUFACTURERS EXCISE TAXES.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by titles I and II of this Act shall apply with respect to articles sold on or after the day after the date of the enactment of this Act.

(2) SPECIAL RULES.—The amendments made by sections 201 (b) (2) (relating to automobile parts and accessories) and 202(a) (relating to lubricating oil) shall apply with respect to articles sold on or after January 1, 1966. The amendments made by section 202 (b) and (c) (relating to payments with respect to lubricating oil) shall take effect January 1, 1966. The amendments made by section 203, insofar as they relate to the tax imposed by section 4131 (relating to electric light bulbs) of the Code, and the amendments made by section 208, insofar as they relate to the tax imposed by section 4061(b) (relating to automotive parts and accessories), section 4091 (relating to lubricating oil), or section 4131 (relating to electric light bulbs) of the Code, shall apply with respect to articles sold on or after January 1, 1966. The amendments made by sections 207 (relating to partial payments; sales of installment accounts) and 209(a) (relating to floor stocks refunds on passenger automobiles, etc.) shall take effect on the day after the date of the enactment of this Act. The amendments made by section 210 (relating to Highway Trust Fund) shall take effect January 1, 1966.

(3) INSTALLMENT SALES, ETC.—For purposes of paragraphs (1) and (2), an article shall not be considered sold before the day after the date of the enactment of this Act or before January 1, 1966, as the case may be, unless possession or right to possession passes to the purchaser before such day or such date. In the case of—

(A) a lease,

(B) a contract for the sale of an article where it is provided that the price shall be paid by installments and title to the article sold does not pass until a future date notwithstanding partial payment by installments,

(C) a conditional sale, or

(D) a chattel mortgage arrangement wherein it is provided that the sale price shall be paid in installments, entered into before such day or such date, payments made on or after such day or such date with respect to the article leased or sold shall, for purposes of this subsection, be considered as payments made with respect to an article sold on or after such day or such date, if the lessor or vendor establishes that the amount of payments payable on or after such day or such date with respect to such article has been reduced by an amount equal to the tax reduction applicable with respect to the lease or sale of such article.

(4) **ELECTRIC LIGHT BULBS USED IN MANUFACTURE OF ARTICLES UPON WHICH TAX IS REPEALED.**—For purposes of applying section 4218(a) of the Code with respect to the use of an electric light bulb or tube by the manufacturer, producer, or importer thereof, and for purposes of applying section 4221(d)(6)(A) of the Code with respect to the sale of an electric light bulb or tube for use in further manufacture, an article which was taxable under chapter 32 of the Code on the date of the enactment of this Act shall, during the period beginning with the day after the date of the enactment of this Act through December 31, 1965, be treated as an article taxable under such chapter.

(b) **FACILITIES AND SERVICES TAXES.**—

(1) **ADMISSIONS AND CLUB DUES.**—

(A) The amendments made by sections 301 and 305 insofar as they relate to the taxes imposed by section 4231 of the Code, shall apply with respect to admissions, services, or uses after noon, December 31, 1965.

(B) The amendments made by sections 301 and 305 insofar as they relate to the taxes imposed by section 4241 of the Code, shall apply with respect to—

(i) dues and membership fees attributable to periods beginning on or after January 1, 1966;

(ii) initiation fees (other than initiation fees to which clause (iii) applies) and amounts paid for life memberships attributable to memberships beginning on or after January 1, 1966;

(iii) initiation fees paid on or after July 1, 1965, to a new club or organization which first makes its facilities available to members on or after such date; and

(iv) in the case of amounts described in section 4243(b) of the Code, 3-year periods beginning on or after January 1, 1966.

(2) **COMMUNICATIONS.**—

(A) The amendments made by section 302 (relating to communication services) shall apply to amounts paid pursuant to bills rendered on or after January 1, 1966, for services rendered on or after such date. In the case of amounts paid pursuant to bills rendered on or after January 1, 1966, for services which were rendered before such date and for which no previous bill was rendered, such amendments shall apply except with respect to such services as were rendered more than 2 months before such date. In the case of services rendered more than 2 months before such date, the provisions of subchapter B of chapter 33 of the Code in effect at the time such services were rendered shall apply to the amounts paid for such services.

(B) Section 4251(b) of the Code, as in effect June 30, 1965, is repealed effective on and after July 1, 1965.

73 Stat. 158;
78 Stat. 237.

(3) **TRANSPORTATION OF PERSONS BY AIR.**—The amendments made by section 303 shall apply with respect to amounts paid for transportation, and amounts paid for accommodations in connection with transportation, beginning on or after July 1, 1965.

(4) **SAFE DEPOSIT BOXES.**—The amendments made by section 304 shall apply with respect to use periods beginning on or after July 1, 1965.

(c) **MISCELLANEOUS TAXES.**—

(1) The amendments made by section 401 (relating to documentary stamp taxes) shall apply on and after January 1, 1966.

(2) The amendments made by section 402 (relating to playing cards) and by subsection (c) of section 405 shall apply on and after the day after the date of the enactment of this Act. The amendments made by sections 403 (relating to occupational tax on coin-operated devices) and 404 (relating to occupational tax on bowling alleys, billiard and pool tables), and by subsections (a), (b), and (d) of section 405 (relating to technical and conforming changes) shall apply on and after July 1, 1965.

(d) **ALCOHOL AND TOBACCO EXCISE TAXES.**—The amendments made by section 501 shall apply on and after July 1, 1965. The amendments made by section 502 shall apply on and after January 1, 1966.

(e) **ADMINISTRATIVE PROVISIONS.**—Each amendment made by title VI, to the extent it relates to any tax provision changed by this Act, shall take effect in a manner consistent with the effective date for such changed tax provision.

TITLE VIII—MISCELLANEOUS STRUCTURAL CHANGES

SEC. 801. MOTOR VEHICLES.

(a) **EXEMPTIONS FROM TAX.**—Subsection (a) of section 4063 (relating to specific articles exempt from the tax on automobiles) is amended to read as follows:

68A Stat. 482.

“(a) **SPECIFIED ARTICLES.**—

“(1) **CAMPER COACHES; BODIES FOR SELF-PROPELLED MOBILE HOMES.**—The tax imposed under section 4061 shall not apply in the case of articles designed (A) to be mounted or placed on automobile trucks, automobile truck chassis, or automobile chassis, and (B) to be used primarily as living quarters.

Ante, pp. 136, 137.

“(2) **FEED, SEED, AND FERTILIZER EQUIPMENT.**—The tax imposed under section 4061 shall not apply in the case of any body, part or accessory primarily designed—

“(A) to process or prepare seed, feed, or fertilizer for use on farms;

“(B) to haul feed, seed, or fertilizer to and on farms;

“(C) to spread feed, seed, or fertilizer on farms;

“(D) to load or unload feed, seed, or fertilizer on farms;

or

“(E) for any combination of the foregoing.

“(3) **HOUSE TRAILERS.**—The tax imposed under section 4061 (a) shall not apply in the case of house trailers.

Ante, p. 136.

“(4) SMALL 3-WHEELED TRUCKS.—The tax imposed under section 4061 (a) shall not apply in the case of—

“(A) an automobile truck chassis which—

“(i) has only 3 wheels,

“(ii) is powered by a motor which does not exceed 18 brake horsepower (rated at 4,000 revolutions per minute), and

“(iii) does not exceed 1,000 pounds gross weight; or

“(B) a body designed primarily to be mounted on a chassis described in subparagraph (A).”

68A Stat. 493.
26 USC 4216.

(b) MANUFACTURERS' PRICE OF TRUCKS IN WHICH USED PARTS ARE INCORPORATED.—Section 4216 (relating to definition of price) is amended by adding at the end thereof the following new subsection:

68A Stat. 481.

“(g) CERTAIN TRUCKS INCORPORATING USED COMPONENTS.—For purposes of the tax imposed by section 4061 (a) (1) (relating to trucks, buses, etc.), in determining the price for which an article is sold, the value of any component of such article shall be excluded from the price, if—

“(1) such component is furnished by the first user of such article, and

“(2) such component has been used prior to such furnishing.”

72 Stat. 1283.

(c) REBUILDING OF PARTS NOT CONSIDERED MANUFACTURING.—Paragraph (6) of section 4221 (d) (relating to tax-free sales for use in further manufacture) is amended by adding at the end thereof the following new sentence:

78 Stat. 1086.

“For purposes of subparagraph (B), the rebuilding of a part or accessory which is exempt from tax under section 4063 (c) shall not constitute the manufacture or production of such part or accessory.”

(d) SCHOOL BUSES.—

(1) TAX-FREE SALES.—Subsection (e) of section 4221 (relating to certain tax-free sales) is amended by adding at the end thereof the following new paragraph:

“(5) SCHOOL BUSES.—Under regulations prescribed by the Secretary or his delegate, the tax imposed by section 4061 (a) shall not apply to a bus sold to any person for use exclusively in transporting students and employees of schools operated by State or local governments or by nonprofit educational organizations. For purposes of this paragraph, incidental use of a bus in providing transportation for a State or local government or a nonprofit organization described in section 501 (c) which is exempt from tax under section 501 (a) shall be disregarded.”

68A Stat. 163;
74 Stat. 534.
72 Stat. 1306.

(2) CREDITS OR REFUNDS.—Subsection (b) (2) of section 6416 (relating to special cases in which tax payments are considered overpayments) is amended by adding at the end thereof the following new subparagraph:

“(R) in the case of a bus chassis or body taxable under section 4061 (a), sold to any person for use as described in section 4221 (e) (5).”

(e) EFFECTIVE DATES.—The amendments made by subsections (a), (b), and (d) shall apply with respect to articles sold on or after the day after the date of the enactment of this Act. The amendment made by subsection (c) shall apply with respect to articles sold on or after January 1, 1965.

SEC. 802. GASOLINE.

(a) DEFINITION OF GASOLINE.—

(1) IN GENERAL.—Subsection (b) of section 4082 (relating to definition of gasoline) is amended to read as follows:

68A Stat. 483.

“(b) GASOLINE.—As used in this subpart, the term ‘gasoline’ means all products commonly or commercially known or sold as gasoline which are suitable for use as a motor fuel.”

(2) CASINGHEAD AND NATURAL GASOLINE.—Section 4041(b) (relating to special motor fuels) is amended by inserting after “liquefied petroleum gas,” in the material preceding paragraph (1) “casinghead and natural gasoline.”

68A Stat. 478;
75 Stat. 123.

(b) REPEAL OF BONDING REQUIREMENTS.—

(1) Section 4082(d)(2) (relating to definition of wholesale distributors) is amended by striking out “and give a bond”.

73 Stat. 615.

(2) Section 4101 (relating to registration and bond) is amended to read as follows:

68A Stat. 484.

“SEC. 4101. REGISTRATION.

“Every person subject to tax under section 4081 or section 4091 shall, before incurring any liability for tax under such sections, register with the Secretary or his delegate.”

70 Stat. 389.
Ante, p. 137.

(3) Section 7103(d)(3) (relating to cross references) is amended by striking out the semicolon at the end of subparagraph (E) and inserting in lieu thereof a period, and by striking out subparagraph (F).

68A Stat. 848.

(4) Section 7232 (relating to failure to register or give bond, or false statement by manufacturer or producer of gasoline or lubricating oil) is amended—

(A) by striking out “OR GIVE BOND” in the heading of such section;

(B) by striking out “or give bond” in the text of such section; and

(C) by striking out “and bonded” in the text of such section.

(5) The table of sections for subpart C of part III of subchapter A of chapter 32 is amended by striking out, in the item relating to section 4101, “and bond”.

(6) The table of sections for part II of subchapter A of chapter 75 is amended by striking out, in the item relating to section 7232, “or give bond”.

(c) EXCEPTION TO REGISTRATION IN CASE OF VESSELS AND AIRCRAFT.—Section 4222(b) (relating to exceptions to registration) is amended by adding at the end thereof the following new paragraph:

72 Stat. 1284.

“(5) SUPPLIES FOR VESSELS OR AIRCRAFT.—Subsection (a) shall not apply to a sale of an article for use by the purchaser as supplies for any vessel or aircraft if such purchaser complies with such regulations relating to the use of exemption certificates in lieu of registration as the Secretary or his delegate shall prescribe to carry out the purpose of this paragraph.”

(d) EFFECTIVE DATES.—

(1) The amendments made by subsections (a)(1), (b), and (c) shall apply with respect to articles sold on or after July 1, 1965.

(2) The amendment made by subsection (a)(2) shall apply with respect to casinghead and natural gasoline sold or used on or after July 1, 1965, except that such amendment shall not apply to a sale or use of casinghead or natural gasoline which was sold

by a producer or importer before such date if tax under section 4081 of the Code (as in effect prior to the amendment made by subsection (a) (1)) was imposed with respect to such sale.

70 Stat. 389;
75 Stat. 123.

SEC. 803. CERTAIN TRANSPORTATION OF MEMBERS OF THE ARMED FORCES WHILE ON LEAVE.

76 Stat. 117.

(a) **TREATMENT AS UNINTERRUPTED INTERNATIONAL AIR TRANSPORTATION.**—Section 4262(c)(3) (relating to definition of uninterrupted international air transportation) is amended by adding after subparagraph (B) the following new sentence:

“For purposes of this paragraph, in the case of personnel of the United States Army, Air Force, Navy, Marine Corps, and Coast Guard traveling in uniform at their own expense when on official leave, furlough, or pass, the scheduled interval described in subparagraph (A) shall be deemed to be not more than 6 hours if a ticket for the subsequent portion of such transportation is purchased within 6 hours after the end of the earlier portion of such transportation and the purchaser accepts and utilizes the first accommodations actually available to him for such subsequent portion.”

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply with respect to amounts paid for transportation beginning on or after July 1, 1965.

SEC. 804. POLICIES ISSUED BY FOREIGN INSURERS.

72 Stat. 1301.

(a) **PAYMENT OF TAX BY RETURN.**—

(1) Section 4374 (relating to affixing of stamps) is amended by adding at the end thereof the following new sentence: “Notwithstanding the preceding sentence, the Secretary or his delegate may, by regulations, provide that the tax imposed by section 4371 shall be paid on the basis of a return.”

(2) The heading for section 4374 is amended to read as follows:

“SEC. 4374. PAYMENT OF TAX.”

(3) The table of sections for subchapter D of chapter 34 is amended by striking out the item relating to section 4374 and inserting in lieu thereof the following:

“Sec. 4374. Payment of tax.”

(b) **TAX IMPOSED ON PREMIUMS PAID.**—Section 4371 (relating to tax on policies issued by foreign insurers) is amended by adding at the end thereof the following new sentence:

“If the tax imposed by this section is paid on the basis of a return under regulations prescribed under section 4374, the tax under paragraphs (1), (2), and (3) shall be computed on the premium paid in lieu of the premium charged.”

(c) **EFFECTIVE DATES.**—The amendments made by subsection (a) shall take effect on July 1, 1965. The amendments made by subsection (b) shall apply with respect to policies, bonds, and contracts with respect to which the tax imposed by section 4371 of the Code is required to be paid on the basis of a return.

SEC. 805. DISTILLED SPIRITS.

72 Stat. 1326.

(a) **RETURN OF DISTILLED SPIRITS TO BONDED PREMISES.**—Section 5008(d)(2) (relating to the return of spirits to bonded premises) is amended by striking out “; and no claim shall be allowed in respect to any distilled spirits withdrawn from the bonded premises of a distilled spirits plant more than 6 months prior to the date of such return”.

(b) **EXEMPTION FROM RECTIFICATION TAX.**—Section 5025 (relating to exemptions from rectification tax) is amended by redesignating subsections (k) and (l) as subsections (l) and (m), respectively, and by inserting after subsection (j) the following new subsection:

“(k) **OTHER MINGLING OR TREATMENT OF DISTILLED SPIRITS.**—The tax imposed by section 5021 shall not apply to the mingling of distilled spirits of the same class and type, or to the treatment of distilled spirits in such a manner as not to change the class and type of the distilled spirits, on bottling premises of a distilled spirits plant under such regulations as the Secretary or his delegate may prescribe.”

(c) **VOLUNTARY DESTRUCTION OF SPIRITS.**—The second sentence of section 5215(a) (relating to the return of tax-determined distilled spirits to bonded premises) is amended to read as follows: “Such returned distilled spirits shall immediately be destroyed, redistilled, or denatured, or may, in lieu of destruction, redistillation, or denaturation, be mingled on bonded premises as authorized in section 5234 (a) (1) (A), (a) (1) (D), or (a) (1) (E).”

(d) **REDISTILLATION OF SPIRITS, ARTICLES, AND RESIDUES.**—Section 5223 (relating to the redistillation of spirits) is amended by redesignating subsections (c) and (d) as subsections (d) and (e), respectively, and by inserting after subsection (b) the following new subsection:

“(c) **REDISTILLATION OF ARTICLES AND RESIDUES.**—Articles, containing denatured distilled spirits, which were manufactured under the provisions of subchapter D, and the spirits residues of manufacturing processes related thereto, may be received, and the distilled spirits therein recovered by redistillation, on the bonded premises of a distilled spirits plant authorized to produce distilled spirits, under such regulations as the Secretary or his delegate may prescribe.”

(e) **RELANDING OF EXPORTED DISTILLED SPIRITS.**—Section 5608(b) (relating to the unlawful relanding of distilled spirits) is amended by striking out “intentionally” and inserting in lieu thereof “, with intent to defraud the United States.”

(f) **CONFORMING AND CLERICAL AMENDMENTS.**—

(1) Section 5004(c) is amended by striking out “section 5223(d)” and inserting in lieu thereof “section 5223(e)”.

(2) Section 5025(e)(3) is amended by striking out “or in rectification under subsection (f); or” and inserting in lieu thereof “or for blending under subsection (f), or for other mingling or treatment under subsection (k); or”.

(3) Section 5025(f)(1) is amended by inserting “, differing as to type,” after “whiskies”.

(4) Section 5025(f)(2) is amended by inserting “, differing as to type,” after “brandies”.

(5) Section 5025(f)(4) is amended by inserting “, differing as to type,” after “rums”.

(6) Section 5062(c)(1) is amended by striking out “within six months of their release therefrom”.

(7) Section 5083 is amended by striking out paragraph (14) and inserting in lieu thereof the following:

“(14) Other mingling or treatment of distilled spirits, see section 5025(k).

“(15) Authorized addition of tracer elements, see section 5025(l).”

(8) The heading of section 5223 is amended by striking out “SPIRITS” and inserting in lieu thereof “SPIRITS, ARTICLES, AND RESIDUES”.

(9) The table of sections for subpart B of part II of subchapter C of chapter 51 is amended by striking out “spirits” in the item

72 Stat. 1365.

relating to section 5223 and inserting in lieu thereof "spirits, articles, and residues".

(10) Section 5223(d) (as redesignated by subsection (d) of this section) is amended—

(A) by inserting "ARTICLES, AND RESIDUES" after "DISTILLED SPIRITS" in the heading of such section; and

(B) by inserting "or by the redistillation of the articles or residues described in subsection (c)," after "denatured distilled spirits" in the text of such section.

(11) Section 5234(a) (1) (B) is amended by striking out "or rectification under section 5025(f);" and inserting in lieu thereof "or for blending under section 5025(f), or for other mingling or treatment under section 5025(k);".

72 Stat. 1328;
Ante, p. 161.

(g) EFFECTIVE DATES.—

(1) The amendments made by subsections (a), (c), (e), and (f) (6) shall take effect on July 1, 1965.

(2) The amendments made by subsections (b), (d), and (f) (other than paragraph (6)), shall take effect on October 1, 1965.

SEC. 806. WINE.

(a) CARBON DIOXIDE IN STILL WINES.—Section 5041(a) (relating to the imposition of tax on wines) is amended by striking out in the last sentence "0.256" and inserting in lieu thereof "0.277".

(b) DELETION OF WINE RESERVE INVENTORY PROVISIONS; PROVISIONS RELATING TO USE OF SUGAR.—

72 Stat. 1384.

(1) Section 5383 (relating to amelioration and sweetening limitations for natural grape wines) is amended to read as follows:

"SEC. 5383. AMELIORATION AND SWEETENING LIMITATIONS FOR NATURAL GRAPE WINES.

"(a) SWEETENING OF GRAPE WINES.—Any natural grape wine may be sweetened after fermentation and before taxpayment with pure dry sugar or liquid sugar if the total solids content of the finished wine does not exceed 12 percent of the weight of the wine and the alcoholic content of the finished wine after sweetening is less than 14 percent by volume; except that the use under this subsection of liquid sugar shall be limited so that the resultant volume will not exceed the volume which could result from the maximum authorized use of pure dry sugar only.

"(b) HIGH ACID WINES.—

"(1) IN GENERAL.—Before, during, and after fermentation, ameliorating material consisting of pure dry sugar or liquid sugar, water, or combination of sugar and water, may be added to natural grape wines of the winemaker's own production when such wines are made from juice having a natural fixed acid content of more than five parts per thousand (calculated before fermentation and as tartaric acid).

"(2) LIMITATIONS.—

"(A) Ameliorating material shall not reduce the natural fixed acid content of the juice to less than five parts per thousand.

"(B) The volume of authorized ameliorating material shall not exceed 35 percent of the volume of juice (calculated exclusive of pulp) and ameliorating material combined.

"(C) Sweetening material, consisting of pure dry sugar or liquid sugar, may be added to ameliorated wine in an amount which shall not increase its volume by more than 0.0675 gallon per gallon of juice and ameliorating material combined.

“(D) Wine spirits may be added only if the juice or wine contains less than 14 percent of alcohol by volume.

“(E) The total solids content of the finished wine shall not exceed 17 percent by weight if the alcoholic content is 14 percent or more by volume, nor more than 21 percent by weight if the alcoholic content is less than 14 percent by volume.”

(2) Section 5384 (relating to amelioration and sweetening limitations for natural fruit and berry wines) is amended—

72 Stat. 1385.

(A) by striking out subsection (a) and inserting in lieu thereof the following:

“(a) IN GENERAL.—To natural wine made from berries or fruit other than grapes, pure dry sugar or liquid sugar may be added to the juice in the fermenter, or to the wine after fermentation; but only if such wine has less than 14 percent alcohol by volume after complete fermentation, or after complete fermentation and sweetening, and a total solids content not in excess of 21 percent by weight; and except that the use under this subsection of liquid sugar shall be limited so that the resultant volume will not exceed the volume which could result from the maximum authorized use of pure dry sugar only.”;

(B) by striking out paragraph (1) of subsection (b) and inserting in lieu thereof the following:

“(1) Any natural fruit or berry wine (other than grape wine) of a winemaker's own production may, if not made under subsection (a) of this section, be ameliorated to correct high acid content. Ameliorating material calculations and accounting shall be separate for wines made from each different kind of fruit.”;

(C) by striking out the first sentence of subsection (b) (2) and inserting in lieu thereof the following: “Pure dry sugar or liquid sugar may be used in the production of wines under this subsection for the purpose of correcting natural deficiencies, but not to such an extent as would reduce the natural fixed acid in the corrected juice or wine to five parts per thousand.”;

(D) by striking out subparagraph (B) of subsection (b) (2) and inserting in lieu thereof the following:

“(B) Juice adjusted with pure dry sugar or liquid sugar as provided in this paragraph shall be treated in the same manner as original natural juice under the provisions of section 5383 (b); except that if liquid sugar is used, the volume of water contained therein must be deducted from the volume of ameliorating material authorized.”; and

Ante, p. 162.

(E) by striking out in subsection (b) (2) (C) “may be withdrawn from reserve inventory with” and inserting in lieu thereof “shall have”.

(3) Section 5392 (relating to definitions) is amended—

(A) by striking out the first sentence of subsection (c) and inserting in lieu thereof the following: “For purposes of this subchapter the term ‘pure sugar’ means pure refined sugar, suitable for human consumption, having a dextrose equivalent of not less than 95 percent on a dry basis, and produced from cane, beets, or fruit, or from grain or other sources of starch.”; and

(B) by adding at the end thereof the following new subsection:

“(g) LIQUID SUGAR.—For purposes of this subchapter the term ‘liquid sugar’ means a substantially colorless pure sugar and water

solution containing not less than 60 percent pure sugar by weight (60 degrees Brix)."

(c) **CONFORMING AMENDMENTS.**—

72 Stat. 1384.

(1) Section 5382(b)(2) is amended by striking out "made without added sugar or reserved as provided in sections 5383(b) and 5384(b)".

(2) Section 5384(b)(2) is amended by striking out "reserved" in the fourth sentence.

(3) The heading of section 5384(b) is amended by striking out "RESERVE" and inserting in lieu thereof "AMELIORATED".

(4) Section 5385(a) is amended by striking out "sugar solids content in excess of 15" and inserting in lieu thereof "total solids content in excess of 17".

(d) **EFFECTIVE DATES.**—

(1) The amendment made by subsection (a) shall take effect on July 1, 1965.

(2) The amendments made by subsections (b) and (c) shall take effect on January 1, 1966.

SEC. 807. EXPORTATION OF LIQUORS TO POSSESSIONS.

72 Stat. 1315.

(a) **EXPORTATION.**—Section 5002(a) (relating to definitions) is amended by adding at the end thereof the following new paragraph: "(12) **EXPORT.**—The terms 'export', 'exported', and 'exportation' shall include shipments to a possession of the United States."

72 Stat. 1334.

(b) **CONFORMING AMENDMENT.**—Section 5053(a) is amended by striking out "to a foreign country".

(c) **EFFECTIVE DATE.**—The amendments made by subsections (a) and (b) shall take effect on July 1, 1965.

SEC. 808. TOBACCO.

Ante, p. 151.

(a) **USE OF RECONSTITUTED TOBACCO AS A WRAPPER.**—Section 5702 (relating to definitions for purposes of the tobacco taxes) is amended by striking out subsections (a) and (b) (as redesignated by section 502) and inserting in lieu thereof the following:

"(a) **CIGAR.**—'Cigar' means any roll of tobacco wrapped in leaf tobacco or in any substance containing tobacco (other than any roll of tobacco which is a cigarette within the meaning of subsection (b)(2)).

"(b) **CIGARETTE.**—'Cigarette' means—

"(1) any roll of tobacco wrapped in paper or in any substance not containing tobacco, and

"(2) any roll of tobacco wrapped in any substance containing tobacco which, because of its appearance, the type of tobacco used in the filler, or its packaging and labeling, is likely to be offered to, or purchased by, consumers as a cigarette described in paragraph (1)."

(b) **CREDIT AS WELL AS REFUND OF TAX PERMITTED.**—

72 Stat. 1419.

(1) Section 5705(a) (relating to refund of tax) is amended by striking out "REFUND.—Refund of any tax imposed by this chapter shall be made" and inserting in lieu thereof "CREDIT OR REFUND.—Credit or refund of any tax imposed by this chapter or section 7652 shall be allowed or made".

(2) Section 5705(c) (relating to limitation on claim for refund) is amended by inserting "credit or" before "refund".

68A Stat. 907.

(3) Section 7652(a)(3) (relating to deposit of internal revenue collections on articles of Puerto Rican manufacture) is amended by inserting "(less the estimated amount necessary for payment of refunds and drawbacks)" after "transported to the United States".

(c) CLERICAL AMENDMENTS.—

(1) The heading of section 5705 is amended by striking out “REFUND OR” and inserting in lieu thereof “CREDIT, REFUND, OR”.

72 Stat. 1419.

(2) The table of sections for subchapter A of chapter 52 is amended by striking out “Refund or” in the item relating to section 5705 and inserting in lieu thereof “Credit, refund, or”.

(d) EFFECTIVE DATES.—

(1) The amendments made by subsections (a) and (b) (3) shall take effect on July 1, 1965.

(2) The amendments made by subsections (b) (1), (b) (2), and (c) shall take effect on October 1, 1965.

SEC. 809. INCOME TAX CREDIT IN LIEU OF PAYMENTS WITH RESPECT TO CERTAIN USES OF GASOLINE AND LUBRICATING OIL

(a) GASOLINE USED ON FARMS.—

(1) IN GENERAL.—Section 6420 (relating to gasoline used on farms) is amended—

70 Stat. 87.

(A) by striking out “If” in subsection (a) and inserting in lieu thereof “Except as provided in subsection (h), if”; and

(B) by redesignating subsection (h) as (i), and by inserting after subsection (g) the following new subsection:

“(h) INCOME TAX CREDIT IN LIEU OF PAYMENT.—

“(1) PERSONS NOT SUBJECT TO INCOME TAX.—Payment shall be made under subsection (a) with respect to gasoline used after June 30, 1965, only to—

“(A) the United States or an agency or instrumentality thereof, a State, a political subdivision of a State, or an agency or instrumentality of one or more States or political subdivisions, or

“(B) an organization exempt from tax under section 501(a) (other than an organization required to make a return of the tax imposed under subtitle A for its taxable year).

68A Stat. 153.

“(2) ALLOWANCE OF CREDIT AGAINST INCOME TAX.—

“For allowance of credit against the tax imposed by subtitle A for gasoline used after June 30, 1965, see section 39.”

Post, p. 167.

(2) TIME FOR FILING CLAIMS; PERIOD COVERED.—Subsection (b) of section 6420 (relating to time for filing claims; period covered) is amended to read as follows:

“(b) TIME FOR FILING CLAIM; PERIOD COVERED.—

“(1) GASOLINE USED BEFORE JULY 1, 1965.—Except as provided in paragraph (2), not more than one claim may be filed under this section by any person with respect to gasoline used during the one-year period ending on June 30 of any year. No claim shall be allowed under this paragraph with respect to any one-year period unless filed on or before September 30 of the year in which such one-year period ends.

“(2) GASOLINE USED AFTER JUNE 30, 1965.—In the case of gasoline used after June 30, 1965—

“(A) not more than one claim may be filed under this section by any person with respect to gasoline used during his taxable year; and

“(B) no claim shall be allowed under this section with respect to gasoline used during any taxable year unless filed by such person not later than the time prescribed by law for filing an income tax return for such taxable year.

For purposes of this paragraph, a person's taxable year shall be his taxable year for purposes of subtitle A, except that a person's first taxable year beginning after June 30, 1965, shall include the period after June 30, 1965, and before the beginning of such first taxable year."

70 Stat. 89.

(3) TECHNICAL AMENDMENT.—Subsection (d) of section 6420 (relating to exempt sales, etc.) is amended by striking out "paid" in the first sentence and inserting in lieu thereof "payable".

(b) GASOLINE USED FOR CERTAIN NONHIGHWAY PURPOSES OR BY LOCAL TRANSIT SYSTEMS.—

70 Stat. 394.

(1) IN GENERAL.—Section 6421 (relating to gasoline used for certain nonhighway purposes or by local transit systems) is amended—

(A) by striking out "If" in subsections (a) and (b) and inserting in lieu thereof "Except as provided in subsection (i), if"; and

(B) by redesignating subsection (i) as (j), and by inserting after subsection (h) the following new subsection:

"(i) INCOME TAX CREDIT IN LIEU OF PAYMENT.—

"(1) PERSONS NOT SUBJECT TO INCOME TAX.—Payment shall be made under subsections (a) and (b) with respect to gasoline used after June 30, 1965, only to—

"(A) the United States or an agency or instrumentality thereof, a State, a political subdivision of a State, or an agency or instrumentality of one or more States or political subdivisions, or

68A Stat. 163.

"(B) an organization exempt from tax under section 501 (a) (other than an organization required to make a return of the tax imposed under subtitle A for its taxable year).

"(2) EXCEPTION.—Paragraph (1) shall not apply to a payment of a claim filed under subsection (c) (3) (B).

"(3) ALLOWANCE OF CREDIT AGAINST INCOME TAX.—

"For allowance of credit against the tax imposed by subtitle A for gasoline used after June 30, 1965, see section 39."

Post, p. 167.

(2) TIME FOR FILING CLAIMS; PERIOD COVERED.—Subsection (c) of section 6421 (relating to time for filing claim; period covered) is amended—

72 Stat. 1312.

(A) by striking out "GENERAL RULE.—Except as provided in paragraph (2)" in paragraph (1) and inserting in lieu thereof "GASOLINE USED BEFORE JULY 1, 1965.—Except as provided in paragraphs (2) and (3)";

(B) by striking out "If" in paragraph (2) and inserting in lieu thereof "Except as provided in paragraph (3), if"; and

(C) by adding at the end thereof the following new paragraph:

"(3) GASOLINE USED AFTER JUNE 30, 1965.—

"(A) IN GENERAL.—In the case of gasoline used after June 30, 1965—

"(i) except as provided in subparagraph (B), not more than one claim may be filed under subsection (a), and not more than one claim may be filed under subsection (b), by any person with respect to gasoline used during his taxable year; and

"(ii) no claim shall be allowed under this subparagraph with respect to gasoline used during any taxable year unless filed by such person not later than the time prescribed by law for filing an income tax return for such taxable year.

For purposes of this paragraph, a person's taxable year shall be his taxable year for purposes of subtitle A, except that a person's first taxable year beginning after June 30, 1965, shall include the period after June 30, 1965, and before the beginning of such first taxable year.

"(B) EXCEPTION.—If \$1,000 or more is payable under this section to any person with respect to gasoline used during any of the first three quarters of his taxable year, a claim may be filed under this section by such person with respect to gasoline used during such quarter. No claim filed under this subparagraph shall be allowed unless filed on or before the last day of the first quarter following the quarter for which the claim is filed."

(3) TECHNICAL AMENDMENT.—Subsection (e)(1) of section 6421 (relating to exempt sales, etc.) is amended by striking out "paid" in the first sentence and inserting in lieu thereof "payable".

70 Stat. 395.

(c) CREDIT AGAINST INCOME TAX.—Subpart A of part IV of subchapter A of chapter 1 (relating to credits allowable) is amended by renumbering section 39 as 40, and by inserting after section 38 the following new section:

68A Stat. 12.

"SEC. 39. CERTAIN USES OF GASOLINE AND LUBRICATING OIL.

"(a) GENERAL RULE.—There shall be allowed as a credit against the tax imposed by this subtitle for the taxable year an amount equal to the sum of the amounts payable to the taxpayer—

"(1) under section 6420 with respect to gasoline used during the taxable year on a farm for farming purposes (determined without regard to section 6420(h)),

Ante, p. 165.

"(2) under section 6421 with respect to gasoline used during the taxable year (A) otherwise than as a fuel in a highway vehicle or (B) in vehicles while engaged in furnishing certain public passenger land transportation service (determined without regard to section 6421(i)), and

Ante, p. 166.

"(3) under section 6424 with respect to lubricating oil used during the taxable year otherwise than in a highway motor vehicle (determined without regard to section 6424(g)).

Ante, p. 138.

"(b) TRANSITIONAL RULES.—For purposes of paragraphs (1) and (2) of subsection (a), a taxpayer's first taxable year beginning after June 30, 1965, shall include the period after June 30, 1965, and before the beginning of such first taxable year. For purposes of paragraph (3) of subsection (a), a taxpayer's first taxable year beginning after December 31, 1965, shall include the period after December 31, 1965, and before the beginning of such first taxable year.

"(c) EXCEPTION.—Credit shall not be allowed under subsection (a) for any amount payable under section 6421 or 6424, if a claim for such amount is timely filed, and under section 6421(i) or 6424(g) is payable, under such section."

(d) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by striking out the item relating to section 39 and inserting in lieu thereof the following:

"Sec. 39. Certain uses of gasoline and lubricating oil.

"Sec. 40. Overpayments of tax."

(2) Section 72(n)(3) (relating to determination of taxable income for certain purposes) is amended by striking out "section 31" and inserting in lieu thereof "sections 31 and 39".

76 Stat. 825.

(3) Section 874(a) (relating to allowance of deduction and credits of nonresident aliens) is amended by inserting before the period at the end thereof "or the credit provided by section 39 for certain uses of gasoline and lubricating oil".

68A Stat. 281.

68A Stat. 767.

(4) (A) Section 6201(a) (relating to assessment authority of the Secretary or his delegate) is amended by adding at the end thereof the following new paragraph:

“(4) **ERRONEOUS CREDIT FOR USE OF GASOLINE.**—If on any return or claim for refund of income taxes under subtitle A there is an overstatement of the credit allowable by section 39 (relating to certain uses of gasoline and lubricating oil), the amount so overstated which is allowed against the tax shown on the return or which is allowed as a credit or refund may be assessed by the Secretary or his delegate in the same manner as in the case of a mathematical error appearing upon the return.”

(B) Section 6213(e) is amended by adding at the end thereof the following new paragraph:

“(3) For assessment as if a mathematical error on the return, in the case of erroneous claims for credits under section 39, see section 6201(a)(4).”

(5) (A) Section 6211(b) (relating to rules for applying the definition of a deficiency) is amended by adding at the end thereof the following new paragraph:

“(4) The tax imposed by subtitle A and the tax shown on the return shall both be determined without regard to the credit under section 39, unless, without regard to such credit, the tax imposed by subtitle A exceeds the excess of the amount specified in subsection (a)(1) over the amount specified in subsection (a)(2).”

Ante, p. 167.

68A Stat. 340.

(B) Section 1314(a)(1)(A) (relating to ascertainment of amount of adjustment) and section 1481(b)(2)(A)(i) (relating to credit against repayment on account of renegotiation or allowance) are amended by striking out “(b)(1) and (3)” and inserting in lieu thereof “(b)(1), (3), and (4)”.

68A Stat. 791.

(6) Section 6401 (relating to amounts treated as overpayments) is amended by striking out subsection (b) and inserting in lieu thereof the following:

“(b) **EXCESSIVE CREDITS UNDER SECTIONS 31 AND 39.**—If the amount allowable as credits under sections 31 (relating to tax withheld on wages) and 39 (relating to certain uses of gasoline and lubricating oil) exceeds the tax imposed by subtitle A (reduced by the credits allowable under subpart A of part IV of subchapter A of chapter 1, other than the credits allowable under sections 31 and 39), the amount of such excess shall be considered an overpayment.”

70 Stat. 399.
23 USC 120 note.

(e) **TRANSFERS FROM HIGHWAY TRUST FUND.**—Section 209(f) of the Highway Revenue Act of 1956 (relating to expenditures from the Highway Trust Fund) is amended by adding at the end thereof the following new paragraph:

“(6) **TRANSFERS FROM THE TRUST FUND FOR INCOME TAX CREDITS ALLOWED FOR CERTAIN USES OF GASOLINE AND LUBRICATING OIL.**—The Secretary of the Treasury shall pay from time to time from the Trust Fund into the general fund of the Treasury amounts equivalent to the credits allowed under section 39 of the Internal Revenue Code of 1954 (relating to credit for certain uses of gasoline and lubricating oil) with respect to gasoline and lubricating oil used before October 1, 1972. Such amounts shall be transferred on the basis of estimates by the Secretary of the Treasury, and proper adjustments shall be made in amounts subsequently transferred to the extent prior estimates were in excess or less than the credits allowed.”

(f) **EFFECTIVE DATES.**—The amendments made by subsections (a) and (b) shall apply with respect to gasoline used on or after July 1, 1965. The amendments made by subsections (c) and (d) shall apply to taxable years beginning on or after July 1, 1965.

SEC. 810. STATUTE OF LIMITATIONS ON ASSESSMENT AND COLLECTION OF EXCISE TAXES.

(a) **RETURN DEEMED FILED.**—Subsection (b) of section 6501 (relating to time return deemed filed) is amended by adding at the end thereof the following new paragraph:

68A Stat. 803.

“(4) **RETURN OF EXCISE TAXES.**—For purposes of this section, the filing of a return for a specified period on which an entry has been made with respect to a tax imposed under a provision of subtitle D (including a return on which an entry has been made showing no liability for such tax for such period) shall constitute the filing of a return of all amounts of such tax which, if properly paid, would be required to be reported on such return for such period.”

(b) **SUBSTANTIAL OMISSION OF TAX ON RETURN.**—

(1) **IN GENERAL.**—Subsection (e) of section 6501 (relating to limitations on assessment and collection where there is an omission from gross income) is amended by adding at the end thereof the following new paragraph:

“(3) **EXCISE TAXES.**—In the case of a return of a tax imposed under a provision of subtitle D, if the return omits an amount of such tax properly includible thereon which exceeds 25 percent of the amount of such tax reported thereon, the tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time within 6 years after the return is filed.”

(2) **CLERICAL AMENDMENT.**—The heading for subsection (e) of section 6501 is amended by striking out “**OMISSION FROM GROSS INCOME**” and inserting in lieu thereof “**SUBSTANTIAL OMISSION OF ITEMS**”.

(c) **EFFECTIVE DATE.**—The amendments made by subsections (a) and (b) shall apply with respect to returns filed on or after July 1, 1965.

SEC. 811. EXCHANGES FOR SALE OF POULTRY.

(a) **EXEMPTION FROM TAX.**—A corporation, association, or organization organized and operated exclusively for the purpose of providing an exchange for the sale of poultry for the poultry growers of a particular locality shall be treated for purposes of the Internal Revenue Code of 1954 as an organization described in section 501(c) (relating to list of exempt organizations) of such Code, if—

68A Stat. 163;
74 Stat. 534.

(1) such corporation, association, or organization has no capital stock and is not organized for profit,

(2) no member of the governing body of such corporation, association, or organization receives any compensation from such corporation, association, or organization,

(3) the net earnings of such corporation, association, or organization (except for reasonable additions to reserves for the operation of such exchange) are devoted exclusively to disseminating information as to the best methods of poultry culture and to other agricultural purposes, and

(4) at all times on and after June 10, 1965, and before the close of its last taxable year beginning before January 1, 1966, all of the net assets of such corporation, association, or organization must, on liquidation for any reason, be transferred to an educational organization which is exempt from tax under section 501(a) of such Code or which is an agency or instrumentality of, or is owned or operated by, a State.

(b) **APPLICATION OF SUBSECTION (a).**—Subsection (a) shall apply to taxable years beginning after December 31, 1953, and ending after August 16, 1954, which begin before January 1, 1966.

SEC. 812. PROHIBITION UPON LEVIES ON MAIL.

68A Stat. 784;
72 Stat. 1047.

(a) **IN GENERAL.**—Section 6334(a) (relating to property exempt from levy) is amended by adding at the end thereof the following new paragraph:

“(5) **UNDELIVERED MAIL.**—Mail, addressed to any person, which has not been delivered to the addressee.”

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

SEC. 813. STATE-CONDUCTED SWEEPSTAKES.

68A Stat. 525.

(a) Section 4402 (relating to exemptions from the tax on wagers) is amended by striking out “and” at the end of paragraph (1), by striking out the period at the end of paragraph (2) and inserting “, or”, and by adding at the end thereof the following new paragraph:

“(3) **STATE-CONDUCTED SWEEPSTAKES.**—On any wager placed in a sweepstakes, wagering pool, or lottery—

“(A) which is conducted by an agency of a State acting under authority of State law, and

“(B) the ultimate winners in which are determined by the results of a horse race,

but only if such wager is placed with the State agency conducting such sweepstakes, wagering pool, or lottery, or with its authorized employees or agents.”

(b) The amendment made by subsection (a) shall apply with respect to wagers placed after March 10, 1964.

Approved June 21, 1965, 4:25 p.m.

Public Law 89-45

AN ACT

June 22, 1965
[H. R. 1782]

To amend the Retired Federal Employees Health Benefits Act with respect to Government contribution for expenses incurred in the administration of such Act.

Retired Federal
Employees Health
Benefits Act,
amendment.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That sections 4(b) and 6(c) of the Retired Federal Employees Health Benefits Act (74 Stat. 850 and 851; 5 U.S.C. 3053(b) and 3055(c)) are hereby repealed.

SEC. 2. Section 8(a) of such Act (74 Stat. 851; 5 U.S.C. 3057(a)) is amended by adding at the end thereof the following sentence: “In addition, the Government shall contribute annually and there shall be deposited in the Fund amounts for payment of expenses incurred by the Commission in administering this Act.”

SEC. 3. Section 8(b) of such Act (74 Stat. 851; 5 U.S.C. 3057(b)) is amended to read as follows:

“(b) The Fund shall be available without fiscal year limitation for all payments on account of the health benefits plan negotiated under section 3 of this Act, for payment of the Government’s contribution provided for by section 6(a) of this Act to agencies of the Government which administer a retirement system for civilian employees of the Government, and for payment of expenses, within such limitations as may be specified annually in appropriation acts, incurred by the Commission in administering this Act.”

5 USC 3052.

Approved June 22, 1965.