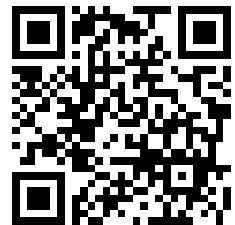

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SUMMARY OF TESTIMONY ON EXTENSION
OF EXCISE TAXES ON AUTOMOBILES
AND COMMUNICATIONS SERVICES

AT

PUBLIC HEARINGS, SEPTEMBER 9 TO SEPTEMBER 17, 1970

HELD BY THE

COMMITTEE ON WAYS AND MEANS

PREPARED BY THE STAFF

OF THE

JOINT COMMITTEE ON INTERNAL
REVENUE TAXATION



SEPTEMBER 28, 1970

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SUMMARY OF TESTIMONY ON EXTENSION OF EXCISE TAXES ON AUTOMOBILES AND COMMUNICATIONS SERVICES

To provide additional revenues for fiscal years 1971 and 1972, the administration has requested the postponement of the present law rate reduction schedule for one year for the excise taxes on automobiles and communication services. It is estimated that the proposed delay in the rate reduction schedules will provide additional revenues of \$650 million for fiscal year 1971 and \$1,250 million for fiscal year 1972.

The present law rate schedule and the administration's proposed 1-year delay in the rate schedule for the excise tax on passenger automobiles and communications services are as follows:

TAX RATE SCHEDULE (PERCENT)

Calendar year	Automobiles		Communications	
	Existing ¹	Proposed ²	Existing ¹	Proposed ²
1971.....	5	7	5	10
1972.....	3	5	3	5
1973.....	1	3	1	3
1974.....		1		1
1975.....				

¹ Repealed effective Jan. 1, 1974.

² Repeal delayed until Jan. 1, 1975.

In a press release dated August 12, 1970 (No. 26), announcing hearings on administration proposals to raise additional revenue, the Committee on Ways and Means invited testimony on the proposed postponement of scheduled reductions. Summarized below are the comments of the witnesses made on September 9, 1970, and subsequently, as well as in written statements submitted.

(a) Comments of witnesses favoring the Treasury proposal

There were no witnesses other than the Treasury addressing testimony to the committee in favor of the Treasury proposal.

(b) Comments of witnesses opposing the Treasury proposal

American Federation of Labor and Congress of Industrial Organizations, Andrew J. Biemiller, Director, Department of Legislation (Sept. 14): Considers these excise taxes discriminatory and states that taxpayers have the right to know exactly when these taxes will be reduced or will expire. Maintains that these taxes should not be made a permanent part of the tax structure. Recommends that if presently scheduled rate reductions cannot be adhered to, then adopt a different schedule so that these taxes can be eliminated completely.

American Telephone & Telegraph Company, Robert N. Flint, Assistant Treasurer (Sept. 14): Argues that the telephone tax is undesirable and discriminatory, and that it should be eliminated over

some reasonable period of time, rather than continually postponing a scheduled elimination. Suggests a rate reduction schedule of 1 percentage point per year until repealed in 10 years. Notes that a more gradual rate reduction over a longer period of time would prevent excessive revenue loss in any one year.

United States Independent Telephone Association, Hugh Wilbourn, Jr., Chairman, Committee on Legislation (Sept. 14): Contends that the tax on local telephone service is second only to the tax on tobacco as the most regressive Federal excise. States that it would be desirable, if nothing else could be done, to eliminate the excise on local telephone service (and specifically residential local service).

Maintains that the excise tax on international telephone calls is contrary to the policy of the International Telecommunications Convention. Indicates that it costs more, because of the U.S. tax, to make calls from the U.S. to Canada (where they are billed in the United States) than from Canada to the United States (where they are billed in Canada).

Recommends a definite and complete elimination of the excise tax on communications services over some reasonable period of time, such as 10 years or any other acceptable period of time.

Chrysler Corporation, Brian T. O'Keefe, Director, Government Liaison (Sept. 14): Contends that the wartime emergency revenue needs of the 1966, 1968, and 1969 postponements of the scheduled rate reductions on automobiles no longer exists. Maintains that the scheduled rate reduction on January 1, 1971, from 7 percent to 5 percent would benefit purchasers by offsetting price increases due to Government-imposed vehicle standards, and it would also stimulate the depressed economy through increased car sales.

National Automobile Dealers Association, Frank E. McCarthy, Executive Vice President (Sept. 14): Regards the excise tax on automobiles to be inequitable and discriminatory, and points out that previous congressional intent has been stated to gradually phase out the tax. Maintains that the tax is not a tax on a luxury item, but on an item of necessity. Contends that war-related needs no longer justify further postponement of the scheduled rate reductions and repeal.

American Automobile Association, George F. Kachlein, Jr., Executive Vice President (written statement): States that the history of the automobile excise tax since 1955 represents a line of broken promises through continual postponement of scheduled reductions in tax rates. Argues that the tax is an unjust tax on an item of necessity for commuting workers and those using cars for local shopping trips.

on communications services over some reasonable period of time, such

Automobile Manufacturers Association, Thomas Mann, President (written statement): Maintains that with war and inflationary emergencies past, the excise tax on automobiles is a source of undesirable discrimination. Contends that the tax is regressive on the many purchasers of cars which are necessities.

(c) *Comments of other witnesses relating to excise taxes on automobiles and communications services*

Recreational Vehicle Institute, David J. Humphreys, Washington Counsel (Sept. 14): Recommends that section 4063(a) of the Code be amended to specifically exclude from tax articles and parts designed to be placed or mounted on an automobile, truck, or trailer chassis or

body that is to be used for "recreational purposes." States that the Internal Revenue Service interpretation discriminates against certain recreational vehicle covers attached to the back of pick-up trucks by taxing them while other recreational-type living quarter equipment mounted on vehicles are exempted.

Community Group Health Foundation, Inc., William J. Lehrfeld and Thomas Siegel (Sept. 14): Indicates that the Internal Revenue Service has ruled that this "out-patient clinic" qualifies as a "non-profit hospital" for income tax purposes but not for Federal excise tax purposes. States that this interpretation prevents their hospital from benefiting from the exemption from the communications excise tax for nonprofit hospitals (sec. 4253(h)). Requests that this situation be resolved.

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