The original documents are located in Box 11, folder "1974/10/26 HR6642 Temporary Suspension of Duty on Bicycle Parts and Accessories" of the White House Records Office: Legislation Case Files at the Gerald R. Ford Presidential Library.

THE WHITE HOUSE

WASHINGTON

ACTION

Last Day - October 29

October 25, 1974

MEMORANDUM FOR: THE PRESIDENT

FROM: KEN COLE

SUBJECT: Enrolled Bill H.R. 6642
Temporary Suspension of
Duty on Bicycle Parts
and Accessories

Attached for your consideration is House bill, H.R. 6642, sponsored by Representative Fulton, which extends the existing suspension of duties on imports of bicycle parts to December 31, 1976; includes four tax riders relating to moving expenses for military personnel, filled cheese, private foundation assets, and wines; and provides for a study of social security-income tax reporting requirements.

Roy Ash recommends approval and provides you with additional background information in his enrolled bill report (Tab A).

The Counsel's office (Chapman), the NSC, and Bill Timmons all recommend approval.

RECOMMENDATION

That you sign House bill, H.R. 6642 (Tab B).

APPROVED
OCT 26 1974

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OCT 23 1974

Posted 10/28
To Archives 10/29

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 6642 - Temporary Suspension of Duty on Bicycle Parts and Accessories
Sponsor - Rep. Fulton (D) Tenn.

Last Day for Action

October 29, 1974 - Tuesday

Purpose

Extends the existing suspension of duties on imports of bicycle parts to December 31, 1976; includes four tax riders relating to moving expenses for military personnel, filled cheese, private foundation assets, and wines; and provides for a study of social security-income tax reporting requirements.

Agency Recommendations

Office of Management and Budget	Approval
Department of the Treasury	Approval
Department of Defense	Approval
Department of Transportation	Approval
Department of Health, Education, and Welfare	Approval
Department of State	No objection
Department of Commerce	No objection
Department of Labor	No objection (informal)
Office of the Special Representative for Trade Negotiations	No objection to Section 1; defers to Treasury on tax provisions
Department of Agriculture	Defers to Commerce

Discussion

H.R. 6642 would continue to December 31, 1976 the suspension of duties on certain bicycle parts, which terminated as of

December 31, 1973. The bill also includes four amendments to the Internal Revenue Code and provides for a joint HEW-Treasury study of wage reporting requirements. The six provisions of the bill are discussed below.

Bicycle Parts. H.R. 6642 would continue until December 31, 1976 the suspension of duties on certain bicycle parts, including generators, derailleurs and caliper brakes, which terminated on December 31, 1973. The duty suspensions on these parts were first enacted in 1971 in order to improve the ability of domestic producers of bicycles to compete with foreign manufacturers. The bicycle parts covered by the bill are not generally available from domestic sources and are normally subject to rates of duty ranging from 15 to 19 percent. The suspension would apply retroactively to December 31, 1973, so that articles which entered between that date and the date of enactment of H.R. 6642 would not be subject to any duty.

Enactment of H.R. 6642 would continue to benefit U.S. bicycle manufacturers without detriment to other U.S. interests. As before, the duty suspension would apply only to imports from countries granted most-favored-nation tariff treatment.

Reimbursement for moving expenses of uniformed services members. Section 2 would authorize the Secretary of the Treasury to enter into agreements with the Secretaries of Defense and Transportation extending until January 1, 1976 a previous IRS moratorium on the application of moving expense tax provisions to armed services personnel.

The most recent extension of the moratorium is due to expire at the end of the present Congress, and Section 2 of H.R. 6642 would allow additional time for the Congress to consider a draft bill submitted by the Defense Department to resolve problems in this area which have arisen under the Tax Reform Act of 1969.

Repeal of Filled Cheese Act. Section 3 would implement an Administration proposal to repeal the excise tax and other regulatory tax provisions on filled cheese. These provisions were originally enacted in 1896 to insure purity and inhibit the sale of factory-prepared foods in competition with natural foods. They are now regarded as obsolete, since the regulatory function of enforcing the wholesomeness and purity of food falls within the jurisdiction of the Food and Drug Administration. In addition,

use of the law to restrict the sale of manufactured cheese products is no longer considered appropriate. The revenue loss would be minimal ($10,000 revenue in 1973).

Tax on failure to distribute income. Section 4 would amend the Internal Revenue Code provision (section 4942) regarding tax on failure to distribute income, as applied to the Herndon Foundation's stock holdings in the Atlanta Life Insurance Company. The latter is the country's only black-controlled life insurance company.

In order to prevent a shift to white control of the Company, the Tax Reform Act of 1969 provided a special exception from the excess business holdings provisions of the Code to permit the Herndon Foundation to retain 51 percent of the Company's stock. Section 4942, however, frustrates this congressional intent by requiring a private foundation to make annual charitable distributions of its adjusted net income or a percentage of its investment assets, whichever is greater. The effect of this requirement would be to make it impossible for Herndon to retain a 51 percent controlling interest in the company.

Section 4 of H.R. 6642 would amend the minimum distribution provisions so that the Foundation would not be forced, in order to make the required distributions, to sell stock that the Congress intended it to be able to retain.

The Treasury Department indicated no objection to substantially identical legislation (H.R. 10169) in a report to the House Ways and Means Committee, stating that enactment would result in no revenue gain or loss.

Study of annual wage reporting system. Section 5 would require Treasury and HEW to submit to Congress no later than December 31, 1974 a joint report on the desirability and feasibility of reporting wages on an annual basis instead of on the present quarterly basis. Under existing Treasury regulations, employers are required to submit quarterly reports of the wages paid to their employees which are subject to social security taxes. Employers are also required to prepare the W-2 form which is used to report an employee's annual earnings for income tax purposes.

The substitution of a single combined annual report of wages for social security and income tax purposes has been under study for several years. Treasury strongly supports

the proposal on the grounds that it would reduce a heavy paper work burden on employers, particularly small businessmen. HEW supports the objective of combined annual reporting, but has identified a number of administrative problems in the implementation of such a proposal. HEW also believes that reporting wages only once a year could, to a limited degree, affect the social security benefits received by some beneficiaries. HEW, accordingly, urged the Congress not to implement the proposal pending completion of a joint HEW-Treasury study of the problem initiated in the Spring of 1973. Both Treasury and HEW favor enactment of Section 5.

Section 6 - Imposition and rate of tax on still wines. This provision would increase the amount of carbon dioxide permitted in still wine from 0.277 to 0.392 gram per hundred milliliters of wine. This increase is intended to extend the shelf life of wines with low alcoholic content by permitting the addition of slightly more carbon dioxide.

Treasury indicated no objection to similar legislation (H.R. 3945) in a report to the House Ways and Means Committee, stating that its revenue effect would be minimal.

Wilfred H Rommel

Assistant Director for
Legislative Reference

Enclosure

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

October 21, 1974

Honorable Roy L. Ash
Director
Office of Management and Budget

Dear Mr. Ash:

In reply to your request of October 17, the following report is submitted on the enrolled enactment of H.R. 6642, a bill "To suspend the duties on certain bicycle parts and accessories until the close of December 31, 1976, and for other purposes."

This Department defers to the judgment of the Department of Commerce regarding this enrolled bill since that Department has primary responsibility on this matter.

This bill would amend items 912.05 and 912.10 in the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) by striking out "12/31/73" as the terminal date of the tariff suspension period for these items and inserting in lieu thereof "12/31/76."

This bill would continue to provide temporary duty free entry into the United States under Column I of the T.S.U.S. for generator lights under item 912.05. This bicycle part would otherwise be dutiable at 19 percent under item 653.39. The bill also provides that the 15 percent tariff under item 732.36 continue to be temporarily suspended for derailleurs, caliper brakes, drum brakes, three-speed hubs incorporating and not incorporating coaster brakes, click twist grips, click stick levers, and multiple free wheel sprockets used as bicycle parts under item 912.10.

Sincerely,

J. Phil Campbell

J. Phil Campbell
Under Secretary

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

October 25, 1974

Honorable Roy L. Ash
Director
Office of Management and Budget
Washington, D. C.

Dear Mr. Ash:

This is to supplement our report of October 21, 1974, on the enrolled enactment of H.R. 6642, a bill to suspend the duties of certain bicycle parts and accessories until December 31, 1976. Our previous report inadvertently omitted any comments relative to the repeal of regulatory taxes on filled cheese. These provisions of the bill would repeal all regulatory provisions affecting filled cheese including: definition of filled cheese; false branding, sale, packing or stamping in violation of law; failure to pay special tax; property subject to forfeiture; and appropriate cross-references and tables of parts in chapters 39 and 75 of the Internal Revenue Code of 1954.

The Department has no objection to the President's approval of H.R. 6642 provided appropriate provisions for developing standards of identity and labeling of filled cheese are promulgated under Title 21 of the Code of Federal Regulations, Food and Drug Administration, Department of Health, Education, and Welfare.

This restates our earlier position of November 1970 concerning recommendations made by the White House Conference on Food and Nutrition for repeal of the Filled Cheese Act, and our report to the Chairman of the House Ways and Means Committee, dated October 1, 1973, on the bill H.R. 8676, a bill to repeal the filled cheese regulatory provisions of the Internal Revenue Code. Our response, in both instances, stated that the Filled Cheese Act could be repealed if adequate standards of identity and minimum standards of quality were developed and adequate safeguards provided with respect to the labeling and identification of these products to prevent consumer deception.

Sincerely,

J. Phil Campbell
Acting Secretary

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

OCT 25 1974

Honorable Roy Ash
Director, Office of Management
and Budget
Executive Office of the President
Washington, D. C. 20503

Dear Mr. Ash:

This is in response to the request of your Office for our views on the enrolled enactment of H.R. 6642, "To suspend the duties on certain bicycle parts and accessories until the close of December 31, 1976, and for other purposes." This Department would have no objection to the President's approval of this measure from the standpoint of its provisions relating to the suspension of duties referred to above.

The Department defers to the Department of the Treasury regarding views on section 2 of the enrolled enactment concerning application of section 82 and section 217 of the Internal Revenue Code of 1954 to members of uniformed services; section 3 concerning repeal of regulatory taxes on filled cheese; section 4 concerning application of section 4942 relating to a tax on failure to distribute income, and section 6 concerning imposition and rate of tax on still wines. We also defer to the views of the Department of Health, Education, and Welfare and the Department of the Treasury concerning section 5 of the bill regarding a study of combined annual reporting for social security and income tax purposes.

Sincerely,

Peter J. Brennan

Secretary of Labor

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

OCT 18 1974

Dear Sir:

This is in response to your request for the views of the Treasury Department on the enrolled bill H. R. 6642.

Section one of the enrolled bill would extend for three years, that is until December 31, 1976, the suspension of duty on certain bicycle parts, presently provided for in items 912.05 and 912.10 of Subpart B of Part 1 of the Appendix to the Tariff Schedules. The Department anticipates no unusual administrative difficulties under this provision and has no objection to it.

Section two would authorize the Secretary of the Treasury to enter into agreements with the Secretaries of Defense and Transportation that would, in effect, extend a prior administrative moratorium on the application to members of the armed services of the moving expense provisions of the Tax Reform Act of 1969. The Department of Defense has submitted proposed legislation to resolve problems that have arisen under the 1969 Act amendments, and the Treasury Department supports continuation of the administrative moratorium pending legislative consideration of the proposed legislation.

Section three would repeal regulatory taxes on filled cheese. Originally enacted in 1896, these taxes were intended to ensure purity and to inhibit the sale of factory-prepared foods in competition with natural foods. The taxes themselves are relatively low and have generated little revenue; the more important provisions have been the accompanying packaging and labeling requirements. At present, the regulatory function of enforcing wholesomeness and purity of food is within the jurisdiction of the Food and Drug Administration, and the Treasury Department supports the repeal of these obsolete tax provisions.

Section four would amend section 4942 of the Internal Revenue Code (respecting tax on failure to distribute income) as applied to the Herndon Foundation's holdings of stock in Atlanta Life Insurance Company ("Atlanta"), the country's only black-controlled life insurance company. So that the new private foundation would not force a shift in control of Atlanta from the black to the white community, the Tax Reform Act of 1969 provided a special exception from the excess business holdings provisions to permit the Herndon Foundation to retain up to 51 percent of the stock of Atlanta. This provision amends the minimum distribution provisions so that the foundation will not be forced, in order to make the required distributions, to sell stock that Congress intended it could keep. Our report of January 21, 1974 (copy enclosed), on H. R. 10169, a substantially identical provision, indicated that we had no objection to such an amendment.

Section five would require the Departments of the Treasury and Health, Education and Welfare to submit to Congress, no later than December 31, 1974, a joint report on their study of the desirability and feasibility of instituting a system of combined social security-income tax reporting on an annual basis. The Treasury Department strongly supports the institution of combined social security-income tax reporting on an annual basis and believes that ideally such a system would provide for annual reporting of annual wages (rather than annual reporting of quarterly wages as has sometimes been suggested). While the feasibility of combined wage reporting must be determined in part with reference to potential increased social security coverage costs and any administrative burden a change in reporting would cause for the Department of Health, Education and Welfare, we would urge that resolution of this issue be made an Administration priority as a matter of government-wide concern and that, in its resolution, due regard should be given to potential cost savings for small and large business from more simplified reporting requirements. In any event, we understand that the completion of the required report by December 31, 1974, will not create any undue difficulties for either Department.

Section six would increase the amount of carbon dioxide permitted in still wine to 0.392 gram per hundred milliliters of wine. This provision is substantially the same as H. R. 3945, on which we filed a no objection report on April 2, 1974 (copy enclosed), except that section six contains the delayed effective date we requested in our report on H. R. 3945.

Accordingly, we would recommend that the President approve this legislation.

Sincerely yours,

Frederic W. Hickman
Assistant Secretary

Director, Office of Management and Budget
Attention: Assistant Director for
Legislative Reference, Legislative
Reference Division
Washington, D. C. 20503

Enclosures

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

JAN 21 1974

Dear Mr. Chairman

This is in response to your request for the views of the Treasury Department on H.R. 10169, "A BILL To amend section 101(1)(3) of the Tax Reform Act of 1969 in respect to the application of section 4942(d) of the Internal Revenue Code of 1954 to private foundations subject to section 101(1)(4) of the Tax Reform Act of 1969."

One of the basic goals underlying the Tax Reform Act of 1969 was to eliminate the use of private foundations to maintain control of business enterprises. Foundation control of business interests had produced a number of undesirable results. Competing businesses owned and operated by taxable entities were placed at a competitive disadvantage; benefits to charity were deferred through the accumulation of funds in controlled businesses; and foundation managers became primarily concerned with business affairs rather than with the charitable objectives of their foundations. Section 4943 was added to the Internal Revenue Code by Congress in 1969 to limit the involvement of private foundations in business enterprises by requiring divestiture of business holdings down to certain prescribed percentages.

Another basic, and closely related, goal underlying the provisions of the Tax Reform Act of 1969 was to produce a guaranteed, current payout by private foundations for charitable purposes. Under the law prior to the Tax Reform Act, if a foundation invested in assets that produced no current income, the foundation did not have to make any distributions for charitable purposes. Section 4942(d) was added to the Code by Congress in 1969 to produce such charitable distributions and to prevent avoidance of the income distribution requirement by foundations which invested in closely held or growth stock, in non-productive real estate, or in other low yield investments. Thus, section 4942(d) requires a foundation to make current charitable distributions of the greater of its adjusted net income or a percentage of its investment assets.

In formulating the provisions of the 1969 Act governing the divestiture of excess business holdings, Congress considered the unique circumstances of the Herndon Foundation, Inc. of Atlanta, Georgia. The Foundation was chartered on November 22, 1950 and received its exemption letter on December 18, 1952. The only asset of the

Foundation, other than a nominal amount of cash, is stock in Atlanta Life Insurance Company. On December 31, 1968 the Foundation held 12,447 shares, or 20.7% of the total shares of the Company outstanding. The creator of the Foundaton, Norris B. Herndon, owned 42,707 shares representing 71.2%. Under the terms of Mr. Herndon's will, and a revocable trust established by him, all of his stock will go to the Foundation on his death. Mr. Herndon has no close relatives.

Atlanta Life Insurance Company is a unique example of black capitalism, founded in 1905 by a former slave, Alonzo F. Herndon. Atlanta Life stock has always been closely held. There is no present market for this stock, and there does not exist in the black community sufficient financial strength to purchase the stock of the company and maintain it as a going business. If a sale of the stock or a merger had been necessary to comply with the private foundation provisions of the Tax Reform Act of 1969, control of the Company would very likely have passed to the white community. Substantial benefits in the form of jobs for black people and financial services in the black community would have been lost. Such a result would have been anomalous at a time when major efforts were being made to encourage the ownership and operation of black business enterprises.

When faced with the above circumstances in 1969, Congress chose to enact special legislation (section 101(l)(4) of the Tax Reform Act of 1969) specifically designed to ease the excess business holdings divestiture requirements of section 4943 of the Code so that the Herndon Foundation could permanently retain majority control over Atlanta Life Insurance Company.

Section 101(l)(4) of the Tax Reform Act of 1969 permits the Foundation to retain, without the imposition of the taxes imposed by section 4943 of the Code, 51% of the voting stock of the Company. The manifest purpose of this savings provision was to prevent Herndon from being required to dispose of its controlling interest in the Company which it would otherwise have had to sell to comply with the Act's limitations on the permitted holdings of interests in business enterprises.

It is now apparent that, absent further relief, this Congressional purpose will be frustrated by the application of section 4942(d) of the Code. This provision requires a private foundation to make annual charitable distributions of the greater of its adjusted net income or

a percentage of its investment assets (known as the minimum investment return). Since the Company's stock normally can be expected to produce a current yield (approximately 1.3%) substantially lower than its minimum investment return, the Foundation would be required to divest itself of such stock to fund its payout under section 4942(d). The application of section 4942(d) in this case would ultimately frustrate the purpose of section 101(1)(4) by making it impossible for the intended 51% controlling interest to be retained.

In order to effectuate fully the relief intended by Congress in enacting this savings provision in 1969, H.R. 10169 provides that, in applying section 4942(d) of the Code to a foundation described in section 101(1)(4)(A) (i.e., the Herndon Foundation), the minimum investment return (computed under section 4942(e)) and the adjusted net income (computed under section 4942(f)) shall be determined without regard to the foundation's stock holdings described in section 101(1)(4)(A)(ii) of the Reform Act (i.e., the Atlanta Life stock), but the income derived from such stock holdings shall be added to the annual amount that the foundation must pay out to public charity.

Although the Treasury Department objects to the principle of H.R. 10169 insofar as it represents an exception to the distribution requirements of section 4942, we also recognize the unique circumstances that motivated the Congressional decision to give special treatment to the Herndon Foundation to prevent a black controlled business from passing to the white community, and we appreciate that H.R. 10169 may be a necessary complement to section 101(1)(4) to ensure this objective.

Thus, we are not opposed to H.R. 10169 in light of the special background and purpose of section 101(1)(4) and the unique circumstances of this case which were recognized and endorsed by Congress in 1969. We remain opposed, however, to any erosion of the minimum distribution requirements which we proposed in 1969. Accordingly, our position on H.R. 10169 does not constitute an endorsement of the principle of the bill, but rather a confirmation of the Congressional recognition of the special circumstances of this case.

If enacted, H.R. 10169 would result in no estimated revenue gain or loss.

The Office of Management and Budget has advised the Treasury Department that there is no objection from the standpoint of the Administration's program to the presentation of this report.

Sincerely yours,

s/ Frederic W. Hickman

Frederic W. Hickman
Assistant Secretary

The Honorable
Wilbur D. Mills, Chairman
Committee on Ways and Means
House of Representatives
Washington, D.C. 20515

APR 2 1974

Dear Mr. Chairman:

This is in response to your request for the views of this Department on H. R. 3945 introduced by Mr. Corman. H. R. 3945 would increase the amount of carbon dioxide permitted in still wine to 0.392 gram per hundred milliliters of wine.

Currently, wines are divided into two categories for tax purposes: still wines, and champagne and other sparkling wines. The rates on still wines are: 17 cents a gallon if containing not more than 14 percent of alcohol by volume; 67 cents a gallon if containing more than 14 percent and not more than 21 percent of alcohol by volume; and $2.25 a gallon if containing more than 21 percent and not more than 24 percent of alcohol by volume. Champagnes and other sparkling wines are taxed at $3.40 a gallon if naturally carbonated and $2.40 per gallon if artificially carbonated.

Prior to the Excise Tax Technical Changes Act of 1958, the law and regulations regarding still wines provided no tolerance as to carbon dioxide content. This resulted in compliance and administrative difficulties because a certain amount of carbonation is a normal consequence of the fermentation process by which wine is produced. Furthermore, the addition to, or retention in, still wine of small quantities of carbon dioxide improves its character and flavor.

The aforementioned 1958 legislation provided that still wines could contain not more than 0.256 gram of carbon dioxide per hundred milliliters of wine. The tolerance level for carbon dioxide was accepted with the understanding that it did not include effervescent wine. (House Report No. 481, 85th Cong., 1st. Sess., p. 111.) As a matter of fact, the 0.256 gram level definitely achieved this objective because the first 0.196 gram of carbon dioxide dissolves in the wine without a pressure increase and is quite slowly released when the wine is poured.

The permissible carbon dioxide content of still wine was increased to 0.277 gram per hundred milliliters of wine by the Excise Tax Reduction Act of 1965. The change was supported by the argument "that the present definition is too restrictive to serve adequately the purpose intended." (Sen. Report No. 324, 89th Cong., 1st. Sess., p. 52.

What the statement meant was that the degree of carbonation then permitted was so low that there were technical difficulties in determining when the limit was reached.

The professed objective of the proposed increase is to improve the shelf life of wines of low alcoholic content, say below 10 percent of alcohol by volume. Still wines today generally do not contain less then 11-12 percent of alcohol by volume, but certain producers are working to expand the market for wines by producing wines with less than 10 percent of alcohol by volume. However, as the alcoholic content of a wine decreases, it tends to deteriorate more quickly because there is less alcohol to act as a preservative. If low alcohol content still wines were produced with a greater volume of carbon dioxide than now permitted, this would help preserve the color and flavor by displacing some of the oxygen which reacts with the bacteria in the product. Certain chemical additives provide an alternative to increased carbon dioxide for stabilizing wine.

Wine containing carbon dioxide at a level of 0.392 gram per hundred milliliters would have some appearance of effervescence, i.e., there would be a very modest amount of bubbles released during the period the product was in the consumer's glass. But the effervescence would in no manner be comparable to that of champagne or similar wines which customarily have a carbon dioxide content of 0.980 - 1.176 grams per hundred milliliters. Consequently, we do not feel that wines carbonated to the 0.392 gram level would be purchased in lieu of champagne, or sparkling wines with a similar level of carbonation. In addition, it should be noted that labeling and packaging of still wine to misrepresent it as an effervescent wine is prohibited by regulations (27 CFR Part 4) implementing the Federal Alcohol Administration Act and by section 5662 of the Internal Revenue Code.

There is a small amount of carbonated and sparkling wine marketed which has a level of carbonation not greatly in excess of the 0.392 gram level, e.g., some imported hard ciders, which could be affected by liberalizing the carbon dioxide content of still wine. It might be possible for producers to reformulate some of these products to come within the 0.392 gram limit, or some consumers thereof might transfer their purchases to still wines produced in accordance with the liberalized carbon dioxide level proposed by H. R. 3945. These moderately carbonated wines enjoy an extremely limited market, however, and the revenue from them is not significant.

Since practically all the revenue from carbonated and sparkling wines comes from champagne and wines with a similar high level of carbonation and we do not believe champagne sales would be affected by the proposed liberalization of the carbon dioxide content of still wines, the revenue effect of H. R. 3945 should be minimal.

In view of the above considerations the Treasury Department has no objection to the enactment of H. R. 3945. This is the same positio we took in our report to your Committee on April 17, 1972, on H. R. 971 92nd Congress, which proposed the same increase in the permissible level of carbon dioxide in still wine. As a matter of administrative convenience we would prefer, however, that the effective date be changed from the first day of the first calendar month which begins more than 10 days after enactment to the beginning of the month which begins more than 90 days after enactment.

The Office of Management and Budget has advised the Treasury Department that there is no objection from the standpoint of the Administration's program to the presentation of this report.

Sincerely yours,

s/ Frederic W. Hickman

Frederic W. Hickman
Assistant Secretary

The Honorable
Wilbur D. Mills
Chairman, Committee on Ways and Means
House of Representatives
Washington, D. C. 20515

GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
WASHINGTON, D. C. 20301

October 21, 1974

Honorable Roy L. Ash
Director, Office of Management
and Budget
Washington, D. C. 20503

Dear Mr. Ash:

Reference is made to your request for the views of the Department of Defense with respect to the enrolled enactment of H. R. 6642, an Act "To suspend the duties on certain bicycle parts and accessories until the close of December 31, 1976, and for other purposes."

The Department of Defense defers to other proponent Government agencies with regard to the merits of Sections 1, 3, 4, 5 and 6.

The Department of Defense strongly supports Section 2 which will authorize the Secretary of the Treasury to enter into agreement with the Secretary of Defense and the Secretary of Transportation, with respect to the Coast Guard, under which the Secretary concerned will not be required to withhold tax on, or to report, moving expense reimbursements made to members of the armed forces. This section will also authorize the Secretary of the Treasury to permit members of the armed forces not to include in adjusted gross income the amount of any reimbursement in kind of moving expenses and to permit such taxpayer to deduct from gross income any amount paid by him as moving expenses, in connection with a required move, in excess of reimbursement received for such expenses, to the extent otherwise deductible by law. The provisions of this section will apply to taxable years ending before January 1, 1976.

In effect, Section 2 will approve continuation of a moratorium on the moving expense reporting requirement, which was initially granted for a two year period in 1970 by the Internal Revenue Service in order to permit time for the Department of Defense to seek permanent legislative relief. The moratorium has periodically been extended since, with the current extension ending with the present session of Congress. It was

noted by the Internal Revenue Service that this would be the last extension granted, short of legislative relief.

The Department of Defense has consistently sought legislative relief from the moving expense reporting requirement due to its costs and because of its inequity as applied to members of the military. In order to establish and maintain the necessary reporting systems, it would cost the services approximately $1.8 million in fixed costs and about $6.2 million in annual operating costs. These would not be offset to any significant degree by increased tax revenue because moving expense reimbursements included in gross income would be offset, in the great majority of instances, by comparable deductions. Further, imposition of the moving expense reporting requirement would allow full application of the so called "39 week" and "50 mile" tax rules, which as applied to the military are extremely unfair in that such members are required to make frequent moves at the convenience of the Government.

The Department of Defense will continue to seek permanent legislative relief from the military moving expense reporting requirement and other objectionable provisions of tax law. H.R. 6642 will provide temporary relief, particularly in regard to the reporting requirement, and the Department of Defense strongly recommends its approval by the President.

Sincerely,

for Martin R. Hoffmann

OFFICE OF THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

OCT 18 1974

Honorable Roy L. Ash
Director
Office of Management and Budget
Washington, D. C. 20503

Dear Mr. Ash:

Reference is made to your request for the views of the Department of Transportation concerning H.R. 6642, an enrolled bill

> "To suspend the duties on certain bicycle parts and accessories until the close of December 31, 1976, and for other purposes."

Only Section 2 of the enrolled bill directly impacts on this Department. That section authorizes the Secretary of the Treasury to enter into agreements with the Secretary of Defense and the Secretary of Transportation under which they will not be required to withhold a tax on moving expense reimbursements made by them to members of the armed forces. The Secretary of the Treasury could also authorize a member of the armed forces not to include in adjusted gross income the cash value of moving expenses paid by the armed forces. Finally, the Secretary of the Treasury could authorize a member of the armed forces to deduct any amount of moving expenses paid by him incident to an authorized change of station. The provisions of section 2 will apply to those tax years ending before January 1, 1976.

The Department of Transportation supports the enactment of H.R. 6642. The authorization to exempt until January 1, 1976, members of the armed forces from the application of the Internal Revenue Service moving expense rules adopted in the Tax Reform Act of 1969, will directly benefit the Coast Guard and its military members. Additionally, it will allow the armed forces sufficient time to seek a permanent legislative solution to the problem of the moving expense provisions of the Internal Revenue Code in regard to military transfers.

From the standpoint of our interest in the enrolled bill, the Department recommends that the President sign H.R. 6642.

Sincerely,

Rodney E. Eyster

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Honorable Roy L. Ash
Director, Office of Management
and Budget
Washington, D. C. 20503

OCT 22 1974

Dear Mr. Ash:

This is in response to Mr. Rommel's request of October 17, 1974, for a report on H.R. 6642, an enrolled bill "To suspend the duties on certain bicycle parts and accessories until the close of December 31, 1976, and for other purposes."

Only sections 3 and 5 of the bill are of concern to this Department. Section 3 would repeal provisions of the Internal Revenue Code that impose taxes and related requirements regulating the manufacture and sale of filled cheese, a substance made of milk and vegetable oils or other compounds. First enacted in 1896, the "Filled Cheese Act," as it came to be known, was one of a number of measures intended to ensure the purity and inhibit the sale of a variety of manufactured foods that were then coming into competition with natural foods. Since the enactment of the Food, Drug, and Cosmetic Act, the regulation of the purity of food has become the responsibility of this Department. The Filled Cheese Act is therefore no longer needed as part of the Internal Revenue Code to ensure the product's wholesomeness.

Moreover, it seems no longer appropriate to inhibit the competition of factory-prepared foods with natural foods. Filled cheese is inexpensive and nutritious. Accordingly, repeal of the Act was endorsed by the 1969 White House Conference on Food, Nutrition, and Health and was proposed to the Congress by the Department on February 8, 1974. We

endorsed section 3 of the bill, as added by the Senate, in the Department's letter of August 30, 1974, to the House Committee on Ways and Means, and the Department supports its enactment.

Section 5 of the bill would direct the Secretary of the Treasury and the Secretary of Health, Education, and Welfare to submit to the House Committee on Ways and Means and the Senate Committee on Finance, by December 31, 1974, a joint report on the desirability and feasibility of instituting a system of combined social security-income tax reporting on an annual basis. The Department supports the objective of combined annual reporting and has, for some time, been working with the Treasury Department to develop a proposal which will meet that objective. The results of that work will be available in the near future. We therefore support section 5 of the bill.

The Department therefore supports enactment of H.R. 6642, subject to consideration of the views of affected agencies on the other provisions of the bill.

Sincerely,

Secretary

DEPARTMENT OF STATE

Washington, D.C. 20520

OCT 18 1974

Honorable Roy L. Ash, Director
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Ash:

The Secretary has asked me to reply to your communication (Office of Management and Budget Memorandum, dated October 17, signed by Mr. Rommel) requesting our views on H.R. 6642, an enrolled bill extending the suspension of the import duty on certain bicycle parts and accessories.

The Department of State has no objection, from the standpoint of the foreign economic relations of the United States, to the enactment of the proposed legislation. In so concluding, we note that the text of the bill includes a number of provisions amending or repealing various sections of the Internal Revenue Code and Social Security Act and defer to other executive agencies on the effects of the proposed amendments on our tax and social security policies.

Cordially,

Linwood Holton

Linwood Holton
Assistant Secretary for
Congressional Relations

GENERAL COUNSEL OF THE
DEPARTMENT OF COMMERCE
Washington, D.C. 20230

OCT 2 1 1974

Director, Office of Management
and Budget
Washington, D. C. 20503

Attention: Assistant Director for Legislative Reference

Dear Mr. Ash:

This is in reply to your request for the views of this Department concerning H. R. 6642, an enrolled enactment

> "To suspend the duties on certain bicycle parts and accessories until the close of December 31, 1976, and for other purposes."

In addition to suspending the duties on bicycle parts, H. R. 6642 would amend the Internal Revenue Code to delete provisions imposing taxes on filled cheese, amend the Internal Revenue Code with respect to the tax treatment of certain charitable foundations, provide for a study by the Secretaries of Treasury and Health, Education, and Welfare of instituting a joint reporting system for social security and income taxes and permit the addition of a greater amount of carbon dioxide to certain still wines. Finally, the bill would continue until January 1, 1976 the moratorium now imposed administratively on taxation of moving expense reimbursement for members of the armed forces.

The Department of Commerce would interpose no objection to approval by the President of H. R. 6642.

Enactment of this legislation would involve no increase in expenditures by this Department.

Sincerely,

Karl E. Bakke

General Counsel

OFFICE OF THE SPECIAL REPRESENTATIVE
FOR TRADE NEGOTIATIONS
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON
20506

October 21, 1974

W. L. Rommel, Esquire
Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D. C. 20503

Attention: Mrs. Garziglia

Dear Mr. Rommel:

Reference is made to your request of October 17, concerning enrolled bills, H.R. 11452, H.R. 11251, H.R. 13631, H.R. 12035, H.R. 7780, H.R. 6191, H.R. 6642, H.R. 11830, and your request of October 21 concerning H.R. 12281.

This Office considers that the import duty suspensions provided by these bills provide no reason for withholding Presidential signature. We would, however, yield to the Treasury Department as to the advisability of the Administration's concurrence with the tax riders to each of these duty suspension bills.

Sincerely,

John Greenwald
Attorney Advisor

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

Action

Last Day - October 29

MEMORANDUM FOR: THE PRESIDENT

FROM: KEN COLE

SUBJECT: Enrolled Bill H.R. 6642
~~Temporary~~ Suspension of Duty on Bicycle Parts and Accessories

Attached for your consideration is House bill, H.R. 6642, sponsored by Representative Fulton, which extends the existing suspension of duties on imports of bicycle parts to December 31, 1976; includes four tax riders relating to moving expenses for military personnel, filled cheese, private foundation assets, and wines; and provides for a study of social security-income tax reporting requirements.

Roy Ash etc.

~~We have checked with~~ the Counsel's office (Chapman), the NSC, and Bill Timmons ~~who~~ all recommend approval.

RECOMMENDATION

That you sign House bill, H.R. 6642 (Tab B).

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.: 691

Date: October 23, 1974 Time: 12:00 Noon

FOR ACTION: Michael Duval
NSC/S
Phil Buchen
Bill Timmons

cc (for information): Warren K. Hendriks
Jerry Jones
Paul Theis

FROM THE STAFF SECRETARY

DUE: Date: Friday, October 25, 1974 Time: 2:00 p.m.

SUBJECT: Enrolled Bill H.R. 6642 - Temporary Suspension of Duty on Bicycle Parts and Accessories

ACTION REQUESTED:

____ For Necessary Action

XX For Your Recommendations

____ Prepare Agenda and Brief

____ Draft Reply

____ For Your Comments

____ Draft Remarks

REMARKS:

Please return to Kathy Tindle - West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President

To: Frank Hendricks
10-23-74
11:20 a.m.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OCT 23 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 6642 - Temporary Suspension of Duty on Bicycle Parts and Accessories
Sponsor - Rep. Fulton (D) Tenn.

Last Day for Action

October 29, 1974 - Tuesday

Purpose

Extends the existing suspension of duties on imports of bicycle parts to December 31, 1976; includes four tax riders relating to moving expenses for military personnel, filled cheese, private foundation assets, and wines; and provides for a study of social security-income tax reporting requirements.

Agency Recommendations

Office of Management and Budget	Approval
Department of the Treasury	Approval
Department of Defense	Approval
Department of Transportation	Approval
Department of Health, Education, and Welfare	Approval
Department of State	No objection
Department of Commerce	No objection
Department of Labor	No objection (informal)
Office of the Special Representative for Trade Negotiations	No objection to Section 1; defers to Treasury on tax provisions
Department of Agriculture	Defers to Commerce

Discussion

H.R. 6642 would continue to December 31, 1976 the suspension of duties on certain bicycle parts, which terminated as of

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.: 691

Date: October 23, 1974 Time: 12:00 Noon

FOR ACTION: Michael Duval
NSC/S
Phil Buchen
Bill Timmons

cc (for information): Warren K. Hendriks
Jerry Jones
Paul Theis

FROM THE STAFF SECRETARY

DUE: Date: Friday, October 25, 1974 Time: 2:00 p.m.

SUBJECT: Enrolled Bill H.R. 6642 - Temporary Suspension of Duty on Bicycle Parts and Accessories

ACTION REQUESTED:

____ For Necessary Action

XX For Your Recommendations

____ Prepare Agenda and Brief

____ Draft Reply

____ For Your Comments

____ Draft Remarks

REMARKS: OK Mike Duval 10/23

Please return to Kathy Tindle - West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Warren K. Hendriks
For the President

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.: 691

Date: October 23, 1974 Time: 12:00 Noon

FOR ACTION: Michael Duval
NSC/S
Phil Buchen
Bill Timmons

cc (for information): Warren K. Hendriks
Jerry Jones
Paul Theis

FROM THE STAFF SECRETARY

DUE: Date: Friday, October 25, 1974 Time: 2:00 p.m.

SUBJECT: Enrolled Bill H.R. 6642 - Temporary Suspension of Duty on Bicycle Parts and Accessories

ACTION REQUESTED:

____ For Necessary Action
XX For Your Recommendations
____ Prepare Agenda and Brief
____ Draft Reply
____ For Your Comments
____ Draft Remarks

REMARKS:

Please return to Kathy Tindle - West Wing

No objection
D.C.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Warren K. Hendriks
For the President

THE WHITE HOUSE

WASHINGTON

October 24, 1974

MEMORANDUM FOR: MR. WARREN HENDRIKS

FROM: WILLIAM E. TIMMONS

SUBJECT: Action Memorandum - Log No. 691
Enrolled Bill H. R. 6642 - Temporary Suspension of Duty on Bicycle Parts and Accessories

The Office of Legislative Affairs concurs in the attached proposal and has no additional recommendations.

Attachment

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.: 691

Date: October 23, 1974 Time: 12:00 Noon

FOR ACTION: Michael Duval
NSC/S
Phil Buchen
Bill Timmons

cc (for information): Warren K. Hendriks
Jerry Jones
Paul Theis

FROM THE STAFF SECRETARY

DUE: Date: Friday, October 25, 1974 Time: 2:00 p.m.

SUBJECT: Enrolled Bill H.R. 6642 - Temporary Suspension of Duty on Bicycle Parts and Accessories

ACTION REQUESTED:

____ For Necessary Action

XX For Your Recommendations

____ Prepare Agenda and Brief

____ Draft Reply

____ For Your Comments

____ Draft Remarks

REMARKS:

Please return to Kathy Tindle - West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Warren K. Hendriks
For the President

ACTION

Last Day - October 29

October 25, 1974

MEMORANDUM FOR: THE PRESIDENT

FROM: KEN COLE

SUBJECT: Enrolled Bill H.R. 6642
Temporary Suspension of Duty on Bicycle Parts and Accessories

Attached for your consideration is House bill, H.R. 6642, sponsored by Representative Fulton, which extends the existing suspension of duties on imports of bicycle parts to December 31, 1976; includes four tax riders relating to moving expenses for military personnel, filled cheese, private foundation assets, and wines; and provides for a study of social security-income tax reporting requirements.

Roy Ash recommends approval and provides you with additional background information in his enrolled bill report (Tab A).

The Counsel's office (Chapman), the NSC, and Bill Timmons all recommend approval.

RECOMMENDATION

That you sign House bill, H.R. 6642 (Tab B).

ACTION

Last Day - October 29

October 25, 1974

MEMORANDUM FOR: THE PRESIDENT

FROM: KEN COLE

SUBJECT: Enrolled Bill H.R. 6642
Temporary Suspension of
Duty on Bicycle Parts
and Accessories

Attached for your consideration is House bill, H.R. 6642, sponsored by Representative Fulton, which extends the existing suspension of duties on imports of bicycle parts to December 31, 1976; includes four tax riders relating to moving expenses for military personnel, filled cheese, private foundation assets, and wines; and provides for a study of social security-income tax reporting requirements.

Roy Ash recommends approval and provides you with additional background information in his enrolled bill report (Tab A).

The Counsel's office (Chapman), the NSC, and Bill Timmons all recommend approval.

RECOMMENDATION

That you sign House bill, H.R. 6642 (Tab B).

ACTION

Last Day - October 29

October 25, 1974

MEMORANDUM FOR: THE PRESIDENT

FROM: KEN COLE

SUBJECT: Enrolled Bill H.R. 6642
Temporary Suspension of Duty on Bicycle Parts and Accessories

Attached for your consideration is House bill, H.R. 6642, sponsored by Representative Fulton, which extends the existing suspension of duties on imports of bicycle parts to December 31, 1976; includes four tax riders relating to moving expenses for military personnel, filled cheese, private foundation assets, and wines; and provides for a study of social security-income tax reporting requirements.

Roy Ash recommends approval and provides you with additional background information in his enrolled bill report (Tab A).

The Counsel's office (Chapman), the NSC, and Bill Timmons all recommend approval.

RECOMMENDATION

That you sign House bill, H.R. 6642 (Tab B).

93D CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 93-611

EXTENDING THE TEMPORARY SUSPENSION OF DUTY ON CERTAIN BICYCLE PARTS AND ACCESSORIES

OCTOBER 30, 1973.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. FULTON, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H.R. 6642]

The Committee on Ways and Means, to whom was referred the bill (H.R. 6642) to suspend the duties of certain bicycle parts and accessories until the close of December 31, 1976, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert the following:

That items 912.05 and 912.10 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) are each amended by striking out "12/31/73" and inserting in lieu thereof "12/31/76".

SEC. 2. The amendments made by the first section of this Act shall apply with respect to articles entered, or withdrawn from warehouse, for consumption after December 31, 1973.

PURPOSE

The purpose of H.R. 6642, as reported, is to extend to the close of December 31, 1976, the existing suspension of duties on imports of certain bicycle parts.

GENERAL STATEMENT

The existing suspension of duty, which expires December 31, 1973, was enacted to improve the competitive ability of domestic producers of bicycles by reducing the landed cost of certain imported bicycle parts and accessories which are not available from domestic sources. In the Committee's hearings on H.R. 6767, the Trade Reform Act of 1973, and on other tariff and trade legislation pending before the Committee, representatives of the domestic bicycle maunfacturers

testified in favor of H.R. 6642,[1] on the basis that the existing suspension of duties on imports of certain bicycle parts has helped domestic manufacturers to reduce their costs. No objection to H.R. 6642 was raised by representatives of bicycle parts manufacturers who appeared in the same hearings.

H.R. 6642 would extend for 3 years the existing suspension of duty on generator lighting sets for bicycles, normally imported under item 653.39 of the tariff schedules and dutiable at 19 percent ad valorem. These generating lighting sets are not produced domestically.

H.R. 6642, as amended by the committee, would also extend for three years the suspension of duty on derailleurs, caliper brakes, drum brakes, three-speed hubs incorporating coaster brakes, three-speed hubs not incorporating coaster brakes, click twist grips, click stick levers, and multiple freewheel sprockets. These parts and accessories normally are dutiable under item 732.36 of the tariff schedules at the rate of 15 percent ad valorem.

The committee is informed that with one exception the parts and accessories imported under item 732.36, on which the duty would continue to be suspended temporarily, are not produced domestically. Your committee has amended the bill, as introduced, with regard to hubs, whether or not incorporating coaster brakes, to provide for the simple extension of the existing duty suspension rather than broadening the duty suspension to other than three-speed hubs. The amendment was made in order to avoid suspending the duty on such bicycles parts which are produced domestically. Further, your committee is informed that the only domestic producer of click stick levers does not object to the temporary duty suspension on the article. In view of the above, your committee is of the opinion that the extension of the duty suspension provided in H.R. 6642, as reported, is desirable.

Your committee has received favorable reports from interested Government agencies as well as an informative report from the U.S. Tariff Commission. As indicated above, no objection to H.R. 6642 was received in the course of the public hearings on tariff legislation pending before the committee, or otherwise from domestic producers of bicycle parts.

Your committee unanimously urges the enactment of H.R. 6642, as reported.

Effect on the Revenues of the Bill and Vote of the Committee in Reporting the Bill

In compliance with clause 7 of rule XIII of the Rules of the House of Representatives, the following statement is made relative to the effect on the revenues of this bill. Your committee estimates that the extension of the existing suspension of duties on bicycle parts provided by the bill will not result in any additional revenue loss or administrative costs.

In compliance with clause 27(b) of rule XI of the Rules of the House of Representatives, the following statement is made relative to the vote by the committee on reporting the bill. This bill was unanimously ordered favorably reported by the committee.

[1] Hearings before the Committee on Ways and Means, 93rd Congress, 1st Session, on H.R. 6767, "Trade Reform," 1973, part 6.

Changes in Existing Law Made by the Bill, as Reported

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

TARIFF SCHEDULES OF THE UNITED STATES

* * * * * * *

APPENDIX TO THE TARIFF SCHEDULES

PART 1.—TEMPORARY LEGISLATION

Item	Articles	Rates of duty		Effective period
		1	2	
*	* * *	*	*	* *
	Subpart B.—Temporary Provisions Amending the Tariff Schedules			
*	* * *	*	*	* *
912.05	Generator lighting sets for bicycles (provided for in item 653.39, part 3F, schedule 6).	Free	No change	On or before [12/31/73] *12/31/76.*
912.10	Derailleurs, caliper brakes, drum brakes, three-speed hubs incorporating coaster brakes, three-speed hubs not incorporating coaster brakes, click twist grips, click stick levers, multiple freewheel sprockets (provided for in item 732.36, part 5C, schedul 7).	Free	No change	On or before [12/31/73] *12/31/76.*

○

Calendar No. 950

93D CONGRESS
2d Session

SENATE

REPORT
No. 93—986

EXTENDING THE TEMPORARY SUSPENSION OF DUTY ON CERTAIN BICYCLE PARTS AND ACCESSORIES

JULY 8, 1974.—Ordered to be printed

Mr. LONG of Louisiana, from the Committee on Finance, submitted the following

REPORT

[To accompany H.R. 6642]

The Committee on Finance, to which was referred the bill (H.R. 6642) to suspend the duties of certain bicycle parts and accessories until the close of December 31, 1976, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

38-010—74——1

I. SUMMARY

House bill.—The House-passed bill would continue from January 1, 1974, through December 31, 1976, the suspension of duties on certain bicycle parts and accessories. The committee bill does not substantively modify the House bill, but includes a number of additional provisions.

Committee amendment.—The first provision added by the committee deals with the application of the moving expense provisions to members of the armed services. The Tax Reform Act of 1969 made certain revisions with respect to the deduction for moving expenses. Several of the changes made in the 1969 Act present significant problems with respect to their application to members of the armed services. In addition, changes dealing with reporting and withholding would improve administrative burdens on the Department of Defense. Since the enactment of the 1969 changes, the Internal Revenue Service has, by administrative determination, provided a moratorium with respect to the application of the new moving expense rules to members of the armed services and to the Department of Defense. The most recent extension of this moratorium expired at the end of 1973. The committee has by legislation extended this moratorium one more year until January 1, 1975, pending the development of a legislative solution.

The second committee provision repeals the tax and other regulatory provisions on filled cheese in the Internal Revenue Code. These provisions, which were originally enacted to regulate the wholesomeness and purity of cheese products, presently serve no internal revenue purposes. Regulations as to the wholesomeness and purity of filled cheese products are now enforced by the Food and Drug Administration outside of the provisions of the Internal Revenue Code.

The third committee provision permits certain private foundations whose assets are largely invested in the stock of a multi-state regulated company (described in section 101(l)(4) of the Tax Reform Act of 1969) to exclude the value of this stock in computing the amount of their required charitable distributions under the private foundation provisions. This amendment is designed to effectuate the intent of Congress in the 1969 Act by preventing the charitable distribution provisions from resulting in a forced divestiture of stock that Congress determined certain types of foundations should be permitted to retain.

The fourth committee provision is designed to reduce the tax reporting burden of the Nation's employers by making it possible to change social security tax reporting from a quarterly basis to an annual basis.

The fifth committee provision increases the amount of carbon dioxide that may be contained in still wines from 0.277 to 0.392 gram per 100 milliliters of wine. This increase is intended to improve the shelf life of wines with low alcoholic content. This is because as the alcoholic content of a wine decreases, the wine tends to deteriorate more quickly since there is less alcohol to act as a preservative. This amendment does not change the tax rates of these wines nor is it expected to result in reduced sales in carbonated and sparkling wines or champagne.

II. GENERAL EXPLANATION

A. Bicycle Parts

H.R. 6642 would continue the suspension of column 1 duties on certain bicycle parts, including generators, derailleurs (derailers), and caliper brakes, which terminated as of December 31, 1973. The duty suspensions on these bicycle parts were first enacted in 1971 in order to improve the ability of domestic producers of bicycles to compete with foreign manufacturers of bicycles. The bicycle parts covered by the bill are not generally available from domestic sources. Such parts would normally be subject to rates of duty ranging from 15 to 19 percent. Accordingly, the bill would help to reduce the landed cost of certain imported bicycle parts and accessories necessary for the manufacture of certain types of bicycles.

The domestic bicycle producers are strongly in favor of this legislation. There is no domestic production of the parts covered by the bill, except in the case of stick shift levers. And in this latter case, the firm manufacturing this item is not opposed to the enactment of the temporary duty suspension.

The Committee has received favorable reports on this bill from the Department of Commerce and the Office of the Special Representative for Trade Negotiations. Furthermore, no objection on H.R. 6642 has been received by the Committee from domestic producers of bicycle parts or any other interests.

B. Application of Moving Expense Provisions to Members of U.S. Military Services

The Tax Reform Act of 1969 made a series of revisions in the tax treatment of moving expenses. Some of these allowed more generous treatment than prior law and some were more restrictive. In the first category the Act broadened the categories of deductible moving expenses to include three new categories of deductible moving expenses (under sec. 217): (1) pre-move househunting trip expenses; (2) temporary living expenses for up to 30 days at the new job location; and (3) qualified expenses of selling, purchasing or leasing a residence. These additional deductions were limited to an overall limit of $2,500, with a $1,000 limit on the first two categories. Prior law already allowed deductions for the moving of household goods to the new location and the traveling expenses for the family (including meals and lodging) to the new location.

On the other hand, however, the 1969 Act in certain respects restricted the tax treatment of moving expenses. First, it provided that all reimbursements of moving from one residence to another were to be included in the taxpayer's adjusted gross income as compensation for services (under sec. 82) but with offsetting deductions allowed to the extent they were the type of moving expenses deductible under section 217. Second, the 1969 Act increased the minimum 20-mile test

to 50 miles for a move to qualify for the deduction and third it modified the existing 39-week rule, the rule requiring a taxpayer to be employed full time for 39 weeks out of the year following the relocation in order to be eligible for the moving expense deduction.[1]

According to the Department of Defense, the restrictive changes made in the 1969 Act present significant problems with respect to their application to members of the military services. It is reported that this is especially the case with the requirement (under sec. 82 and the regulations thereunder) that all moving expense reimbursements, whether in-kind or cash, be included in gross income as compensation and reported both to the individual and the Internal Revenue Service for withholding tax purposes. The Department of Defense has indicated that identification of in-kind "reimbursements" for each serviceman where the Department of Defense pays for the moving expense to the mover, or does the moving itself, would involve substantial administrative burdens for the department as well as increasing their costs at no revenue gain to the Treasury.

The Department of Defense also has indicated that the requirements that the new place of work be at least a 50-mile move and that the individual work for at least 39 weeks at the new location represented hardships for military personnel since many mandatory personnel moves are made for less than 39 weeks and for less than 50 miles. As a result, the servicemen involved would not be allowed any deduction for their moving expenses, but still would be required to report the moving expense "reimbursement," whether paid by the Government or paid directly to them as a cash reimbursement.

Since the enactment of the 1969 changes, the Internal Revenue Service has by administrative determination provided a moratorium on withholding and reporting with respect to the application of the new moving expense rules to members of the military services.[2] The most recent extension of this Internal Revenue Service moratorium expires at the end of 1973. The moratorium does not apply to cash reimbursements of moving expenses, which are still required to be reported. In addition, where the moving expenses paid by a serviceman exceeds his reimbursements for his expenses, the excess amounts may be allowable as a deduction if they are otherwise deductible under section 217.

The Department of Defense submitted legislative proposals to Congress in 1973 dealing with the application of the deduction for moving expenses to the military. Since the moratorium expired at the end of 1973, there was not sufficient time in this session of Congress to analyze these proposals. As a result, the committee by legislative action is extending this moratorium as to the application of the 1969 changes in the moving expense rules to members of the military services for one more year, or until January 1, 1975. In the meantime, the committee has instructed the staff of the Joint Committee on Internal Revenue Taxation to review the proposed legislation and present an analysis to the committee for its consideration.

This provision will not have any effect on revenues since it continues existing administrative rules.

[1] The 39-week test is waived if the employee is unable to satisfy it as a result of death, disability, or involuntary separation (other than for willful misconduct). The Act also made the moving expense deduction available to the self-employed. Self-employed individuals have a 78-week rule, instead of the 39-week rule.

[2] Internal Revenue Service, Public Information, Fact Sheet, November 30, 1970 (letter to Secretary of Defense).

C. Taxation and Regulation on the Manufacture and Sale of Filled Cheese

Under present law an excise tax is imposed on the sale of filled cheese at a rate of one cent per pound for domestically manufactured cheese and at a rate of eight cents per pound on imported cheese. In addition, an occupational tax of $400 per year is imposed on each factory of a manufacturer of filled cheese, a $250 annual tax is imposed on each wholesale distributor and a $12 annual tax is imposed on each retail dealer. The code also provides certain other requirements as to the packaging, labeling and the posting of signs with respect to the marketing of filled cheese. Criminal penalties are provided for failure to pay these taxes or for violation of the stamping and labeling requirements.

Filled cheese is defined in the Internal Revenue Code (sec. 4846) to include "all substances made of milk or skimmed milk, with the admixture of butter, animal oils or fats, vegetable or any other oils, or compounds foreign to such milk, and made in imitation or semblance of cheese."

The filled cheese taxes and regulatory requirements were originally enacted in 1896. That legislation was one of a number of provisions enacted to insure purity and to inhibit the sale of factory-prepared foods in competition with natural foods.

Since the taxes imposed on filled cheese are relatively low, the taxes alone have not inhibited the production of filled cheese. It is the packaging and labeling requirements which have had the effect of preventing all but a small amount of filled cheese from being sold, although there is presently an increasing interest in its marketability.

The committee believes that one of the original purposes of the filled cheese laws—to inhibit competition of factory-prepared foods with natural foods—is no longer appropriate. The second of the original purposes—to insure food purity—is no longer an appropriate activity to be carried on by the Internal Revenue Service. Any requirements as to the quality and labeling of cheese products fall clearly within the jurisdiction of the Food and Drug Administration and can be administered by that agency separate from the tax laws. Furthermore, the committee understands that the Food and Drug Administration presently has the authority to regulate the marketability of filled cheese. Since the provisions in the Internal Revenue Code serve no internal revenue purposes and since appropriate regulation as to the wholesomeness and purity of products falling in the filled cheese category are enforced by the Food and Drug Administration outside of the provisions of the Internal Revenue Code, the committee believes that these provisions are no longer needed as part of the Internal Revenue Code and should be repealed.

This provision is to become effective after the date of enactment.

Since the filled cheese provisions were not intended for revenue raising purposes and actually only resulted in approximately $10,000 in revenues in fiscal year 1973, the enactment of this provison will result in a negligible effect on revenues.

D. Exception to the Charitable Distribution Requirements for Certain Private Foundations

Present law limits the involvement of private foundations in business enterprises by requiring divestiture of business holdings in excess of certain prescribed percentages. An exception to this rule was provided in the Tax Reform Act of 1969 (sec. 101(1) (4)). That exception permitted the retention of 51 percent of a business' stock in the case of any foundation incorporated before January 1, 1951, where substantially all of its assets on May 26, 1969, consisted of more than 90 percent of the stock of an incorporated business enterprise which is licensed and regulated, the sales and contracts of which are regulated, and professional representatives of which are licensed, by State regulatory agencies in at least 10 States. In addition, in order to qualify for the provision the foundation must have received its stock solely by gift, devise or bequest.[1]

Under this exception, the Herndon Foundation is permitted to retain up to 51 percent of the stock in the Atlanta Life Insurance Company. However, it has come to the committee's attention that the charitable distribution provisions, which require a private foundation to distribute currently the greater of its adjusted net income or a stated percentage of its investment assets (the minimum investment return), are forcing divestiture of the stock that Congress determined the Herndon Foundation should be permitted to keep.

As a result, the intent of Congress in 1969, that foundations like the Herndon Foundation should be able to retain 51 percent of the stock of a company, is being frustrated because of the operation of the minimum investment return provision. To overcome this result, the committee has provided that in the case of a private foundation of the type referred to above (described in sec. 101(1)(4) of the Tax Reform Act of 1969) the minimum investment return and the adjusted net income are to be determined without regard to the foundation's stock holdings (or divided income on such holdings) in the company in question. The dividend income derived from such stock, however, is to be added to the amount that the private foundation is otherwise required to distribute currently.

This provision shall apply with respect to taxable years beginning after December 31, 1971.

This provision will not have any effect on the revenues to the Treasury.

E. Annual Wage Reporting for Social Security

The Committee added a provision to the House-passed bill which is designed to reduce the tax reporting burden of the Nation's employers. Under the Committee provision, the Secretaries of the Treasury and of Health, Education, and Welfare would be provided with the authority they need to exchange information on a basis which would make it possible to change social security tax reporting from a quarterly basis to an annual basis. The Committee provision

[1] Stock of a company placed in trust before May 27, 1969, with provision for the remainder to go to the foundation also is treated as coming under this provision if the foundation held on May 26, 1969, without regard to such trust, more than 20 percent of the stock of enterprise.

originated in the recommendations of several Governmental study groups and its adoption would conclude approximately two decades of study and negotiation between the two departments involved.

Under existing Treasury department regulations, employers are required to submit quarterly reports of the wages paid to their employees which are subject to social security taxes. These reports, on Treasury Form 941–A, must list each employee by name, social security account number, and total wages paid to the employee with respect to which social security taxes are payable. The preparation and filing of this quarterly report involves considerable effort and expense on the part of employers particularly in the case of small and medium-sized companies which do not have the advantage of computerized payroll systems. An April 17, 1973 report issued by the Select Committee on Small Business stated that its Subcommittee on Government Regulation had found studies indicating that the annual cost to small employers of submitting this form might total as much as $235 million (Senate Report No. 93–125, p. 49).

The Committee provision would make possible the elimination of this report by changing certain technical requirements of the social security program which currently depend on data from the Form 941–A and by providing the Internal Revenue Service and the Social Security Administration authority which would enable them to enter into an agreement for cooperative processing of a revised annual wage reporting form (i.e. Form W–2) in a manner which will most effectively and efficiently provide each agency with the information it requires. Thus, in place of the present requirement that each employer submit 5 reports per year with respect to each employee (4 quarterly reports on Form 941–A and 1 annual report on Form W–2), the Committee provision makes possible a revision in Treasury Department regulations to permit employers to file a single consolidated annual wage report for each employee which will show both his total earnings for the year and the quarterly breakdown of his social security earnings.

The present Form 941–A provides for wage information used by the Social Security Administration as the source of data for computing the automatic increases in the amount of annual earnings subject to social security taxes (the social security "wage base") and in the amount of annual earnings which a beneficiary may have without any reduction in his social security benefits (the "exempt amount.") Under existing law, whenever an increase in the cost of living triggers an automatic social security benefit increase, the Secretary of Health, Education, and Welfare is required to promulgate regulations increasing the wage base and the exempt amount.

Under current law these increases are based on the percentage rise in the average amount of taxable wages up to the first quarter of the year in which the determination of the amount of the increase is made, and the increases become effective as of the start of the following year. If employee wages are reported annually rather than quarterly, however, the necessary data to compute the increase in wage base and exempt amount would not be available until well after the beginning of the year in which the increases are to be effective. The Committee provision, therefore, moves back by one year the base period to be

used for determining the amount of increases in taxable wages so that the Secretary of Health, Education, and Welfare will have sufficient time to make his determinations on the basis of an annual wage report. (However, no change is made in the benefit increase provisions of present law.) Thus, for example, the increase in the wage base and exempt amount which is to be effective as of January 1, 1975 would be computed according to the growth rate in average taxable wages from the first quarter of 1972 to the first quarter of 1973 rather than according to the growth rate from the first quarter of 1973 to the first quarter of 1974.

Current law bases the automatic increases in the wage base and exempt amount on the rise in average taxable wages from the first quarter of one year to the first quarter of the next year rather than on the annual increase in wage levels generally because the Social Security Administration does not now receive the information necessary to make a determination based on average annual wages in all employment. When the revised reporting regulations made possible by the Committee provision are implemented, this information will become available. Accordingly, the Committee bill provides that, starting in 1978, determinations as to the amount of future automatic increases in the annual amount of earnings subject to social security taxes and in the amount of annual earnings a beneficiary can have without reduction in benefits will be based on the growth from year to year in average annual wages in all employment rather than on the growth of the amount of wages subject to social security taxes in the first quarter of each year. As a practical matter, it is estimated that there will be negligible impact on the way in which the automatic increase provisions will operate, since the annual rate of growth is approximately the same for average first quarter taxable wages, average annual wages in employment covered by social security, and average annual wages in the national economy.

The Committee provision would not affect the responsibility of employers for the collection and payment of social security taxes nor would it alter in any way the requirements as to the dates on which payments of these taxes are due. The provision would make no change in the amount of work required in order to qualify for social security benefits and no change would be made in the way benefits are computed. Moreover, it would not have any impact on the financial status of the social security program.

In addition, the Committee notes that the amendment would have no effect on the way in which State and local governments report earnings to the Social Security Administration. The situation with respect to State and local government employment covered by social security is different than the situation with respect to private employment, and the procedures for reporting wages are governed by agreements between the States and the Secretary of Health, Education, and Welfare. A wide variety of patterns exists with respect to the types of State and local employment which are or are not covered under a multiplicity of agreements between the States and the Federal government and, in turn, between the States and local governmental entities. The existing reporting procedures, therefore, serve not only the requirements of the Social Security Administration but also the requirements of the State social security agencies which are responsible for coordinating the activities with respect to social security of the various governmental employers within each State. Accordingly, the Committee expects that the Secretary of Health, Education, and Welfare will not modify the regulations and procedures with respect to the reporting of social security wages in the case of State and local employees except to the extent that modifications may be agreed upon between him and the States involved.

F. Increase in Amount of Carbon Dioxide That May Be Contained in Still Wines

Present law imposes a tax on wines at different rates depending on the alcoholic content of the wine and whether it is a still wine or a sparkling wine. Still wines are defined as those which contain not more than 0.277 gram of carbon dioxide per 100 milliliters of wine. Still wine is taxed at 17 cents a gallon if it contains not more than 14 percent of alcohol, 67 cents a gallon if it contains more than 14 percent but not more than 21 percent of alcohol, and $2.25 a gallon if it contains more than 21 percent but not more than 24 percent of alcohol. Champagnes and other sparkling wines are taxed at $3.40 a gallon and artificially carbonated wines are taxed at $2.40 a gallon.

Prior to the Excise Tax Technical Changes Act of 1958, there was no tolerance as to the carbon dioxide content of still wines. This resulted in compliance and administrative difficulties because a certain amount of carbonation is a normal consequence of the fermentation process by which wine is produced. The 1958 Act provided that still wines could contain not more than 0.256 gram carbon dioxide per 100 milliliters of wine. In the Excise Tax Reduction Act of 1965, this permissible carbon dioxide content of still wine was increased to 0.277 gram per 100 milliliters of wine. The committee stated at that time (Senate Report No. 324, 89th Cong., 1st Sess., p. 52) that "the existing definition of still wines was adopted to clarify the distinction between still wines and effervescent wines and to make it clear that some carbon dioxide can be added to, or retained in, still wines to improve its character and flavor without changing its tax status." The increase in the carbon dioxide content in 1965 was made because it was believed that the level then was too restrictive to serve adequately the purpose intended.

The committee provision increases the amount of carbon dioxide that may be contained in still wines from the present 0.277 level to 0.392 gram per 100 milliliters of wine. This increase is intended to improve the shelf life of wines with low alcoholic content by permitting the addition of a little more carbon dioxide. The committee understands that wine tends to deteriorate more quickly as the alcoholic content decreases because there is less alcohol to act as a preservative. If still wines with low-alcoholic content were produced with a greater volume of carbon dioxide than now is permitted, this would help preserve the color and flavor by displacing some of the oxygen which reacts with the bacteria in the product.

This provision is to become effective on the first day of the first calendar month which begins more than 90 days after the date of enactment of this Act.

The committee provision does not change the tax rate of these wines nor is it expected to result in reduced sales in carbonated and sparkling wines. It is expected that this provision will have no revenue effect.

III. COSTS OF CARRYING OUT THE BILL AND EFFECT ON THE REVENUES OF THE BILL

In compliance with section 252(a) of the Legislative Reorganization Act of 1970, the following statement is made relative to the costs to be incurred in carrying out this bill and the effect of the revenues of the bill. The Committee estimates that the extension of the existing suspensions of duties on bicycle parts provided by the bill will not result in any additional revenue loss or administrative costs. The committee estimates that the provisions of the committee amendment involve a negligible revenue effect.

IV. VOTE OF COMMITTEE ON REPORTING THE BILL

In compliance with section 133 of the Legislative Reorganization Act, as amended, the following statement is made relative to the vote of the committee on reporting the bill. This bill was ordered favorably reported by the committee without a roll call vote and without objection.

V. CHANGES IN EXISTING LAW

In compliance with subsection (4) of Rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted in enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TARIFF SCHEDULES OF THE UNITED STATES

* * * * * * *

APPENDIX TO THE TARIFF SCHEDULES

PART 1.—TEMPORARY LEGISLATION

Item	Articles	Rates of duty		Effective period
		1	2	
* * *				
	Subpart B.—Temporary Provisions Amending the Tariff Schedules			
* * *				
912.05	Generator lighting sets for bicycles (providing for in item 653.39, part 3F, schedule 6).	Free	No change	On or before [12/31/73] *12/31/76.*
912.10	Derailleurs, caliper brakes, drum brakes, three-speed hubs incorporating coaster brakes, three-speed hubs not incorporating coaster brakes, click twist grips, click stick levers, multiple freewheel sprockets (provided for in item 732.36, part 5G, schedule 7).	Free	No change	On or before [12/31/73] *12/31/76.*
* * *				

SOCIAL SECURITY ACT

* * * * * * *

TITLE II—FEDERAL OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND AND FEDERAL DISABILITY INSURANCE TRUST FUND

SEC. 201. (a) * * *

* * * * * * * *

(g)(1)(A) [There are authorized to be made available for expenditure, out of any or all of the Trust Funds (which for purposes of this paragraph shall include also the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund established by title XVIII), such amounts as the Congress may deem appropriate to pay the costs of the part of the administration of this title, title XVI[1] and title XVIII for which the Secretary of Health, Education, and Welfare is responsible. During each fiscal year or after the close of such fiscal year (or at both times), the Secretary of Health, Education, and Welfare shall analyze the costs of administration of this title, title XVI and title XVIII during the appropriate part or all of such fiscal year in order to determine the portion of such costs which should be borne by each of the Trust Funds and (with respect to title XVI) by the general revenues of the United States and shall certify to the Managing Trustee the amount, if any, which should be transferred among such Trust Funds in order to assure that (after appropriations made pursuant to section 1601, and repayment to the Trust Funds from amounts so appropriated) each of the Trust Funds and the general revenues of the United States bears its proper share of the costs incurred during such fiscal year for the part of the administration of this title, title XVI, and title XVIII for which the Secretary of Health, Education, and Welfare is responsible. The Managing Trustee is authorized and directed to transfer any such amount (determined under the preceding sentence) among such Trust Funds in accordance with any certification so made.

[(B) The Managing Trustee is directed to pay from the Trust Funds into the Treasury the amounts estimated by him which will be expended, out of moneys appropriated from the general funds in the Treasury, during each calendar quarter by the Treasury Department for the part of the administration of this title and title XVIII for which the Treasury Department is responsible and for the administration of chapters 2 and 21 of the Internal Revenue Code of 1954. Such payments shall be covered into the Treasury as repayment to the account for reimbursement of expenses incurred in connection with such administration of this title and title XVIII and chapters 2 and 21 of the Internal Revenue Code of 1954.]

The Managing Trustee of the Trust Funds (which for purposes of this paragraph shall include also the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund established by title XVIII) is directed to pay from the Trust Funds into the Treasury—

(i) the amounts estimated by him and the Secretary of Health, Education, and Welfare which will be expended, out of moneys appropriated from the general fund in the Treasury, during a three-month period by the Department of Health, Education, and Welfare

and the Treasury Department for the administration of titles II, XVI and XVIII of this Act and subchapter E of chapter 1 and subchapter A of chapter 9 of the Internal Revenue Code of 1939, and chapters 2 and 21 of the Internal Revenue Code of 1954, less.

(ii) the amounts estimated (pursuant to the method prescribed by the Board of Trustees under paragraph (4) of this subsection) by the Secretary of Health, Education, and Welfare which will be expended, out of moneys made available for expenditures from the Trust Funds, during such three-month period to cover the cost of carrying out the functions of the Department of Health, Education, and Welfare specified in section 232, which relate to the administration of provisions of the Internal Revenue Code of 1954 other than those referred to in clause (i).

Such payments shall be carried into the Treasury as the net amount of repayments due the general fund account for reimbursement of expenses incurred in connection with the administration of titles II, XVI, and XVIII of this Act and subchapter E of chapter 1 and subchapter A of chapter 9 of the Internal Revenue Code of 1939, and chapters 2 and 21 of the Internal Revenue Code of 1954. A final accounting of such payments for any fiscal year shall be made at the earliest practicable date after the close thereof. There are hereby authorized to be made available for expenditure, out of any or all of the Trust Funds, such amounts as the Congress may deem appropriate to pay the costs of the part of the administration of this title, title XVI, and title XVIII for which the Secretary of Health, Education, and Welfare is responsible and of carrying out the functions of the Department of Health, Education, and Welfare, specified in section 232, which relate to the administration of provisions of the Internal Revenue Code of 1954 other than those referred to in clause (i) of the first sentence of this subparagraph.

(B) After the close of each fiscal year the Secretary of Health, Education, and Welfare shall determine the portion of the costs, incurred during such fiscal year, of administration of this title, title XVI, and title XVIII and of carrying out the functions of the Department of Health, Education, and Welfare, specified in section 232, which relate to the administration of provisions of the Internal Revenue Code of 1954 (other than those referred to in clauses (i) of the first sentence of subparagraph (A)), which should have been borne by the general fund in the Treasury and the portion of such costs which should have been borne by each of the Trust Funds; except that the determination of the amounts to be borne by the general fund in the Treasury with respect to expenditures incurred in carrying out such functions specified in section 232 shall be made pursuant to the method prescribed by the Board of Trustees under paragraph (4) of this subsection. After such determination has been made, the Secretary of Health, Education, and Welfare shall certify to the Managing Trustee the amounts, if any, which should be transferred from one to any of the other of such Trust Funds, and the amounts, if any, which should be transferred between the Trust Funds (or one of the Trust Funds) and the general fund in the Treasury, in order to insure that each of the Trust Funds and the general fund in the Treasury have borne their proper share of the costs, incurred during such fiscal year, for the part of the administration of this title, title XVI, and title XVIII for which the Secretary of Health, Education, and Welfare is responsible and of carrying out the functions of the Department of Health, Education, and Welfare, specified in section 232, which relate to the administration of provisions of the Internal Revenue Code of 1954 (other than those referred to in clause (i)

of the first sentence of subparagraph (A)). The Managing Trustee is authorized and directed to transfer any such amounts in accordance with any certification so made.".

(2) The Managing Trustee is directed to pay from time to time from the Trust Funds into the Treasury the amount estimated by him as taxes imposed under section 3101(a) which are subject to refund under section 6413(c) of the Internal Revenue Code of 1954 with respect to wages (as defined in section 1426 of the Internal Revenue Code of 1939 and section 3121 of the Internal Revenue Code of 1954) paid after December 31, 1950. Such taxes shall be determined on the basis of the records of wages established and maintained by the Secretary of Health, Education, and Welfare in accordance with the wages reported to the Commissioner of Internal Revenue pursuant to section 1420(c) of the Internal Revenue Code of 1939 and to the Secretary of the Treasury or his delegate pursuant to subtitle F of the Internal Revenue Code of 1954, and the Secretary shall furnish the Managing Trustee such information as may be required by the Trustee for such purpose. The payments by the Managing Trustee shall be covered into the Treasury as repayments to the account for refunding internal revenue collections. Payments pursuant to the first sentence of this paragraph shall be made from the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund in the ratio in which amounts were appropriated to such Trust Funds under clause (3) of subsection (a) of this section and clause (1) of subsection (b) of this section.

(3) Repayments made under paragraph (1) or (2) shall not be available for expenditures but shall be carried to the surplus fund of the Treasury. If it subsequently appears that the estimates under either such paragraph in any particular period were too high or too low, appropriate adjustments shall be made by the Managing Trustee in future payments.

(4) The Board of Trustees shall prescribe before January 1, 1977, the method of determining the costs which should be borne by the general fund in the Treasury of carrying out the functions of the Department of Health, Education, and Welfare, specified in section 232, which relate to the administration of provisions of the Internal Revenue Code of 1954 (other than those referred to in clause (i) of the first sentence of paragraph (1)(A)). If at any time or times thereafter the Boards of Trustees of such Trust Funds deem such action advisable they may modify the method so determined.

* * * * * * *

REDUCTION OF INSURANCE BENEFITS

MAXIMUM BENEFITS

SEC. 203. (a) * * *

* * * * * * *

(f) For purposes of subsection (b)—

(1) * * *

* * * * * * *

(8)(A) Whenever the Secretary pursuant to section 215(i) increases benefits effective with the month of June following a cost-of-living computation quarter he shall also determine and

publish in the Federal Register on or before November 1 of the calendar year in which such quarter occurs a new exempt amount which shall be effective (unless such new exempt amount is prevented from becoming effective by subparagraph (C) of this paragraph) with respect to any individual's taxable year which ends after the calendar year in which such benefit increase is effective (or, in the case of an individual who dies during the calendar year after the calendar year in which the benefit increase is effective, with respect to such individual's taxable year which ends, upon his death, during such year).

(B) The exempt amount for each month of a particular taxable year shall be whichever of the following is the larger—

(i) the exempt amount which was in effect with respect to months in the taxable year in which the determination under subparagraph (A) was made, or

(ii) the product of the exempt amount described in clause (i) and the ratio of (I) the average of the [taxable] wages of all employees as reported to the Secretary *of the Treasury* for [the first calendar quarter of] the calendar year *preceding the calendar year* in which the determination under subparagraph (A) was made to (II) the average of the [taxable] wages of all employees as reported to the Secretary *of the Treasury* for the [first calendar quarter of 1973] *calendar year 1972*, or, if later, the [first calendar quarter of] *calendar year preceding* the most recent calendar year in which an increase in the contribution and benefit base was enacted or a determination resulting in such an increase was made under section 230(a), with such product, if not a multiple of $10, being rounded to the next higher multiple of $10 where such product is a multiple of $5 but not of $10 and to the nearest multiple of $10 in any other case.

For purpose of this clause (ii), the average of the wages for the calendar year 1976 (or any prior calendar year) shall, in the case of determinations made under subparagraph (A) prior to December 31, 1977, be deemed to be an amount equal to 400 per centum of the amount of the average of the taxable wages of all employees as reported to the Secretary for the first calendar quarter of such calendar year.

* * * * * * *

ADJUSTMENT OF THE CONTRIBUTION AND BENEFIT BASE

SEC. 230. (a) Whenever the Secretary pursuant to section 215(i) increases benefits effective with the June following a cost-of-living computation quarter, he shall also determine and publish in the Federal Register on or before November 1 of the calendar year in which such quarter occurs the contribution and benefit base determined under subsection (b) which shall be effective with respect to remuneration paid after the calendar year in which such quarter occurs and taxable years beginning after such year.

(b) The amount of such contribution and benefit base shall be the amount of the contribution and benefit base in effect in the year in which the determination is made or, if larger, the product of—

(1) the contribution and benefit base which was in effect with respect to remuneration paid in (and taxable years beginning in) the calendar year in which the determination under subsection (a) with respect to such particular calendar year was made, and

(2) the ratio of (A) the average of the [taxable] wages of all employees as reported to the Secretary *of the Treasury* for the [first calendar quarter of the] calendar year *preceding the calendar year* in which the determination under subsection (a) with respect to such particular calendar year was made to [the latest of] (B) the average of the [taxable] wages of all employees as reported to the Secretary *of the Treasury* [for the first calendar quarter of 1973 or the first calendar quarter of] *for the calendar year 1972 or, if later, the calendar year preceding* the most recent calendar year in which an increase in the contribution and benefit base was enacted or a determination resulting in such an increase was made under subsection (a).

with such product, if not a multiple of $300, being rounded to the next higher multiple of $300 where such product is a multiple of $150 but not of $300 and to the nearest multiple of $300 in any other case.

For purposes of this subsection, the average of the wages for the calendar year 1976 (or any prior calendar year) shall in the case of determinations made under subsection (a) prior to December 31, 1977, be deemed to be an amount equal to 400 per centum of the amount of the average of the taxable wages of all employees as reported to the Secretary for the first calendar quarter of such calendar year.

* * * * * * *

PROCESSING OF TAX DATA

SEC. 232. The Secretary of the Treasury shall make available information returns filed pursuant to part III of subchapter A of chapter 61 of subtitle F of the Internal Revenue Code of 1954, to the Secretary for the purposes of this title and title XI. The Secretary and the Secretary of the Treasury are authorized to enter into an agreement for the processing by the Secretary of information contained in returns filed pursuant to part III of subchapter A of chapter 61 of subtitle F of the Internal Revenue Code of 1954. Notwithstanding the provisions of section 6103(a) of the Internal Revenue Code of 1954, the Secretary of the Treasury shall make available to the Secretary such documents as may be agreed upon as being necessary for purposes of such processing. The Secretary shall process any withholding tax statements or other documents made available to him by the Secretary of the Treasury pursuant to this section. Any agreement made pursuant to this section shall remain in full force and effect until modified or otherwise changed by mutual agreement of the Secretary and the Secretary of the Treasury.

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INTERNAL REVENUE CODE OF 1954

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SUBTITLE D—MISCELLANEOUS EXCISE TAXES

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CHAPTER 39—REGULATORY TAXES

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SUBCHAPTER C—ADULTERATED BUTTER AND FILLED CHEESE

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[Part II—Filled Cheese

[Subpart A—Tax on Products

[SEC. 4831. IMPOSITION OF TAX.

[(a) DOMESTIC.—There shall be imposed upon all filled cheese which shall be manufactured a tax of 1 cent per pound payable by the manufacturer thereof; and any fractional part of a pound in a package shall be taxed as a pound.

[(b) IMPORTED.—There shall be imposed upon all filled cheese imported from a foreign country, in addition to any import duty imposed on the same, an internal revenue tax of 8 cents per pound; and such imported filled cheese and the packages containing the same shall be stamped, marked, and branded, as in the case of filled cheese manufactured in the United States.

[SEC. 4832. STAMPS.

[(a) METHOD OF PAYMENT.—

[(1) STAMPS.—The taxes imposed by section 4831 shall be represented by coupon stamps.

[(2) ASSESSMENT.—

For assessment in case of omitted taxes, see subtitle F.

[(b) EMPTIED PACKAGES.—Whenever any stamped package containing filled cheese is emptied, it shall be the duty of the person in whose hands the same is to destroy the stamps thereon.

[(c) OTHER STAMP PROVISIONS.—The provisions of law governing the engraving, issue, sale, accountability, effacement, and destruction of stamps relating to tobacco and snuff, as far as applicable, shall apply to stamps provided for by paragraph (1) of subsection (a).

[SEC. 4833. REQUIREMENTS APPLICABLE TO MANUFACTURERS.

[(a) PACKING REQUIREMENTS.—

[(1) MARKS, STAMPS, AND PACKAGES.—Filled cheese shall be packed by the manufacturers in wooden packages only, not before used for that purpose, and marked, stamped, and branded with the words "filled cheese" in black-faced letters not less than two inches in length, in a circle in the center of the top and bottom of the cheese; and in black-faced letters not less than two inches in length in line from the top to the bottom of the cheese, on the side in four places equidistant from each other; and the package containing such cheese shall be marked in the same manner, and in the same number of places, and in the same description of letters as above provided for the marking of the cheese; and all sales or consignments made by manufacturers of filled cheese to wholesale dealers in filled cheese or to exporters of filled cheese shall be in original stamped packages.

[(2) LABEL.—Every manufacturer of filled cheese shall securely affix, by pasting on each package containing filled cheese manufactured by him, a label on which shall be printed, besides the number of the manufactory and the district and State in which it is situated, these words: "Notice.—The manufacturer of the filled cheese herein contained has complied with all the requirements of the law. Every person is cautioned not to use either this package again or the stamp thereon again, nor to remove the contents of this package without destroying said stamp, under the penalty provided by law in such cases."

[(b) FACTORY NUMBER AND SIGNS.—Every manufacturer of filled cheese shall put up such signs and affix such number to his factory as the Secretary or his delegate may by regulation require.

[(c) BONDS.—Every manufacturer of filled cheese shall file with the official in charge of the internal revenue district in which his manufactory is located such bonds as the Secretary or his delegate may by regulation require. The bond required of such manufacturer shall be in a penal sum of not less than $5,000; and the amount of said bond may be increased from time to time, and additional sureties required, at the discretion of the Secretary or his delegate.

[SEC. 4834. REQUIREMENTS APPLICABLE TO WHOLESALE AND RETAIL DEALERS.

[(a) SIGNS.—Every wholesale dealer and every retail dealer in filled cheese shall display in a conspicuous place in his salesroom a sign bearing the words "Filled cheese sold here" in black-faced letters not less than six inches in length, upon a white ground, with the name and number of the revenue district in which his business is conducted.

[(b) SELLING REQUIREMENTS.—Retail dealers in filled cheese shall sell only from original stamped packages, and shall pack the filled cheese when sold in suitable wooden or paper packages, which shall be marked and branded in accordance with rules and regulations to be prescribed by the Secretary or his delegate.

[SEC. 4835. REPEALED.

[SEC. 4836. CROSS REFERENCES.

[For definitions, penalties, and other general and administrative provisions, see section 4846 and subtitle F.

[Subpart B—Occupational Tax

[Sec. 4841. Imposition of tax.
[Sec. 4842. Cross references.

[SEC. 4841. IMPOSITION OF TAX.

[(a) MANUFACTURERS.—Manufacturers of filled cheese shall pay a special tax of $400 a year for each and every factory.

[(b) WHOLESALE DEALERS.—

[(1) IN GENERAL.—Wholesale dealers in filled cheese shall pay a special tax of $250 a year.

[(2) MANUFACTURERS SELLING AT WHOLESALE.—Any manufacturer of filled cheese who has given the required bond and paid the required special tax, and who sells only filled cheese of his own production, at the place of manufacture, in the original packages, to which the tax-paid stamps are affixed, shall not be required to pay the special tax of a wholesale dealer in filled cheese on account of such sales.

[(c) RETAIL DEALERS.—Retail dealers in filled cheese shall pay a special tax of $12 a year.

[SEC. 4842. CROSS REFERENCES.

[(a) DEFINITIONS.—

[For definitions applicable to this subpart, see section 4846.

[(b) OTHER PROVISIONS.—

[For penalities and other general and administrative provisions applicable to this subpart, see chapter 40 and subtitle F.

[Subpart C—Definitions

[Sec. 4846. Definitions.

[SEC. 4846. DEFINITIONS.

[For the purposes of this part—

[(1) CHEESE.—The word "cheese" shall be understood to mean the food product known as cheese, and made from milk or cream and without the addition of butter, or any animal, vegetable, or other oils or fats foreign to such milk or cream, with or without additional coloring matter.

[(2) FILLED CHEESE.—Certain substances and compounds shall be known and designated as "filled cheese", namely: All substances made of milk or skimmed milk, with the admixture of butter, animal oils or fats, vegetable or any other oils, or compounds foreign to such milk, and made in imitation or semblance of cheese. Substances and compounds, consisting principally of cheese with added edible oils, which are not sold as cheese or as substitutes for cheese but are primarily useful for imparting a natural cheese flavor to other foods shall not be considered "filled cheese" within the meaning of this part.

[(3) MANUFACTURER.—Every person, firm, or corporation who manufactures filled cheese for sale shall be deemed a manufacturer of filled cheese.

[(4) WHOLESALE DEALER.—Every person, firm, or corporation who sells or offers for sale filled cheese, in the original manufacturer's packages for resale, or to retail dealers as defined in paragraph (5) shall be deemed a wholesale dealer in filled cheese.

[(5) RETAIL DEALER.—Every person who sells filled cheese at retail, not for resale, and for actual consumption, shall be regarded as a retail dealer in filled cheese.]

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SUBTITLE E—ALCOHOL, TOBACCO, AND CERTAIN OTHER EXCISE TAXES

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CHAPTER 51—DISTILLED SPIRITS, WINES, AND BEER

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SEC. 5041. IMPOSITION AND RATE OF TAX.

(a) IMPOSITION.—There is hereby imposed on all wines (including imitation, substandard or artificial wine, and compounds sold as wine) having not in excess of 24 percent of alcohol by volume, in bond in, produced in, or imported into, the United States, taxes at the rates shown in subsection (b), such taxes to be determined as of the time of removal for consumption or sale. All wines containing more than 24 percent of alcohol by volume shall be classed as distilled spirits and taxed accordingly. Still wines shall include those wines containing not more than [0.277] *0.392* gram of carbon dioxide per hundred milliliters of wine; except that the Secretary or his delegate may by regulations prescribe such tolerances to this maximum limitation as may be reasonably necessary in good commercial practice.

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SUBTITLE F—PROCEDURE AND ADMINISTRATION

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CHAPTER 61—INFORMATION AND RETURNS

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SUBCHAPTER B—MISCELLANEOUS PROVISIONS

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SEC. 6103. PUBLICITY OF RETURNS AND DISCLOSURE OF INFORMATION AS TO PERSONS FILING INCOME TAX RETURNS.

(a) * * *

* * * * * * *

(f) * * *

(g) DISCLOSURE OF INFORMATION TO SECRETARY OF HEALTH, EDUCATION, AND WELFARE.—The Secretary or his delegate is authorized to make available to the Secretary of Health, Education, and Welfare information returns filed pursuant to part III of subchapter A of chapter 61 of subtitle F for the purpose of carrying out, in accordance with an agreement entered into pursuant to section 232 of the Social Security Act, an effective information return processing program.

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CHAPTER 69—GENERAL PROVISIONS RELATING TO STAMPS

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SEC. 6808. SPECIAL PROVISIONS RELATING TO STAMPS.

For special provisions on stamps relating to—

(1) [Repealed]
(2) Cotton futures, see subchapter D of chapter 39.
(3) Distilled spirits and fermented liquors, see chapter 51.
(4) Documents and other instruments, see chapter 34.
(5) [Filled cheese, see subchapter C of chapter 39.]
(6) Machine guns and short-barrelled firearms, see chapter 53.
(7) Oleomargarine, see subchapter F of chapter 38.
(8) [Repealed]
(9) [Repealed]
(10) Process, renovated, or adulterated butter, see subchapter C of chapter 39.
(11) Tobacco, snuff, cigars and cigarettes, see chapter 52.
(12) White phosphorous matches, see subchapter B of chapter 39.

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CHAPTER 73—BONDS

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SEC. 7103. CROSS REFERENCES—OTHER PROVISIONS FOR BONDS.

(a) EXTENSIONS OF TIME.—

* * * * * * *

(d) BONDS REQUIRED WITH RESPECT TO CERTAIN PRODUCTS.—

(1) For bond in case of articles taxable under subchapter B of chapter 37 processed for exportation without payment of the tax provided therein, see section 4513(c).

(2) For bond in case of oleomargarine removed from the place of manufacture for exportation to a foreign country, see section 4593(b).

(3) For requirement of bonds with respect to certain industries see—

(A) section 4596 relating to a manufacturer of oleomargarine;

(B) section 4814(c) relating to a manufacturer of process or renovated butter or adulterated butter;

(C) [section 4833(c) relating to a manufacturer of filled cheese;]

(D) [Repealed]

(E) section 4804(c) relating to a manufacturer of white phosphorus matches.

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CHAPTER 75—CRIMES, OTHER OFFENSES, AND FORFEITURES

SUBCHAPTER A—CRIMES

* * * * * * *

Part II—Penalties Applicable to Certain Taxes

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[SEC. 7236. VIOLATION OF LAWS RELATING TO FILLED CHEESE.

[FALSE BRANDING, SALE, PACKING, OR STAMPING IN VIOLATION OF LAW.—Every person who knowingly sells or offers to sell, or delivers or offers to deliver, filled cheese in any other form than in new wooden or paper packages, marked and branded as provided for and described in section 4834(b), or who packs in any package or packages filled cheese in any manner contrary to law, or who falsely brands any package or affixes a stamp on any package denoting a less amount of tax than that required by law, shall upon conviction thereof be fined for each and every offense not less than $50 and not more than $500, or be imprisoned not less than 30 days nor more than 1 year.]

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SUBCHAPTER B—OTHER OFFENSES

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[SEC. 7266. OFFENSES RELATING TO FILLED CHEESE.

[(a) FAILURE TO PAY SPECIAL TAX.—Every person, firm, or corporation—

[(1) MANUFACTURERS.—Who carries on the business of a manufacturer of filled cheese without having paid the special tax therefor, as required by law, shall, besides being liable to the payment of the tax, be fined not less than $400 nor more than $3,000; and

[(2) WHOLESALE DEALERS.—Who carries on the business of a wholesale dealer in filled cheese without having paid the special tax therefor, as required by law, shall, besides being liable to the payment of the tax, be fined not less than $250 nor more than $1,000; and

[(3) RETAIL DEALERS.—Who carries on the business of a retail dealer in filled cheese without having paid the special tax therefor, as required by law, shall, besides being liable for the payment of the tax, be fined not less than $40 nor more than $500 for each and every offense.

[(b) OTHER OFFENSES.—Any manufacturer of filled cheese who fails to comply with the provisions of section 4833(b) and (c), or with the regulations therein authorized, shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined not less than $500 nor more than $1,000.

[(c) FAILURE OF WHOLESALE AND RETAIL DEALERS TO DISPLAY SIGNS.—Any wholesale or retail dealer in filled cheese who fails or neglects to comply with the provisions of section 4834(a) shall be deemed guilty of a misdemeanor, and shall on conviction thereof be fined for each and every offense not less than $50 and not more than $200.

[(d) OMISSION OR REMOVAL OF LABEL.—Every manufacturer of filled cheese who neglects to affix the label provided for in section 4833(a)(2) to any package containing filled cheese made by him or sold or offered for sale by or for him, and every person who removes any such label so affixed from any such package, shall be fined $50 for each package in respect to which such offense is committeed.

[(e) PURCHASING WHEN SPECIAL TAX NOT PAID.—Every person who knowingly purchases or receives for sale any filled cheese from any manufacturer or importer who has not paid the special tax provided for in section 4841 shall be liable, for each offense, to a penalty of $100.

[(f) PURCHASING WHEN NOT STAMPED, BRANDED, OR MARKED ACCORDING TO LAW.—Any person who knowingly purchases or receives for sale any filled cheese which has not been branded or stamped according to law, or which is contained in packages not branded or marked according to law, shall be liable to a penalty of $50 for each such offense.]

* * * * * * *

SUBCHAPTER C—FORFEITURES

Part I. Property subject to forfeiture.
Part II. Provisions common to forfeitures.

Part I—Property Subject to Forfeiture

* * * * * * *

SEC. 7303. OTHER PROPERTY SUBJECT TO FORFEITURE.

There may be seized and forfeited to the United States the following:

(1) COUNTERFEIT STAMPS.—Every stamp involved in the offense, described in section 7208 (relating to counterfeit, reused, cancelled, etc., stamps), and the vellum, parchment, document, paper, package, or article upon which such stamp was placed or impressed in connection with such offense.

(2) REPEALED.

(3) OFFENSES BY MANUFACTURER OR IMPORTER OF OR WHOLESALE DEALER IN OLEOMARGARINE OR ADULTERATED BUTTER.—All oleomargarine or adulterated butter owned by any manufacturer or importer of or wholesale dealer in oleomargarine or adulterated butter, or in which he has any interest as owner, if he shall knowingly or willfully omit, neglect, or refuse to do, or cause to be done, any of the things required by law in the carrying on or conducting of his business, or if he shall do anything prohibited by subchapter F of chapter 38, or subchapter C of chapter 39.

(4) PURCHASE OR RECEIPT OF [FILLED CHEESE OR] ADULTERATED BUTTER.—All articles of [filled cheese or] adulterated butter (or the full value thereof) knowingly purchased or received by any person from any manufacturer or importer who has not paid the special tax provided in section 4821 [or 4841].

(5) PACKAGES OF OLEOMARGARINE [OR FILLED CHEESE].—All packages of oleomargarine [or filled cheese] subject to the tax under subchapter F of chapter 38 [, or part II of subchapter C of chapter 39, whichever is applicable,] that shall be found without the stamps or marks provided for in [the applicable subchapter or part thereof.] *that chapter.*

(6) WHITE PHOSPHORUS MATCHES.—

(A) All packages of white phosphorus matches subject to tax under subchapter B of chapter 39 and found without the stamps required by subchapter B of chapter 39.

(B) All the white phosphorus matches owned by any manufacturer of white phosphorus matches, or any importer or exporter of matches, or in which he has any interest as owner if he shall omit, neglect, or refuse to do or cause to be done any of the things required by law in carrying on or conducting his business, or shall do anything prohibited by subchpater B of chapter 39, if there be no specfic penalty or punishment imposed by any other provision of subchapter B of chapter 39 for the neglecting, omitting, or refusing to do, or for the doing or causing to be done, the thing required or prohibited.

(7) FALSE STAMPING OF PACKAGES.—Any container involved in the offense described in section 7271 (relating to disposal of stamped packages), and of the contents of such container.

(8) FRAUDULENT BONDS, PERMITS, AND ENTRIES.—All property to which any false or fraudulent instrument involved in the offense described in section 7207 relates.

TAX REFORM ACT OF 1969

* * * * * * *

SEC. 101. PRIVATE FOUNDATIONS

(a) * * *

* * * * * * *

(l) SAVINGS PROVISIONS.—

(1) * * *

* * * * * * *

(3) SECTION 4942.—In the case of organizations organized before May 27, 1969, section 4942 shall—

(A) for all purposes other than the determination of the minimum investment return under section 4942(j)(3)(B)(ii), for taxable years beginning before January 1, 1972, apply without regard to section 4942(e) (relating to minimum investment return), and for taxable years beginning in 1972, 1973, and 1974, apply with an applicable percentage (as prescribed in section 4942(e)(3)) which does not exceed 4½ percent, 5 percent, and 5½ percent, respectively;

(B) not apply to an organization to the extent its income is required to be accumulated pursuant to the mandatory terms (as in effect on May 26, 1969, and at all times thereafter) of an instrument executed before May 27, 1969, with respect to the transfer of income producing property to such organization, except that section 4942 shall apply to such organization if the organization would have been denied exemption if section 504(a) had not been repealed by this Act, or would have had its deductions under section 642(c) limited if section 681(c) had not been repealed by this Act. In applying the preceding sentence, in addition to the limitations contained in section 504(a) or 681(c) before its repeal, section 504(a)(1) or 681(c)(1) shall be treated as not applying to an organization to the extent its income is required to be accumulated pursuant to the mandatory terms (as in effect on January 1, 1951, and at all times thereafter) of an instrument executed before January 1, 1951, with respect to the transfer of income producing property to such organization before such date, if such transfer was irrevocable on such date;

(C) apply to a grant to a private foundation described in section 4942(g)(1)(A)(ii) which is not described in section 4942(g)(1)(A)(i), pursuant to a written commitment which was binding on May 26, 1969, and at all times thereafter, as if such grant is a grant to an operating foundation (as defined in section 4942(j)(3)), if such grant is made for one or more of the purposes described in section 170(c)(2)(B) and is to be paid out to such private foundation on or before December 31, 1974;

(D) apply, for purposes of section 4942(f), in such a manner as to treat any distribution made to a private foundation in redemption of stock held by such private foundation in a business enterprise as not essentially equivalent to a dividend under section 302(b)(1) if such redemption is described in paragraph (2)(B) of this subsection; [and]

(E) not apply to an organization which is prohibited by its governing instrument or other instrument from distributing capital or corpus to the extent the requirements of section 4942 are inconsistent with such prohibition.

With respect to taxable years beginning after December 31, 1971, subparagraphs (B) and (E) shall apply only during the pendency of any judicial proceeding by the private foundation which is necessary to reform, or to excuse such foundation from compliance with, its governing instrument or any other instrument (as in effect on May 26, 1969) in order to comply with the provisions of section 4942, and in the case of subparagraph (B) for all periods after the termination of such judicial proceeding during which the governing instrument or any other instrument does not permit compliance with such provisions[.]; *and*

(F) apply, in the case of an organization described in paragraph (4)(A) of this subsection,

(i) by applying section 4942(e) without regard to the stock to which paragraph (4)(A)(ii) of this subsection applies,

(ii) by applying section 4942(f) without regard to dividend income for such stock, and

(iii) by defining the distributable amount as the sum of the amount determined under section 4942(d) (after application of clauses (i) and (ii)), and the amount of the dividend income from such stock.

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93D CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 93-1400

EXTENDING THE TEMPORARY SUSPENSION OF DUTY ON CERTAIN BICYCLE PARTS AND ACCESSORIES

OCTOBER 1, 1974.—Ordered to be printed

Mr. MILLS, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H.R. 6642]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 6642) to suspend the duties of certain bicycle parts and accessories until the close of December 31, 1976, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, 3, and 4, and agree to the same.

The committee of conference report in disagreement the amendments of the Senate numbered 5, 6, 7, 8, and 9, and the amendment of the Senate to the title of the bill.

W. D. MILLS,
AL ULLMAN,
JAMES A. BURKE,
H. T. SCHNEEBELI,
HAROLD R. COLLIER,
Managers on the Part of the House.

RUSSELL LONG,
HERMAN E. TALMADGE,
WALLACE F. BENNETT,
Managers on the Part of the Senate.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 6642) to suspend the duties of certain bicycle parts and accessories until the close of December 31, 1976, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

Amendments Nos. 1, 2, 3, and 4: The House bill extends the existing suspension of duties on certain bicycle parts and accessories from January 1, 1974, until the close of December 31, 1976. Senate amendments numbered 1, 2, 3, and 4 make conforming changes to the House provisions. The House recedes with respect to these amendments.

Amendment No. 5: The Senate amendment added a new section 2 to the bill. Since enactment of the 1969 Tax Reform Act, the Internal Revenue Service has, by administrative determination, provided a moratorium with respect to the application of the new moving expense rules to members of the armed services. The most recent extension of the IRS moratorium is to expire at the end of the present Congress. Senate amendment numbered 5 extends this moratorium until January 1, 1975, to permit a staff study to be made of possible legislative solutions pertaining to the difficulties presented.

This amendment is reported in technical disagreement. The managers on the part of the House will offer the following motion:

That the House recede from its disagreement to Senate amendment numbered 5, and agree to the same with the following amendments:

(1) On page 1 of the Senate engrossed amendments, in the seventh line from the bottom strike out "Section 22" and insert "Section 82".

(2) On page 2 of the Senate engrossed amendments, strike out "Secretary of Defense" each place it appears and insert "Secretary concerned".

(3) On page 2 of the Senate engrossed amendments, strike out "uniformed services" each place it appears and insert "armed forces".

(4) On page 2 of the Senate engrossed amendments, strike out lines 18 through 23, and insert the following:

"(b) Definitions.—For purposes of this section, the term—

"(1) 'armed forces' has the meaning given it by section 101(4) of title 37, United States Code;

"(2) 'Secretary concerned' means the Secretary of Defense and, with respect to the Coast Guard, the Secretary of Transportation; and

"(3) 'adjusted gross income' and 'moving expenses' have the meanings given them by sections 62 and 217(b), respectively, of the Internal Revenue Code of 1954".

(5) On page 3, line 2, of the Senate engrossed amendments strike out "1975" and insert "1976".

The House amendments to Senate amendment numbered 5 extend the moratorium with respect to the application to military personnel of the moving expense rules adopted in the Tax Reform Act of 1969 until January 1, 1976, and make it clear that this moratorium also applies to the Coast Guard as well as other branches of the armed services.

The managers on the part of the Senate will move to agree to the amendments of the House to Senate amendment numbered 5.

Amendment No. 6: The Senate amendment repeals the tax and other regulatory provisions relating to filled cheese which are in the Internal Revenue Code.

This amendment is reported in technical disagreement.

The managers on the part of the House will offer the following motion:

That the House recede from its disagreement to Senate amendment numbered 6 and agree to the same with the following amendments:

(1) On page 4 of the Senate engrossed amendments between lines 13 and 14 insert the following:

> (8) Section 7641 (relating to supervision of operations of certain manufacturers) is amended by striking out "filled cheese,".

(2) On page 4 of the Senate engrossed amendments after line 16, insert the following:

(d) Amendment of Internal Revenue Code.—Whenever an amendment in this section 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.

The effect of this motion is that the House recedes from its disagreement to the Senate amendment, and agrees to the same with technical amendments.

The managers on the part of the Senate will move to agree to the amendments of the House to Senate amendment numbered 6.

Amendment No. 7: The Senate amendment permits private foundations whose assets are largely invested in the stock of a multistate regulated company (which investment represents 90 percent or more of the stock of the company) to exclude the value of this stock in computing the amount of their required charitable distributions under the private foundation provisions. This amendment is designed to permit the retention of 51 percent of the stock of the company in cases of this type by permitting such investments to be ignored in applying the charitable distribution provisions.

This amendment is reported in technical disagreement.

The managers on the part of the House will offer a motion that the House recede from its disagreement to Senate amendment numbered 7 and agree to the same.

Amendment No. 8: Senate amendment numbered 8 added a new section 5 to the bill designed to make it possible to establish a system of combined annual reporting of Social Security and income tax which would replace present procedures which require that employers make quarterly reports of the wages paid to employees which are subject to Social Security.

This amendment is reported in technical disagreement.

The managers on the part of the House will offer the following motion:

That the House recede from its disagreement to the Senate amendment numbered 8, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment, insert the following:

Sec. 5. Study of Combined Annual Reporting for Social Security and Income Tax Purposes.

The Secretary and the Secretary of Health, Education, and Welfare shall (1) study the desirability and feasibility of instituting a system of combined social security-income tax reporting on an annual basis, and the effect of such a system on social security beneficiaries, on the costs to employers and to the social security program, and on the administration of such program, and (2) submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate, no later than December 31, 1974, a joint report of the results of such study containing their recommendations as to the provisions, procedures, and requirements which might be included in such a system and the manner in which it might be put into effect.

The managers on the part of the Senate will move to agree to the amendment of the House to Senate amendment numbered 8.

The managers note that the Senate amendment was not intended to affect in any way the reporting of wages to the Department of Health, Education, and Welfare by State and local Governments which have elected Social Security coverage for their employees, and express their understanding that the joint study will not recommend any change with respect to the reporting of such wages.

Amendment No. 9: The Senate amendment increases the amount of carbon dioxide that may be contained in still wines from 0.277 to 0.392 grams per 100 milliliters of wine. This increase is intended to improve the shelf life of wines with low alcoholic content by permitting the addition of a little more carbon dioxide.

This amendment is reported in technical disagreement.

The managers on the part of the House will offer a motion that the House recede from its disagreement to Senate amendment numbered 9, and agree to the same.

Amendment to title:

The managers on the part of the House will offer a motion that the House recede from its disagreement to the amendment of the Senate to the title of the bill and agree to the same.

W. D. Mills,
Al Ullman,
James A. Burke,
H. T. Schneebeli,
Harold R. Collier,
Managers on the Part of the House.

Russell B. Long,
Herman E. Talmadge,
Wallace F. Bennett,
Managers on the Part of the Senate.

○

H. R. 6642

Ninety-third Congress of the United States of America

AT THE SECOND SESSION

Begun and held at the City of Washington on Monday, the twenty-first day of January, one thousand nine hundred and seventy-four

An Act

To suspend the duties on certain bicycle parts and accessories until the close of December 31, 1976, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) items 912.05 and 912.10 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) are each amended by striking out "12/31/73" and inserting in lieu thereof "12/31/76".

(b) The amendments made by this section shall apply with respect to articles entered, or withdrawn from warehouse, for consumption after December 31, 1973.

SEC. 2. APPLICATION OF SECTION 82 AND SECTION 217 TO MEMBERS OF UNIFORMED SERVICES.

(a) IN GENERAL.—Notwithstanding the provisions of section 82 (relating to reimbursement for expenses of moving) and section 217 (relating to moving expenses), of the Internal Revenue Code of 1954, the Secretary of the Treasury, in the administration of those sections, is authorized—

(1) to enter into an agreement with the Secretary concerned under which the Secretary concerned will not be required to withhold tax on, or to report, moving expense reimbursements made to members of the armed forces;

(2) to permit any taxpayer who is a member of the armed forces not to include in adjusted gross income the amount of any reimbursement in kind of moving expenses made by the Secretary concerned; and

(3) to permit any taxpayer who is a member of the armed forces to deduct any amount paid by him as moving expenses in connection with any move required by the Secretary concerned, in excess of any reimbursement received for such expenses, without regard to the provisions of section 217(c) (relating to conditions), to the extent it is otherwise deductible under section 217.

(b) DEFINITIONS.—For purposes of this section, the term—

(1) "armed forces" has the meaning given it by section 101(4) of title 37, United States Code;

(2) "Secretary concerned" means the Secretary of Defense and, with respect to the Coast Guard, the Secretary of Transportation; and

(3) "adjusted gross income" and "moving expenses" have the meanings given them by sections 62 and 217(b), respectively, of the Internal Revenue Code of 1954.

(c) EFFECTIVE DATE.—The provisions of this section shall apply with respect to taxable years ending before January 1, 1976.

SEC. 3. REPEAL OF REGULATORY TAXES ON FILLED CHEESE.

(a) IN GENERAL.—

(1) Part II of subchapter C of chapter 39 (relating to regulatory provisions affecting filled cheese) is repealed.

(2) The table of parts of such subchapter is amended by striking out the item relating to part II.

(b) TECHNICAL AND CONFORMING CHANGES.—

(1) Section 7236 (relating to false branding, etc.) is repealed.

(2) The table of sections of part II of subchapter A of chapter 75 is amended by striking out the item relating to section 7236.

(3) Section 7266 (relating to offenses relating to filled cheese) is repealed.

(4) The table of sections of subchapter B of chapter 75 is amended by striking out the item relating to section 7266.

(5) Section 7303 (relating to property subject to forfeiture) is amended by striking out paragraphs (4) and (5) and inserting in lieu thereof the following:

"(4) PURCHASE OR RECEIPT OF ADULTERATED BUTTER.—All articles of adulterated butter (or the full value thereof) knowingly purchased or received by any person from any manufacturer or importer who has not paid the special tax provided in section 4821.

"(5) PACKAGES OF OLEOMARGARINE.—All packages of oleomargarine subject to the tax under subchapter F of chapter 38 that shall be found without the stamps or marks provided for in that chapter.".

(6) Section 6808 (relating to cross references) is amended by striking out paragraph (5).

(7) Section 7103(d)(3) (relating to cross references) is amended by striking out subparagraph (C).

(8) Section 7641 (relating to supervision of operations of certain manufacturers) is amended by striking out "filled cheese,".

(c) EFFECTIVE DATE.—The repeals and amendments made by this section shall apply to filled cheese manufactured, imported, or sold after the date of enactment of this Act.

(d) AMENDMENT OF INTERNAL REVENUE CODE.—Whenever an amendment in this section 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.

SEC. 4. APPLICATION OF SECTION 4942 TAX ON FAILURE TO DISTRIBUTE INCOME.

(a) IN GENERAL.—Section 101(l)(3) of the Tax Reform Act of 1969 (relating to savings provisions under section 4942 of the Internal Revenue Code of 1954) is amended by—

(1) striking out "and" in subparagraph (D),

(2) striking out the period at the end of subparagraph (E) and inserting in lieu thereof "; and", and

(3) adding after subparagraph (E) the following new subparagraph:

"(F) apply, in the case of an organization described in paragraph (4)(A) of this subsection,

"(i) by applying section 4942(e) without regard to the stock to which paragraph (4)(A)(ii) of this subsection applies,

"(ii) by applying section 4942(f) without regard to dividend income for such stock, and

"(iii) by defining the distributable amount as the sum of the amount determined under section 4942(d) (after the application of clauses (i) and (ii)), and the amount of the dividend income from such stock.".

(b) The amendment made by this section shall apply to taxable years beginning after December 31, 1971.

SEC. 5. STUDY OF COMBINED ANNUAL REPORTING FOR SOCIAL SECURITY AND INCOME TAX PURPOSES.

The Secretary and the Secretary of Health, Education, and Welfare shall (1) study the desirability and feasibility of instituting a system of combined social security-income tax reporting on an annual basis, and the effect of such a system on social security beneficiaries, on the costs to employers and to the social security program, and on the administration of such program, and (2) submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate, no later than December 31, 1974, a joint report of the results of such study containing their recommendations as to the provisions, procedures, and requirements which might be included in such a system and the manner in which it might be put into effect.

SEC. 6. IMPOSITION AND RATE OF TAX ON STILL WINES.

(a) IN GENERAL.—The last sentence of section 5041(a) of the Internal Revenue Code of 1954 (relating to tax on wines) is amended by striking out "0.277" and inserting in lieu thereof "0.392".

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on the first day of the first calendar month which begins more than 90 days after the date of enactment of this Act.

Speaker of the House of Representatives.

Vice President of the United States and
President of the Senate.

October 17, 1974

Dear Mr. Director:

The following bills were received at the White House on October 17th:

S.J. Res. 236	S. 2840	H.R. 7768	H.R. 14225
S.J. Res. 250	S. 3007	H.R. 7780	H.R. 14597
S.J. Res. 251	S. 3234	H.R. 11221	H.R. 15148
S. 355	S. 3473	H.R. 11251	H.R. 15427
S. 605	S. 3698	H.R. 11452	H.R. 15540
S. 628	S. 3792	H.R. 11830	H.R. 15643
S. 1411	S. 3838	H.R. 12035	H.R. 16857
S. 1412	S. 3979	H.R. 12281	H.R. 17027
S. 1769	H.R. 6624	H.R. 13561	
S. 2348	H.R. 6642	H.R. 13631	

Please let the President have reports and recommendations as to the approval of these bills as soon as possible.

Sincerely,

Robert D. Linder
Chief Executive Clerk

The Honorable Roy L. Ash
Director
Office of Management and Budget
Washington, D. C.