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APPROVED
OCT 20 1976

8 10/20/76

THE WHITE HOUSE

ACTION

WASHINGTON

October 19, 1976

Last Day: October 20

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON *J. Cannon*

SUBJECT: H.R. 7228 - Tax Code Amendments

Posted 10/21/76

Archives 10/21/76

Attached for your consideration is H.R. 7228, sponsored by Representative Duncan.

The enrolled bill would:

- expand the definition of the form of stamp authorized as evidence of tax payment on distilled spirits containers to include "other devices" in addition to the paper strip stamp now allowed. Recent technological advances indicate that it may be cheaper for the Federal Government and simpler for the distillers to use metallic strips or other non-paper strips.
- extend for one additional year, certain tax provisions which grant special benefits for members of the Armed Forces or civilian employees of the U.S. who are missing in action or hospitalized as a result of the Vietnam conflict.
- amend the Social Security Act to authorize the payment of SSI benefits for up to three months to presumptively blind applicants.
- amend the Social Security Act to require the exclusion of the value of an individual's home for purposes of determining his eligibility for SSI benefits.

Additional information is provided in OMB's enrolled bill report at Tab A.

OMB, Max Friedersdorf, Counsel's Office (Lazarus), Bill Seidman Alan Greenspan, NSC and I recommend approval of the enrolled bill.

RECOMMENDATION

That you sign H.R. 7228 at Tab B.





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

OCT 14 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 7228 - Tax Code Amendments
and Supplemental Security Income (SSI)
Program Amendments
Sponsor - Rep. Duncan (R) Tennessee

Last Day for Action

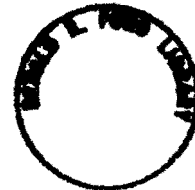
October 20, 1976 - Wednesday

Purpose

To permit the use of devices other than stamps on containers of distilled spirits as evidence of tax payment; to extend certain tax benefits for United States civilian and military employees missing in action (MIA's) in, or hospitalized as a result of, the Vietnam conflict; and to provide presumptive SSI eligibility for blind applicants and to exclude home value in determining SSI eligibility.

Agency Recommendations

Office of Management and Budget	Approval
Department of the Treasury	Approval
Department of Defense	Approval (Informally)
Department of Health, Education and Welfare	Approval of SSI provisions otherwise defers to Treasury (Informally)
Department of Commerce	No objection



Discussion

Devices other than tax stamps

Current law permits only the use of what is commonly known as a "strip stamp" as evidence of the payment of tax on distilled spirits containers. Strip stamps are made of paper by the Treasury's Bureau of Engraving and Printing, and attached to alcoholic containers in such a manner that they will break, and be voided, when the bottle is opened.

Recent technological advances indicate that it may be cheaper for the Federal Government and simpler for distillers to use metallic strips or other non-paper strips as evidence of tax payment on distilled spirits.

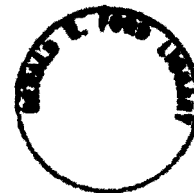
The enrolled bill would expand the current definition of the form of stamp authorized as evidence of tax payment to include "other devices" in addition to the paper strip stamp now allowed.

Because the Federal Government does not now possess the facilities for printing or stamping metallic strips or other non-paper strips, the enrolled bill also would permit the Secretary of the Treasury to authorize other persons to prepare and distribute metallic and other non-paper stamp strips.

Extension of Tax Benefits for MIA's and Others

The enrolled bill would extend for one additional year certain tax provisions which grant special benefits for members of the Armed Forces or civilian employees of the United States who are missing in action or hospitalized as a result of the Vietnam conflict.

Under current law, January 2, 1977, is the last date that an MIA may be treated as having died for the purpose of determining the special tax rate applicable to the surviving spouse. The enrolled bill would extend that date until January 2, 1978.



Similarly, H.R. 7228 would extend for one year, to the same date, the period during which

- certain compensation of a member of the Armed Forces, hospitalized as a result of wounds or injuries incurred in the Vietnam combat zone, is excluded from gross income.
- the death of an MIA may result in the forgiveness of income taxes for the years after the one first served in the Vietnam combat zone through the taxable year in which the MIA was determined to have died.
- the spouse of an MIA may elect to file a joint return.
- the spouse of an individual serving in, or in support of, the Armed Forces in the Vietnam combat zone is entitled to postpone certain acts required by the Tax Code, including the filing of income tax returns.

The Department of Defense submitted legislation to the Congress requesting a two-year extension, to January 2, 1979, of the above provisions. Notwithstanding the enrolled bill's extension of only one year, Defense recommends approval of H.R. 7228.

Amendments to the Supplemental Security Income (SSI) Program

Section 4 of the enrolled bill would amend the Social Security Act to authorize the payment of SSI benefits for up to three months to presumptively blind applicants. This provision is identical to an Administration proposal.

Present law authorizes such payments only to presumptively disabled applicants. The authority to pay SSI benefits to presumptively blind individuals would enable them to begin receiving assistance without having to await a final determination of their blindness.

The Department of Health, Education, and Welfare believes it is appropriate that blind and disabled individuals be treated equally for purposes of the SSI program, and therefore supports this section. The annual cost of this provision is approximately \$2 million.

Section 5 would amend the Social Security Act to require the exclusion of the value of an individual's home for purposes of determining his eligibility for SSI benefits. Present law precludes eligibility for SSI benefits if an individual owns a home which exceeds the amount the Secretary of Health, Education, and Welfare determines to be reasonable. The Department of Health, Education, and Welfare regulations set the maximum value of a home at \$25,000.

The Department of Health, Education, and Welfare supports this section. The Department believes that an arbitrary limit on the value of an owner occupied home results in inequities because of the variations in property values across the country, the variations in methods of valuation for tax purposes, and the effects of inflation.

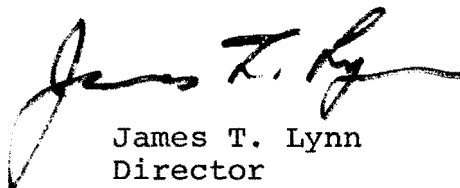
Many older people live in housing purchased at a fairly modest price thirty or more years ago. In today's market, this housing would cost substantially more than when first purchased, and more than such individuals could currently afford. HEW believes it is highly unfair to, in effect, require any such individual, if his house is worth over \$25,000, to sell his home and spend all the income from the sale before he can be eligible for SSI when, in fact, it is likely that his replacement housing will cost more on a monthly basis than the housing he was required to sell.

Although the cost of this provision would be \$10 million in fiscal year 1977, and about \$30 million in each fiscal year thereafter, HEW believes some of this cost will be offset by savings in administrative costs.

We have some concerns about this provision, as follows:

- Some elderly, blind, and disabled persons living in homes currently of high value would be eligible for SSI.
- Some potential beneficiaries might seek to convert their liquid assets into homes and gain SSI eligibility.
- Exclusion of the value of a home in determining eligibility might establish an undesirable precedent for future welfare programs.

However, we believe that these concerns are outweighed by the benefits of the bill and, accordingly, we recommend approval.



James T. Lynn
Director

Enclosures

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: October 15

Time: 200pm

FOR ACTION: Paul Leech *aa* cc (for information): Jack Marsh
 NSC/S *sh* Ed Schmults
 Max Friedersdorf *mm* Alan Greenspan *ee* Steve McConahey *hje*
 Bobbie Kilberg *on* Spencer Johnson *at* Mike Duval
 Bill Seidman *aa*

FROM THE STAFF SECRETARY

DUE: Date: October 18

Time: 200pm

SUBJECT:

H.R. 7228-Tax Code Amendments

ACTION REQUESTED:

- | | |
|---|---|
| <input type="checkbox"/> For Necessary Action | <input type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply |
| <input checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks |

REMARKS:

please return to judy johnston, ground floor westwing

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



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OCT 15 1976

The Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D. C. 20503

Dear Mr. Lynn:

This is in response to your request for a report on H.R. 7228, an enrolled bill "To amend the Internal Revenue Code of 1954 to permit the authorization of means other than stamps on containers of distilled spirits as evidence of tax payment, to provide an extension of certain provisions relating to members of the Armed Forces missing in action, and for other purposes."

In short, we favor enactment of sections 4 and 5 of the enrolled bill, the only two sections of interest to this Department, and we defer to the Department of the Treasury regarding the other sections of the bill.

Section 4 of the enrolled bill would amend section 1631 of the Social Security Act to authorize the payment of supplemental security income (SSI) benefits for up to three months to presumptively blind applicants. Current law authorizes such payments only to presumptively disabled applicants. This provision is identical to a provision in the Administration's draft bill, the "Social Security Amendments of 1975", which was submitted to the Congress on July 2, 1975. The authority to pay SSI benefits to presumptively disabled individuals enables those individuals to begin receiving the financial assistance they need without having to await a final determination of disability. We believe it is appropriate that blind and disabled individuals be treated equally for purposes of the SSI program, and we therefore recommend enactment of this section. The cost of this provision is an estimated \$1.8 million in fiscal year 1977, and approximately \$2 million in each fiscal year thereafter.

Section 5 of the enrolled bill would amend section 1613 of the Social Security Act to require the exclusion of the value of an individual's home for purposes of determining his eligibility for SSI benefits. Currently, section 1613(a)(1) of the Social Security Act requires, when determining the resources of an individual for purposes of the SSI program, the exclusion of the value of the individual's home to the extent that it does not exceed an amount which the Secretary determines to be reasonable. Regulations of the Department provide, generally, for the exclusion of a home valued at \$25,000 or less.

The Department believes that an arbitrary limit on the value of an owner occupied home results in inequities because of the variations in property values across the country, the variations in methods of valuation for tax purposes, and the effects of inflation. Many older people live in housing purchased at a fairly modest price thirty or more years ago. As a result of rapidly increasing construction costs, such housing may, in today's market, cost substantially more than when first purchased, and more than such individuals could currently afford to purchase. It is highly unfair to, in effect, require any such individual, if his house is worth over the limit set by regulation, either to sell his home and spend all the income from the sale before he can be eligible for SSI when, in fact, it is likely that his replacement housing will cost more on a monthly basis than the housing he was required to sell, or to purchase a home valued at such limit or less which may cause a considerable disruption in the life of the individual.

The Congress has made clear, over the past year, its desire to address the inequities of the current provision of law. Of the alternatives which have been considered (one which would have taken into account regional variations in the value of housing was, in fact, passed by the Senate) we believe section 5 of the enrolled bill provides the best approach. It would allow for administrative simplification and a better public understanding of the program. The cost of this provision would be \$10 million in fiscal year 1977, and about \$30 million in each fiscal year thereafter.

The Honorable James T. Lynn

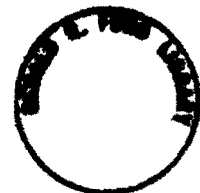
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Although we are not in a position to assess the overall desirability of the enrolled bill and defer to the Department of the Treasury on the remaining provisions of the bill, we favor enactment of the two provisions of interest to this Department.

Sincerely,

Hajime Lynch

Under Secretary



DEPARTMENT OF THE AIR FORCE
WASHINGTON, D.C. 20330



OFFICE OF THE SECRETARY

18 OCT 1976

Dear Mr. Director:

Reference is made to your request to the Secretary of Defense for the views of the Department of Defense with respect to H.R. 7228, 94th Congress, an enrolled bill "To amend the Internal Revenue Code of 1954 to permit the authorization of means other than stamp on container of distilled spirits as evidence of tax payment, to provide an extension of certain provisions relating to members of the Armed Forces missing in action, and for other purposes." The Secretary of Defense has delegated to the Department of the Air Force the responsibility for expressing the views of the Department of Defense.

The purpose of section 1 of H.R. 7228 is to amend 26 U.S.C. 5205(h) to permit the Secretary of the Treasury to prescribe by regulation the use of "other device(s)" to reflect payment of tax due on containers of distilled spirits. Section 2 of the enrolled enactment would amend 26 U.S.C. 6801(b) to permit persons authorized by the Secretary of the Treasury to prepare and distribute stamps required or prescribed pursuant to sections 5205 or 5235 of title 26 subject to such controls as the Secretary may deem necessary. Sections 4 and 5 of the enrolled enactment are amendment to sections 1631 and 1613 of the Social Security Act. The Department of the Air Force, on behalf of the Department of Defense, defers to other executive agencies with respect to the impact and desirability of these provisions.

Section 3 of H.R. 7228 incorporates as an amendment the text of H.R. 15557, 94th Congress, as passed by the House of Representatives, which would extend for an additional year certain tax benefits presently accorded members of the Armed Forces of the United States and civilian employees of the government who are missing in action or hospitalized as a result of wounds, disease, or injury incurred in the Vietnam conflict. As originally introduced at the behest of the Department of Defense, the



extension would have been applicable to tax years beginning prior to January 3, 1979. As amended by the House Ways and Means Committee, H.R. 15557 would have extended the special tax provisions relating to personnel missing in action only with respect to tax years commencing prior to January 3, 1978. Section 3 of H.R. 7228 contains a similar one year extension.

This extension was premised on the assumption that status determinations would commence once the House Select Committee on Missing in Action in Southeast Asia had submitted its final report. The Department of Defense believes that these determinations can be completed within the time frame provided by H.R. 7228 and does not contemplate the necessity for any further extensions in the future.

In summary, H.R. 7228 would extend for one additional year --

- The period during which the surviving spouse of an individual who dies while in a missing in action status may file a joint return.
- The period during which a surviving spouse may benefit from the abatement of taxes upon a determination that a military member or civilian employee has died while in a missing in action status.
- The combat zone exemption with respect to pay accruing to military members or civilian employees who are being carried in a missing in action status.
- The combat zone exemption with respect to military pay received while an individual is hospitalized as a result of wounds, disease, or injury incurred during the Vietnam war.
- The period of time during which a surviving spouse or any member hereafter repatriated may postpone filing an application for a tax refund or commencing certain other tax actions in the courts.

From the standpoint of basic fairness, the Department of Defense believes that the 769 military members and 19 civilians presently missing in action and their dependents

should be accorded the same tax treatment with respect to status changes as that granted personnel in connection with prior status adjudications. For these reasons, the Department of the Air Force, on behalf of the Department of Defense, strongly recommends that the President approve this enrolled bill.

The Department of Defense defers to the Department of the Treasury as to the anticipated revenue impact associated with the enactment of H.R. 7228.

This report has been coordinated within the Department of Defense in accordance with procedures prescribed by the Secretary of Defense.

Sincerely,



Nita Ashcraft
Assistant Secretary of the Air Force
Manpower and Reserve Affairs

Honorable James T. Lynn
Director
Office of Management and Budget



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

10/20

To: J. Johnston
10-15-76
1:30 P.M.

OCT 14 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 7228 - Tax Code Amendments
and Supplemental Security Income (SSI)
Program Amendments
Sponsor - Rep. Duncan (R) Tennessee

Last Day for Action

October 20, 1976 - Wednesday

Purpose

To permit the use of devices other than stamps on containers of distilled spirits as evidence of tax payment; to extend certain tax benefits for United States civilian and military employees missing in action (MIA's) in, or hospitalized as a result of, the Vietnam conflict; and to provide presumptive SSI eligibility for blind applicants and to exclude home value in determining SSI eligibility.

Agency Recommendations

Office of Management and Budget

Approval

Department of the Treasury
Department of Defense
Department of Health, Education
and Welfare

Approval
Approval (Informally)

Department of Commerce

Approval of SSI provisions otherwise defers to Treasury (Informally)
No objection

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

October 20, 1976

MEMORANDUM FOR JAMES M. CANNON

FROM: ALAN GREENSPAN

This is in response to your request for the views of the Council of Economic Advisers on enrolled bill H.R. 7228, a bill "to amend the Internal Revenue Code of 1954."

This bill would:

- (1) permit the use of devices other than stamps on alcoholic beverage containers as evidence of tax payment;
- (2) extend certain tax benefits for an additional year (through 1977) to military and civilian personnel missing in action or hospitalized as a result of the Vietnam war; and
- (3) authorize payment of Supplemental Security Income (SSI) benefits to presumptively blind applicants, and exclude the value of an individual's home in determining eligibility for SSI benefits.

My only reservation with regard to this bill concerns the exclusion of the value of an individual's home in determining eligibility for SSI. While the object is to ease the burden on individuals with substantial equity tied up in a home but whose current income is modest, the purpose would be better served by increasing the maximum value of a home which precludes eligibility (it is now \$25,000). In this way, the inflation of property values would be partially taken into account, but the benefit would not accrue to those whose homes are worth substantially more than \$25,000, and whose need for SSI is not so great. Moreover, the potential revenue loss would not be so large.

With this exception, I endorse the other provisions of the bill. Therefore the Council of Economic Advisers does not object to approval of H. R. 7228.





THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON, D. C. 20220

OCT 12 1978

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

Attention: Assistant Director for Legislative
Reference

Sir:

This report responds to your request for the views of this Department on the enrolled enactment of H.R. 7228, "To amend the Internal Revenue Code of 1954 to permit the authorization of means other than stamp on containers of distilled spirits as evidence of tax payment, to provide an extension of certain provisions relating to members of the Armed Forces missing in action, and for other purposes." The Department is interested in the first three sections of the enrolled bill.

The first section would amend section 5205(h) of the Internal Revenue Code of 1954 (Code) to permit the authorization of means other than stamps on containers of distilled spirits as evidence of tax payment.

Section 2 would amend section 6801(b) of the Code which currently restricts the preparation and distribution of stamps to the Secretary of the Treasury or his delegate to provide that the Secretary is to prescribe whatever controls are necessary for the protection of the revenue when authorizing persons outside of the Government to prepare and distribute stamps or other devices for evidence of tax payment on containers of distilled spirits.

The Department favors these provisions.

The Department has no objection to section 3 of the enrolled enactment which would extend certain provisions of the Code relating to the Vietnam conflict for one year until January 2, 1978.

In view of the foregoing, the Department recommends that the enrolled enactment be approved by the President.

Sincerely yours,

General Counsel
Richard R. Albrecht



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

OCT 8 1976

Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D. C. 20503

Attention: Assistant Director for Legislative Reference

Dear Mr. Lynn:

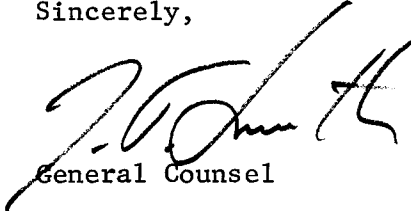
This is in reply to your request for the views of this Department concerning H.R. 7228, an enrolled enactment

"To amend the Internal Revenue Code of 1954 to permit the authorization of means other than stamp on containers of distilled spirits as evidence of tax payment, to provide an extension of certain provisions relating to members of the Armed Forces missing in action, and for other purposes."

The Department of Commerce has no objection to approval of H.R. 7228 by the President.

Enactment of this legislation would require no expenditure of funds by this Department.

Sincerely,


General Counsel



REFD

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: October 15

Time: 200pm

FOR ACTION: Paul Leach
NSC/S
Max Friedersdorf
Bobbie Kilberg
Bill Seidman

cc (for information): Jack Marsh
Ed Schmults
Alan Greenspan
Steve McConahey
Spencer Johnson
Mike Duval

FROM THE STAFF SECRETARY

DUE: Date: October 18

Time: 200pm

SUBJECT:

H.R. 7228-Tax Code Amendments

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

Approved
JRS

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

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: October 15

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ACTION: Paul Leach
NSC/S
Max Friedersdorf
Bobbie Kilberg
Bill Seidman

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FROM THE STAFF SECRETARY

DUE: Date: October 18

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SUBJECT:

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ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

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Sign
M. Duval

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K. R. COLE, JR.
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: October 15

Time: 200pm

FOR ACTION: Paul Leach cc (for information): Jack Marsh
 NSC/S Ed Schmults
 Max Friedersdorf Alan Greenspan Steve McConahey
 Bobbie Kilberg Spencer Johnson Mike Duval
 Bill Seidman

FROM THE STAFF SECRETARY

DUE: Date: October 18

Time: 200pm

SUBJECT:

H.R. 7228-Tax Code Amendments

ACTION REQUESTED:

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

REMARKS:

please return to judy johnston, ground floor west wing

Recommend approval.

Eruf

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K. R. COLE, JR.
For the President

THE WHITE HOUSE

ACTION M RANDUM

WASHINGTON

LOG NO.:

Date: Oct r 15

Time: 200pm

FOR ACTION: Paul Leach
NSC/S
Max Friedersdorf
Bobbie Kilberg
Bill Seidman

cc (for information): Jack Marsh
Ed Schmults
Alan Greenspan
Steve McConahey
Spencer Johnson
Mike Duval

FROM THE STAFF SECRETARY

DUE: Date: October 18

Time: 200pm

SUBJECT:

H.R.7228-Tax Code Amendments

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

① Sarah - I encum w/ approval, but since
this is in your area you should have
sent sign off. Sep

Recommend approval
SCM
10-15-76

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

MEMORANDUM

5779

NATIONAL SECURITY COUNCIL

October 18, 1976

MEMORANDUM FOR: JAMES M. CANNON
FROM: Jeanne W. Davis *JWD*
SUBJECT: H. R. 7228

The NSC Staff concurs in the proposed enrolled bill H. R. 7228 -
Tax Code Amendments.

DEVICES OTHER THAN STAMPS ON DISTILLED SPIRITS CONTAINERS AS EVIDENCE OF TAX PAYMENTS

APRIL 29, 1976.—Committed to the Committee of the Whole House on the
State of the Union and ordered to be printed.

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

REPORT

[To accompany H.R. 7228]

The Committee on Ways and Means, to whom was referred the bill (H.R. 7228) to amend the Internal Revenue Code of 1954 to permit the authorization of means other than stamps on containers of distilled spirits as evidence of tax payment, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Page 1, line 5, strike out "stamps" and insert in lieu thereof "stamp".

I. SUMMARY

The bill (H.R. 7228) relates to the means used as evidence of tax payment for containers of distilled spirits. Under present law, containers of distilled spirits must have a stamp as evidence of the payment of the Federal excise tax. The bill permits the Treasury Department to authorize the use of means other than stamps as evidence of this tax payment. The bill also allows the Secretary of the Treasury to authorize persons outside the Treasury Department to prepare and distribute the stamps or other devices that may be used, which is to be done only under such controls as are necessary to protect Federal revenues.

II. GENERAL STATEMENT

Present law

Under present law, evidence of the payment of the Federal excise tax on distilled spirits is required to be demonstrated by attaching to

the container what is commonly known as a "strip stamp." This is a paper stamp that is attached to the container in such a manner that it will be broken (thereby voiding it) upon opening the container. (See especially secs. 5205 and 5235 of the Internal Revenue Code of 1954.) Present law (sec. 6801) restricts the preparation and distribution of the strip stamps to the Treasury Department. The stamps are now made by the Bureau of Engraving and Printing.

Reasons for change

Recent developments in the technology of bottle and container closures indicate that it may become simpler for distillers and less costly to the Federal Government in the future to use devices other than paper stamps as evidence of payment of the excise tax on distilled spirits. For example, the evidence of this tax payment might be printed on a metallic strip used to form the closure on a bottle; this strip also would be broken and thereby voided when the bottle is opened. The printing costs are to be borne by the parties who are authorized to print such stamps.

If the Treasury Department considers using means or devices other than a paper stamp as evidence of the tax payment, there may be a problem in providing the other means or devices. The paper stamps now are provided by the Bureau of Engraving and Printing, which is geared to printing on paper. That Bureau and other agencies of the Federal Government are not now equipped to process other materials for use as evidence of tax payment.

In order to permit the Treasury Department to take advantage of modern technology, and to reduce its manufacturing and administrative costs, your committee has approved this bill, which authorizes the use of "other devices" as well as tax stamps and which, with safeguards, authorizes the Treasury to have such devices prepared and distributed by private parties.

Explanation of provision

The bill authorizes the Treasury Department to use devices other than stamps as evidence of tax payment on containers of distilled spirits. The committee understands that consideration may be given to the use of metallic strips as an authorized device, with the strips being embossed with, or having printed or lithographed on them, the appropriate legend certifying to their use as tax stamps.

Because the Federal Government's agencies do not possess facilities for processing metallic strips or other nonpaper strips, the Secretary is given authority, in section 2 of the bill, to authorize other persons to prepare and distribute metallic and other nonpaper stamp strips. In practice, authorization to prepare the strips might be given to distillers, container manufacturers, or other manufacturers of the strips. The committee bill requires the Secretary to impose whatever controls he believes are necessary to assure that the Federal revenues are protected. This requirement means that the authorized printers of nonpaper stamps must establish the kind of controls needed to assure that the tax is paid for each stamp that is used.

The importance of such controls may be gathered from the fact that upwards of \$4 billion are expected to be received from the tax on distilled spirits during fiscal 1977.

In order to afford an opportunity for Congressional review of any system of private production of stamps or other devices, the Treasury Department should not put into effect any agreement for such private production until the Department has given your committee at least 90 days to examine the system of controls to be used.

III. EFFECT OF THE BILL ON THE REVENUES 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 of this bill on the revenues. Your committee estimates that this bill will have no effect on revenues. The Treasury Department agrees with this statement.

In compliance with clause 2(1)(2)(B) of Rule XI of the Rules of the House of Representatives, the following statement is made relative to the vote of the committee on the motion to report this bill. The bill, as amended, was ordered reported by voice vote.

IV. OTHER MATTERS REQUIRED TO BE DISCUSSED UNDER HOUSE RULES

In compliance with clause 2(1)(3) of Rule XI of the Rules of the House of Representatives, the following statements are made.

With regard to subdivision (A) your committee advises that its oversight findings led it to the conclusion that these amendments to the Internal Revenue Code would enable the Federal Government to benefit from recent technological changes in manufacturing closures for bottles and other containers in which distilled spirits are sold.

In compliance with subdivision (B), your committee states that the changes made to existing law by this bill involve no new budget authority or new or increased tax expenditures.

With respect to subdivisions (C) and (D), your committee advises that no estimate or comparison has been prepared by the Director of the Congressional Budget Office relative to any of the provisions of H.R. 7228, nor have any oversight findings or recommendations been made by the Committee on Government Operations with respect to the subject matter contained in H.R. 7228.

In compliance with clause 2(1)(4) of Rule XI of the Rules of the House of Representatives, the Committee states that the enactment of this bill is not expected to have an inflationary impact on prices and in costs in the operation of the national economy.

V. 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):

INTERNAL REVENUE CODE OF 1954

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

* * * * *
CHAPTER 51—DISTILLED SPIRITS, WINES, AND BEER

* * * * *
SUBCHAPTER C—OPERATION OF DISTILLED SPIRITS PLANTS

* * * * *
Part I—General Provisions

* * * * *
SEC. 5205. STAMPS.

(a) STAMPS FOR CONTAINERS OF DISTILLED SPIRITS.—

(1) CONTAINERS OF DISTILLED SPIRITS BOTTLED IN BOND.—Every container of distilled spirits bottled in bond under section 5233 when filled shall be stamped by a stamp evidencing the bottling of such spirits in bond under the provisions of this paragraph and section 5233.

(2) CONTAINERS OF OTHER DISTILLED SPIRITS.—No person shall transport, possess, buy, sell, or transfer any distilled spirits, unless the immediate container thereof is stamped by a stamp evidencing the determination of the tax or indicating compliance with the provisions of this chapter. The provisions of this paragraph shall not apply to—

(A) distilled spirits, lawfully withdrawn from bond, placed in containers for immediate consumption on the premises or for preparation for such consumption;

(B) distilled spirits in bond or in customs custody;

(C) distilled spirits, lawfully withdrawn from bond, in immediate containers stamped under other provisions of internal revenue or customs law or regulations issued pursuant thereto;

(D) distilled spirits, lawfully withdrawn from bond, in actual process of rectification, blending, or bottling, or in actual use in processes of manufacture;

(E) distilled spirits on which no internal revenue tax is required to be paid;

(F) distilled spirits lawfully withdrawn from bond and not intended for sale or for use in the manufacture or production of any article intended for sale; or

(G) any regularly established common carrier receiving, transporting, delivering, or holding for transportation or

delivery distilled spirits in the ordinary course of its business as a common carrier.

(3) STAMP REGULATIONS.—The Secretary or his delegate shall prescribe regulations with respect to the supplying or procuring of stamps required under this subsection or section 5235, the time and manner of applying for, issuing, affixing, and destroying such stamps, the form of such stamps and the information to be shown thereon, applications for the stamps, proof that applicants are entitled to such stamps, and the method of accounting for such stamps, and such other regulations as he may deem necessary for the enforcement of this subsection. In the case of a container of a capacity of 5 wine gallons or less, the stamp shall be affixed in such a manner as to be broken when the container is opened, unless the container is one that cannot again be used after opening.

(b) STAMPS FOR CONTAINERS OF DISTILLED SPIRITS WITHDRAWN FROM BONDED PREMISES ON DETERMINATION OF TAX.—Containers of all distilled spirits withdrawn from bonded premises on determination of tax under section 5006(a) shall be stamped by a stamp under such regulations as the Secretary or his delegate shall prescribe. This subsection shall not be construed to require stamps on cases of bottled distilled spirits filled and stamped on bonded premises.

(c) STAMPS FOR CONTAINERS OF DISTILLED SPIRITS WITHDRAWN FOR EXPORTATION.—

(1) EXPORTATION WITHOUT PAYMENT OF TAX.—Every container of distilled spirits withdrawn for exportation under section 5214

(a) (4) shall be stamped by a stamp under such regulations as the Secretary or his delegate shall prescribe. This paragraph shall not be construed to require stamps on cases of bottled distilled spirits filled and stamped on bonded premises.

(2) EXPORTATION WITH BENEFIT OF DRAWBACK.—The Secretary or his delegate may require any container of distilled spirits bottled or packaged especially for export with benefit of drawback to be stamped by a stamp under such regulations as he may prescribe.

(d) STAMPS FOR CONTAINERS OF 5 WINE GALLONS OR MORE OF DISTILLED SPIRITS FILLED ON BOTTLING PREMISES.—All containers of distilled spirits containing 5 wine gallons or more, which are filled on bottling premises of a distilled spirits plant for removal therefrom, shall be stamped by a stamp under such regulations as the Secretary or his delegate shall prescribe.

(c) ISSUE FOR RESTAMPING.—The Secretary or his delegate, under regulations prescribed by him, may authorize restamping of containers of distilled spirits which have been duly stamped but from which the stamps have been lost or destroyed by unavoidable accident.

(f) ACCOUNTABILITY.—All stamps relating to distilled spirits shall be used and accounted for under such regulations as the Secretary or his delegate may prescribe.

(g) EFFACEMENT OF STAMPS, MARKS, AND BRANDS ON EMPTIED CONTAINERS.—Every person who empties, or causes to be emptied, any immediate container of distilled spirits bearing any stamp, mark, or brand required by law or regulations prescribed pursuant thereto (other than containers stamped under subsection (a) or section 5235)

shall at the time of emptying such container efface and obliterate such stamp, mark, or brand, except that the Secretary or his delegate may, by regulations, waive any requirement of this subsection as to the effacement or obliteration of marks or brands (or portions thereof) where he determines that no jeopardy to the revenue will be involved.

(h) **FORM OF STAMP.**—Any stamp required by or prescribed pursuant to the provisions of this section or section 5235 may consist of such coupon, serially-numbered ticket, imprint, design, [or other form of stamp] *other form of stamp, or other device* as the Secretary or his delegate shall by regulations prescribe.

(i) **CROSS REFERENCES.**—

(1) For general provisions relating to stamps, see chapter 69.

(2) For provisions relating to the stamping, marking, and branding of containers of distilled spirits by proprietors, see section 5204(c).

(3) For provisions relating to the stamping of bottled alcohol, see section 5235.

(4) for authority of the Secretary or his delegate to prescribe regulations regarding stamps for distilled spirits withdrawn to manufacturing bonded warehouses, see section 5522(a).

(5) For penalties and forfeitures relating to stamps, marks, and brands, see sections 5604, 5613, 7208, and 7209.

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SUBTITLE F—PROCEDURE AND ADMINISTRATION

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CHAPTER 69—GENERAL PROVISIONS RELATING TO STAMPS

* * * * *

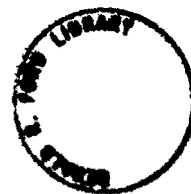
SEC. 6801. AUTHORITY FOR ESTABLISHMENT, ALTERATION, AND DISTRIBUTION.

(a) **ESTABLISHMENT AND ALTERATION.**—The Secretary or his delegate may establish, and from time to time alter, renew, replace, or change the form, style, character, material, and device of any stamp, mark, or label under any provision of the laws relating to internal revenue.

(b) **PREPARATION AND DISTRIBUTION OF REGULATIONS, FORMS, STAMPS AND DIES.**—The Secretary or his delegate shall prepare and distribute all the instructions, regulations, directions, forms, blanks, and stamps; and shall provide proper and sufficient adhesive stamps and other stamps or dies for expressing and denoting the several stamp taxes : *except that stamps required by or prescribed pursuant to the provisions of section 5205 or section 5235 may be prepared and distributed by persons authorized by the Secretary or his delegate, under such controls for the protection of the revenue as shall be deemed necessary.*

* * * * *





Ninety-fourth Congress of the United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Monday, the nineteenth day of January,
one thousand nine hundred and seventy-six*

An Act

To amend the Internal Revenue Code of 1954 to permit the authorization of means other than stamp on containers of distilled spirits as evidence of tax payment, to provide an extension of certain provisions relating to members of the Armed Forces missing in action, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 5205(h) of the Internal Revenue Code of 1954 (relating to form of stamps for containers of distilled spirits) is amended by striking out "or other form of stamp" and inserting in lieu thereof "other form of stamp, or other device".

SEC. 2. Section 6801(b) of the Internal Revenue Code of 1954 (relating to authority for establishment, alteration, and distribution of stamps) is amended by striking out the period at the end thereof and inserting in lieu thereof "; except that stamps required by or prescribed pursuant to the provisions of section 5205 or section 5235 may be prepared and distributed by persons authorized by the Secretary, under such controls for the protection of the revenue as shall be deemed necessary."

SEC. 3. (a) SURVIVING SPOUSE.—Section 2(a)(3)(B) of the Internal Revenue Code of 1954 (relating to the special rule where a deceased spouse was in a missing status) is amended to read as follows:

"(B) the date which is—

"(i) January 2, 1978, in the case of service in the combat zone designated for purposes of the Vietnam conflict, or

"(ii) 2 years after the date designated under section 112 as the date of termination of combatant activities in that zone, in the case of any combat zone other than that referred to in clause (i)."

(b) CERTAIN PAY OF MEMBERS OF THE ARMED FORCES HOSPITALIZED AS A RESULT OF THE VIETNAM CONFLICT.—The last sentence of section 112(a) of such Code (relating to certain combat pay of enlisted members of the Armed Forces) and the last sentence of section 112(b) of such Code (relating to certain combat pay of commissioned officers of the armed forces) are each amended by striking out "beginning more than 2 years after the date of the enactment of this sentence" and inserting in lieu thereof "after January 1978".

(c) INCOME TAXES OF MEMBERS OF ARMED FORCES ON DEATH IN MISSING STATUS.—The second sentence of section 692(b) of such Code (relating to income taxes of members of the armed forces on death in a missing status) is amended to read as follows: "The preceding sentence shall not cause subsection (a)(1) to apply for any taxable year beginning—

"(1) after January 2, 1978, in the case of service in the combat zone designated for purposes of the Vietnam conflict, or

"(2) more than 2 years after the date designated under section 112 as the date of termination of combatant activities in that zone, in the case of any combat zone other than that referred to in paragraph (1)."

(d) JOINT RETURN WHERE INDIVIDUAL IS IN MISSING STATUS AS A RESULT OF VIETNAM CONFLICT.—The last sentence of section 6013(f)

(1) of such Code (relating to joint returns where individual is in missing status as a result of the Vietnam conflict) is amended by striking out "more than 2 years after the date of the enactment of this sentence" and inserting in lieu thereof "after January 2, 1978".

(e) **TIME FOR PERFORMING CERTAIN ACTS POSTPONED BY REASON OF VIETNAM CONFLICT.**—The second sentence of section 7508(b) of such Code (relating to the application to a spouse of provision relating to the time for performing certain acts postponed by reason of war) is amended to read as follows: "The preceding sentence shall not cause this section to apply to any spouse for any taxable year beginning—

"(1) after January 2, 1978, in the case of service in the combat zone designated for purposes of the Vietnam conflict, or

"(2) more than 2 years after the date designated under section 112 as the date of termination of combatant activities in that zone, in the case of any combat zone other than that referred to in paragraph (1).".

SEC. 4. AUTHORIZATION OF INITIAL PAYMENTS TO PRESUMPTIVELY BLIND INDIVIDUALS.

(a) **IN GENERAL.**—Section 1631(a)(4)(B) of the Social Security Act is amended—

(1) by inserting "or blindness" immediately after "disability" each time it appears; and

(2) by inserting "or blind" immediately after "disabled" each time it appears.

(b) **EFFECTIVE DATE.**—The amendments made by this section shall apply with respect to months after the month following the month in which this Act is enacted.

SEC. 5. Section 1613(a)(1) of the Social Security Act is amended by striking out ", to the extent that its value does not exceed such amount as the Secretary determines to be reasonable".

Speaker of the House of Representatives.

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