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THE WHITE HOUSE

ACTION

WASHINGTON

Last Day - October 29

October 25, 1974

MEMORANDUM FOR:

THE PRESIDENT

FROM:

KEN COLE

SUBJECT:

Enrolled Bill H.R. 11830
Temporary duty-free treatment
of synthetic rutile

Attached for your consideration is House bill, H.R. 11830, sponsored by Representative Waggoner, which provides for the duty-free treatment of synthetic rutile imports until June 30, 1977.

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

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

RECOMMENDATION

That you sign House bill, H.R. 11830 (Tab B).

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

APPROVED
OCT 26 1974

OCT 23 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 11830 - Temporary duty-free
treatment of synthetic rutile
Sponsor - Rep. Waggoner (D) Louisiana

Last Day for Action

October 29, 1974 - Tuesday

Purpose

Provides for the duty-free treatment of synthetic rutile
imports until June 30, 1977.

Agency Recommendations

Office of Management and Budget

Approval

Department of State

No objection

Department of Commerce

No objection

Department of Treasury

No objection

Department of Labor

No objection (Informally)

Department of the Interior

Approval

Office of the Special Representative
for Trade Negotiations

No objection

Discussion

The United States imports all of the natural and synthetic
rutile needed to produce titanium dioxide pigment used by
the paint, paper and plastics industry. Rutile is also used
in making titanium sponge, metal and alloys.

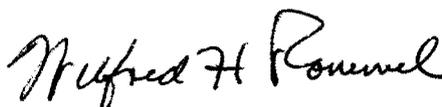
Posted
10/28
To Archives
10/29

ALD E. FORD LIBRARY

Natural rutile presently enters duty free, but synthetic rutile, which has identical properties, is currently subject to a duty of 7.5 percent ad valorem. The enrolled bill would provide for the duty-free entry of synthetic rutile until June 30, 1977 with respect to imports from countries enjoying a most-favored-nation status.

In reporting on the bill in committee, the Department of Commerce stated:

"The temporary suspension of duty on synthetic rutile would eliminate the unnecessary cost on a resource material during a period in which research is being conducted to develop a method of obtaining such material from abundant domestic resources of ilmenite without creating harmful environmental side effects. We believe that it is unlikely that the proposed suspension of duty during this period would have an adverse effect on the research efforts or on the domestic industry."



Assistant Director for
Legislative Reference

Enclosures

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

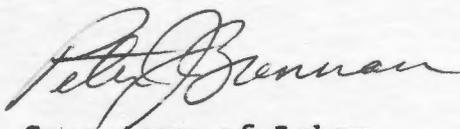
OCT 25 1974

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. 11830, "To suspend the duty on synthetic rutile until the close of June 30, 1977." This Department would have no objection to the President's approval of this measure.

Sincerely,



Secretary of Labor

11:4 AM 25 OCT 1974

RECEIVED



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. 11830, an enrolled bill temporarily suspending the duty applying to synthetic rutile.

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.

Cordially,

A handwritten signature in black ink, appearing to read "Linwood Holton".

Linwood Holton
Assistant Secretary for
Congressional Relations



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

OCT 18 1974

Honorable Roy L. Ash
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. 11830, an enrolled enactment

"To suspend the duty on synthetic rutile until
the close of June 30, 1977."

This Department would have no objection to approval by the President of H.R. 11830 which provides temporary duty-free entry for imports of synthetic rutile from countries accorded most-favored-nation tariff treatment. Imports from other countries would not be affected.

Enactment of this legislation will not involve the expenditure of any funds by this Department.

Sincerely,

Karl E. Bakke

General Counsel



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

OCT 18 1974

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

Attention: Assistant Director for Legislative
Reference

Sir:

Your office has asked for the views of this Department on the enrolled enactment of H.R. 11830, "To suspend the duty on synthetic rutile until the close of June 30, 1977."

The enrolled enactment would amend the Appendix to the Tariff Schedules of the United States by adding a new item, 911.25, to provide for the free entry of synthetic rutile which is currently classifiable in item 603.70 at 7.5 percent ad valorem. The column 2 rate would not be affected. The proposed item would cover merchandise entered, or withdrawn from warehouse, for consumption from the date of enactment through June 30, 1977.

The Department anticipates no unusual administrative difficulties under the enrolled enactment and would have no objection to a recommendation that it be approved by the President.

Sincerely yours,


General Counsel



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

OCT 22 1974

Dear Mr. Ash:

This responds to your request for our views on the enrolled bill H.R. 11830, "To suspend the duty on synthetic rutile until the close of June 30, 1977."

We recommend that the President approve the enrolled bill.

H.R. 11830, as enrolled, would amend the Tariff Schedules of the United States by suspending the present 7.5% ad valorem tariff on synthetic rutile imported from countries accorded most-favored-nation treatment, until December 31, 1977. The tariff on synthetic rutile imported from other countries would remain unchanged.

Rutile, either natural or synthetic, is a mineral used in making titanium metal or pigment which have important industrial uses. There is presently a tariff on the import of synthetic rutile, but there is no tariff on the import of natural rutile. Australia is the only substantial source of natural rutile in the world. Although the United States imports natural rutile from Australia, supplies are currently very short. An alternative is to import synthetic rutile which is produced in Australia, Japan and India. Synthetic rutile is produced from ilmenite, a mineral found in considerable quantities in the United States. However, the United States does not produce synthetic rutile because of major ecological problems with the disposal of polluting effluents which are created by the process. The Bureau of Mines is presently developing the technology to overcome these problems.

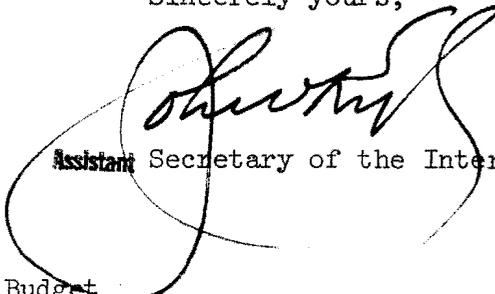
It is therefore in the national interest to eliminate the tariff on imported synthetic rutile in order to facilitate the import of a greater share of the world production, at least until the technology is developed to produce synthetic rutile domestically with a minimum effect on the environment.



Save Energy and You Serve America!

Congress has made one amendment to the bill. It changed the termination date for the suspension of the tariff from December 31, 1976 to June 30, 1977. We have no objection to this six-month extension.

Sincerely yours,



Assistant Secretary of the Interior

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

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

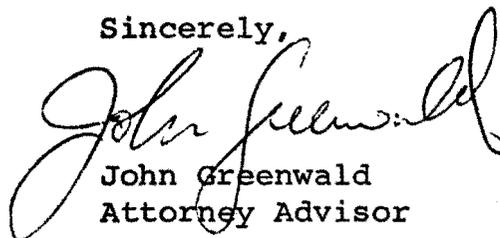
Attention: Mrs. Garziglia

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

Last Day - October 29

October 25, 1974

MEMORANDUM FOR: THE PRESIDENT
FROM: KEN COLE
SUBJECT: Enrolled Bill H.R. 11830
Temporary duty-free treatment
of synthetic rutile

Attached for your consideration is House bill, H.R. 11830, sponsored by Representative Waggoner, which provides for the duty-free treatment of synthetic rutile imports until June 30, 1977.

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

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

RECOMMENDATION

That you sign House bill, H.R. 11830 (Tab B).

ACTION

Last Day - October 29

October 25, 1974

MEMORANDUM FOR: THE PRESIDENT
FROM: KEN COLE
SUBJECT: Enrolled Bill H.R. 11830
Temporary duty-free treatment
of synthetic rutile

Attached for your consideration is House bill, H.R. 11830, sponsored by Representative Waggoner, which provides for the duty-free treatment of synthetic rutile imports until June 30, 1977.

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

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

RECOMMENDATION

That you sign House bill, H.R. 11830 (Tab B).

ACTION

Last Day - October 29

October 25, 1974

MEMORANDUM FOR: THE PRESIDENT
FROM: KEN COLE
SUBJECT: Enrolled Bill H.R. 11830
Temporary duty-free treatment
of synthetic rutile

Attached for your consideration is House bill, H.R. 11830, sponsored by Representative Waggoner, which provides for the duty-free treatment of synthetic rutile imports until June 30, 1977.

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

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

RECOMMENDATION

That you sign House bill, H.R. 11830 (Tab B).

THE WHITE HOUSE
WASHINGTON

October 24, 1974

MEMORANDUM FOR: MR. WARREN HENDRIKS
FROM: WILLIAM E. TIMMONS *W.E. Timmons*
SUBJECT: Action Memorandum - Log No. 700
Enrolled Bill H. R. 11830 - Temporary
duty-free treatment of synthetic rutile

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

Attachment

Date: October 23, 1974

Time: 6:00 p.m.

FOR ACTION: Geoff Shepard
 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. 11830 - Temporary duty-free
 treatment of synthetic rutile

ACTION REQUESTED:

 For Necessary Action 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

Date: October 23, 1974

Time: 6:00 p.m.

FOR ACTION: Geoff Shepard
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. 11830 - Temporary duty-free treatment of synthetic rutile

ACTION REQUESTED:

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

REMARKS:

Please return to Kathy Tindle - West Wing

No objection
W.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

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 700

Date: October 23, 1974

Time: 6:00 p.m.

FOR ACTION: Geoff Shepard
✓ 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. 11830 - Temporary duty-free
treatment of synthetic rutile

ACTION REQUESTED:

- For Necessary Action
- 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

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

ACTION

Last Day - October 29

MEMORANDUM FOR: THE PRESIDENT
FROM : KEN COLE
SUBJECT: Enrolled Bill H.R. 11830
Temporary duty-free treatment
of synthetic rutile

Attached for your consideration is House bill, H.R. 11830, sponsored by Representative Waggoner, which provides for the duty-free treatment of synthetic rutile imports until June 30, 1977.

Roy Ash etc.

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

*Don
Coveil*

RECOMMENDATION

That you sign House bill, H.R. 11830 (Tab B).



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

To -
Warren Nordquist
10-23-74
5:15 p.m.

OCT 23 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 11830 - Temporary duty-free treatment of synthetic rutile
Sponsor - Rep. Waggoner (D) Louisiana

Last Day for Action

October 29, 1974 - Tuesday

Purpose

Provides for the duty-free treatment of synthetic rutile imports until June 30, 1977.

Agency Recommendations

Office of Management and Budget

Approval

Department of State

No objection

Department of Commerce

No objection

Department of Treasury

No objection

Department of Labor

No objection (Informally)

Department of the Interior

Approval

Office of the Special Representative
for Trade Negotiations

No objection

Discussion

The United States imports all of the natural and synthetic rutile needed to produce titanium dioxide pigment used by the paint, paper and plastics industry. Rutile is also used in making titanium sponge, metal and alloys.

TEMPORARY SUSPENSION OF DUTY ON SYNTHETIC RUTILE

APRIL 4, 1974.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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

REPORT

[To accompany H.R. 11830]

The Committee on Ways and Means, to whom was referred the bill (H.R. 11830) to suspend the duty on synthetic rutile until the close of December 31, 1976, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

Page 1, between lines 5 and 6, strike out "12-31-76." and insert "6/30/77".

Amend the title so as to read:

A bill to suspend the duty on synthetic rutile until the close of June 30, 1977.

PURPOSE

The purpose of H.R. 11830, as reported, is to suspend for a temporary period, until the close of June 30, 1977, the duty on synthetic rutile.

GENERAL STATEMENT

At the present time, the United States is dependent on imports to meet its needs for both natural and synthetic rutile. Worldwide, both materials, which are functionally equivalent, being principal sources of titanium dioxide pigment used by the paint, paper and plastics industries, are in short supply. Rutile is also used in making titanium sponge, metal and alloys.

Natural rutile presently enters the United States duty free under item 601.51 of the Tariff Schedules of the United States (TSUS).

Synthetic rutile, on the other hand, at the present time is dutiable under item 603.70 of the TSUS at 7.5 percent *ad valorem* under rate column numbered 1 (applicable to countries accorded most-favored nation-treatment) and 30 percent *ad valorem* under rate column numbered 2 (applicable to communist countries, except Poland and Yugoslavia). H.R. 11830 would add a new provision in the Appendix to the TSUS to suspend the 7.5 percent duty under column numbered 1 for a temporary period, i.e., until the close of June 30, 1977, but would effect no change in the present duty under column numbered 2.

Synthetic rutile is derived from ilmenite, a natural mineral which is found extensively in the United States. Your committee is informed, however, that synthetic rutile is not presently produced in this country largely because of major ecological problems associated with the disposal of polluting effluents created in the ilmenite upgrading process and the currently prohibitive costs of curing those problems. The Department of the Interior advises that it is now engaged in research to develop environmentally acceptable techniques for deriving synthetic rutile from domestic ilmenite resources, which ultimately may alleviate our almost complete dependence on already dwindling world rutile sources. The Department further advises, however, that "commercial application of these processes is still some time off," and expresses its support for enactment of H.R. 11830.

The Department of Commerce likewise has submitted to your committee a report favorable to the enactment of the bill, stating:

The temporary suspension of duty on synthetic rutile would eliminate the unnecessary cost on a resource material during a period in which research is being conducted to develop a method of obtaining such material from abundant domestic resources of ilmenite without creating harmful environmental side effects. We believe that it is unlikely that the proposed suspension of duty during this period would have an adverse effect on the research efforts or on the domestic industry.

Imports of synthetic rutile come principally from Australia and Japan with a lesser amount from India. U.S. imports from these countries totaled 9,200 tons in 1972 and 16,000 tons in the first seven months of 1973. The total nominal capacity of the plants in the above producing countries is only 65,000 tons per year at the present time, according to statistics submitted by the Department of the Interior to your committee.

Your committee believes that temporary suspension of the duty on synthetic rutile would aid the United States in obtaining a greater share of the limited world supply, thereby helping to maintain production and employment levels in domestic manufacturing, particularly in the paint and pigment industries. Temporary removal of the duty, as provided under the bill, would also serve domestic consumer and ecological considerations.

No unfavorable comment was received by your committee in response to its press release and announcement of December 21, 1973, issuing an invitation for submission of written statements by the general public on legislation to temporarily suspend the duty on synthetic rutile. No objection to its enactment has been received from the

executive departments or from any other source. Favorable reports on the bill have been received from the Departments of State, Treasury, Commerce and Interior.

Your committee is unanimous in recommending passage of H.R. 11830.

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 on the revenues of this bill. Your committee estimates that the revenue loss resulting from enactment of H.R. 11830 in the first full year of its effectiveness would be not more than \$275,000.

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 your committee on reporting the bill. This bill was unanimously ordered favorably reported by your committee.

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 (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 the Tariff Schedules	*	*	*
911.25	Synthetic rutile (provided for in item 603.70, pt. 1, schedule 6).	Free.....	No Change....	On or before 6/30/77.
*	*	*	*	*

○

TEMPORARY SUSPENSION OF DUTY ON SYNTHETIC
RUTILE

 AUGUST 1, 1974.—Ordered to be printed

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

REPORT

[To accompany H.R. 11830]

The Committee on Finance, to which was referred the bill (H.R. 11830) to suspend the duty on synthetic rutile until the close of December 31, 1976, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

I. SUMMARY

House bill.—The House bill would suspend until July 1977 the duty on synthetic rutile, which is used in the manufacture of white paints and pigments. The committee bill does not modify the House bill, but includes an amendment unrelated to the subject matter of the House bill.

Committee amendment.—The committee amendment revises the exemption from the excise tax on wagers for State run lotteries, to take account of changes in the conduct of State lotteries. Under existing law, an excise tax of 10 percent is imposed on all wagers, with certain exceptions, one of which is for lotteries conducted by a State, or the instrumentality of the State, if the eventual winner of the lottery is determined by a horse race. This exemption was enacted in 1965 to exempt the New Hampshire State Lottery, which was the first State lottery, from the excise tax on wagers. Since that time, however, other States have inaugurated lotteries, but the winners in most of these lotteries are determined on a basis other than by a horse race. The committee provision deletes the requirement that the winner be chosen by a horse race to make the exemption apply to all State-conducted lotteries. In addition, the committee provision specifies that an exemption from the occupational tax on vending machines is to

be provided for lottery tickets dispensed by machine, and also provides for the withholding of Federal income tax on lottery payments to winners.

II. GENERAL STATEMENT

A. TEMPORARY SUSPENSION OF DUTY ON SYNTHETIC RUTILE

At the present time, the United States is dependent on imports to meet its needs for both natural and synthetic rutile. Worldwide, both materials, which are functionally equivalent, being principal sources of titanium dioxide pigment used by the paint, paper and plastics industries, are in short supply. Rutile is also used in making titanium sponge, metal and alloys.

Natural rutile presently enters the United States duty free under item 601.51 of the Tariff Schedules of the United States (TSUS). Synthetic rutile, on the other hand, at the present time is dutiable under item 603.70 of the TSUS at 7.5 percent *ad valorem* under rate column numbered 1 (applicable to countries accorded most-favored nation treatment) and 30 percent *ad valorem* under rate column numbered 2 (applicable to Communist countries, except Poland and Yugoslavia). H.R. 11830 would add a new provision in the Appendix to the TSUS to suspend the 7.5 percent duty under column numbered 1 for a temporary period, i.e., until the close of June 30, 1977, but would effect no change in the present duty under column numbered 2.

Synthetic rutile is derived from ilmenite, a natural mineral which is found extensively in the United States. The committee is informed, however, that synthetic rutile is not presently produced in this country largely because of major ecological problems associated with the disposal of polluting effluents created in the ilmenite upgrading process and the currently prohibitive costs of curing those problems.

The Department of Commerce has submitted to the committee a report favorable to the enactment of the bill, stating:

The temporary suspension of duty on synthetic rutile would eliminate the unnecessary cost on a resource material during a period in which research is being conducted to develop a method of obtaining such material from abundant domestic resources of ilmenite without creating harmful environmental side effects. We believe that it is unlikely that the proposed suspension of duty during this period would have an adverse effect on the research efforts or on the domestic industry.

Imports of synthetic rutile come principally from Australia and Japan with a lesser amount from India. U.S. imports from these countries totaled 9,200 tons in 1972 and 16,000 tons in the first seven months of 1973. The committee believes that temporary suspension of the duty on synthetic rutile would aid the United States in obtaining a greater share of the limited world supply, thereby helping to maintain production and employment levels in domestic manufacturing, particularly in the paint and pigment industries. Temporary removal of the duty, as provided under the bill, would also serve domestic consumer and ecological considerations.

No unfavorable comment was received by the committee nor has any objection to its enactment been received from the executive departments or from any other source. Favorable reports on the bill have been received from the Departments of State, Treasury, and Commerce.

B. EXEMPTION FROM EXCISE TAX ON WAGERS IN STATE LOTTERIES

Under existing law, each person engaged in the business of accepting wagers is subject to an excise tax of 10 percent on the amount of wagers placed with him (sec. 4401). The excise tax on wagers generally applies to any person who is conducting a lottery. In addition, a related occupational tax of \$50 per year is imposed on each person who is liable for the tax on wagers (or who is engaged in the business of receiving wagers for or on behalf of a person who is in turn, liable to pay the excise tax on wagers) (sec. 4411). Also, a special occupational tax of \$250 per year is imposed on the operation of coin-operated gaming devices, including a vending machine which dispenses tickets on lotteries (sec. 4461). Finally, the payment of winnings of \$600 or more must be reported on information returns (Forms 1096 and 1099) (sec. 6041(a)).

In 1963, New Hampshire became the first State in recent history to establish a State lottery. The lottery was similar in operation to the Irish Sweepstakes, so that the lottery's ultimate winners were determined by the results of a designated horse race, which was run following a preliminary selection of the prospective winners by lot. The lottery, when established, was subject to the Federal taxes on wagering. In 1965, however, Congress provided an exemption for State-conducted sweepstakes, wagering pools, or lotteries from the excise tax on wagers. The exemption was specifically applied to the New Hampshire-type of lottery and has two basic requirements: (1) the sweepstakes, wagering pool, or lottery must be conducted by an agency of a State acting under authority of State law; and (2) the ultimate winners must be determined by the results of a horse race (sec. 4402(3)).

Since the appearance of the New Hampshire lottery, seven other States have established and are operating lotteries. Several more States have either authorized, or are investigating the feasibility of, lottery operations. The lotteries which have been established since 1965, including a revised version of the New Hampshire lottery, differ substantially in the manner in which they operate from the form of lottery which was made exempt by Congress in 1965. Although most States use a format which gives the appearance that the ultimate winners are determined on the basis of a horse race, as a matter of fact, ultimate winners are determined by lot. Consequently, the lotteries, as now conducted, do not satisfy the second requirement for exemption from the tax on wagers, that is, the use of a horse race to determine the winners.

The committee believes that the exemption of State lotteries from the tax on wagers should be continued. As a result, the committee's provision deletes the requirement that the ultimate winners of State lotteries must be determined on the basis of the results of a horse race. Accordingly, all State lotteries will be exempt from the wagering

tax regardless of the method used for determining the winners. Furthermore, since lottery tickets may be dispensed through coin-operated vending machines, the provision also adds a similar exemption from the special occupational tax on the operation of vending machines for State-run lotteries.

Since the committee believes that none of the Federal taxes on wagering should be imposed on State-run lotteries the changes referred to above are to be effective for wagers made, or for periods ending, after March 10, 1964.

As the popularity of State lotteries increases, problems have developed in the reporting, for Federal income tax purposes, of the winnings from these State lotteries. At present, information returns must be filed for winnings of \$600 or more. Although an Internal Revenue Service study based upon a sampling of these information documents has indicated a relatively high rate of compliance in the reporting of lottery winnings (85 percent of the winners reported their gains on timely filed income tax returns), the residual noncompliance is sufficient to warrant concern. Moreover, there is some concern that compliance may be much lower for winners of less than \$600, for whom information returns need not be filed.

Apart from the compliance problem, a payment problem may arise for winners who fail to pay their Federal income tax either on a quarterly basis or with their final return. Thus, winners may spend their lottery proceeds before the tax return filing date and then find that they are unable to pay the tax when due. The Internal Revenue Service reports that withholding at the source would alleviate payment problems for such taxpayers and would also reduce the incidence of delinquent account activity in its collection division.

To deal with this payment problem, the committee's provision requires a State to withhold tax from an amount of \$1,000 or more paid to any individual as a prize in a lottery conducted by it. For purposes of the withholding and related administrative provisions (including the credit against tax under section 31), the provision treats payments of State lottery winnings as if they were payments of wages by an employer to an employee. However, the withholding is applied at a flat rate of 20 percent of the gross payments, and the normal withholding exemptions are not applicable. In lieu of a Form W-4, a winner must furnish to the payor a statement showing the name, address, and taxpayer identification number of each person entitled to share in the payment.

The withholding requirement applies to prizes paid in kind, as well as cash payments. In such a case, since the State remains liable to pay the withholding tax, it can ask the winner to pay to it the amount of the tax required to be withheld before the prize is distributed.

Compliance with these provisions will depend in large measure upon the cooperation of the States rather than upon sanctions on the winners for failure to comply. Thus, the States will have to file Forms W-2 with respect to payments and amounts withheld. Since the States are presently providing the Internal Revenue Service with information returns, the committee does not believe that this requirement places an undue additional burden upon their lottery operations.

This provision will forestall the collection of as yet uncollected Federal wagering taxes on State lotteries. It is estimated that the

uncollected amount, which the committee believes should not be a tax liability, amounts to about \$180 million. It is estimated that the withholding of tax on prizes would increase fiscal year 1975 receipts by \$20 million at 1973 levels, but because more States will be conducting lotteries during the period January-June 1975 (as compared to January-June 1973) it is expected that the actual increase in budget receipts for fiscal year 1975 will be considerably greater than \$20 million. In addition, it is expected there will be a minor revenue pick-up from the better compliance obtained.

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 on the revenues of the bill. The committee estimates that the temporary suspension of duties on synthetic rutile provided by the bill will result in a revenue loss of not more than \$275,000 in the first full year for which this provision is effective. The committee amendment pertaining to the exemption for State lotteries from the Federal excise tax on wagering will not result in any revenue loss since the committee believes that there should be no liability for this tax on the part of States conducting lotteries. It is expected that the withholding of Federal income tax on State lottery prizes will result in a minor revenue pick-up from the better compliance obtained.

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 the opinion of the committee, it is necessary, in order to expedite the business of the Senate, to dispense with the requirements of subsection 4 of rule XXIX of the Standing Rules of the Senate (relating to the showing of changes in existing law made by the bill, as reported).

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TEMPORARY SUSPENSION OF DUTY ON SYNTHETIC
RUTILE

OCTOBER 1, 1974.—Ordered to be printed

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

CONFERENCE REPORT

[To accompany H.R. 11830]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 11830) to suspend the duty on synthetic rutile until the close of June 30, 1977, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendment to the text of the bill.

That the Senate recede from its amendment 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. 11830) to suspend the duty on synthetic rutile until the close of June 30, 1977, 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:

State-conducted lotteries are exempt from the Federal excise tax on wagers, if the winners are determined by the results of a horse race. The Senate amendment would amend existing law to remove this requirement. The amendment would also exempt vending machines which dispense tickets in a State-conducted lottery from the occupational tax on coin-operated gaming devices.

The Senate recedes.

W. D. MILLS,
AL ULLMAN,
JAMES A. BURKE,
H. T. SCHNEEBELL,
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.

(3)

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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 duty on synthetic rutile until the close of June 30, 1977.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) is amended by inserting after item 911.16 the following new item:

“	911.25	Synthetic rutile (provided for in item 603.70, pt. 1, schedule 6).....	Free	No Change	On or before 6/30/77	”.
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SEC. 2. The amendment made by the first section of this Act shall apply with respect to articles entered, or withdrawn from warehouse, for consumption on or after the date of the enactment of this Act.

Speaker of the House of Representatives.

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

HHH
HHH
HHH
HHH

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.