

SUMMARY OF TESTIMONY ON PROPOSED
TAX ON LEAD ADDITIVES USED
IN GASOLINE

AT

PUBLIC HEARINGS, SEPTEMBER 9 TO SEPTEMBER 17, 1970

HELD BY THE

COMMITTEE ON WAYS AND MEANS

PREPARED BY THE STAFF

OF THE

JOINT COMMITTEE ON INTERNAL
REVENUE TAXATION



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RECOMMENDATION BY THE ADMINISTRATION FOR A TAX ON LEAD ADDITIVES USED IN GASOLINE

The proposal calls for a tax of \$4.25 per pound of lead in lead additives used in gasoline to be imposed on the sales of lead additives by manufacturers and importers (including importers of gasoline containing lead additives). An effective date of October 1, 1970, has been proposed, and a floor stock tax would be imposed on all inventories of lead additives held by persons other than manufacturers or importers on that date.

As a transitional provision, the proposal would allow each separate company (but only one for an affiliated group) engaged in the refining business to use, free of tax, additives containing up to 1 million pounds of lead during the first year the tax is in effect. This amount would be decreased by 200,000 pounds annually until 1976, when all lead contained in such additives would be fully taxable.

The administration has stated that its proposed tax on lead additives is an essential part of the program to reduce air pollution. By equalizing the sales prices of unleaded and leaded gasolines with comparable octane ratings, the tax will remove the motorist's economic incentive to purchase leaded gasoline when his automobile is able to use an unleaded gasoline. At the same time, the increasing demand for unleaded gasoline will provide an economic incentive for increasing production of unleaded gasolines.

If this tax is made effective on October 1, 1970, as requested by the administration, it will increase fiscal year 1971 revenues by \$1.1 billion.

The positions taken with respect to the proposed tax by witnesses in the public hearings and in written statements submitted to the committee are summarized below.

(a) Witness favoring the proposal.

Dr. A. Myrick Freeman III, Associate Professor of Economics, Bowdoin College, and also on behalf of the Sierra Club (Sept. 16).

(b) Witness favoring the proposal with qualification.

David Ragone, Dean of Thayer School of Engineering at Dartmouth College and Chairman of the Department of Commerce Technical Advisory Board Panel on Automotive Fuels and Air Pollution: Suggests the adoption of a Federal tax or subsidy to eliminate the price differential between unleaded 91 octane gasoline and high-leaded 94 octane gasoline and thereby encourage purchase of unleaded gasoline.

(c) Written statements submitted for the record in support of the proposal.

Ed Coffey, Garden City, New York.

Dr. Edwin S. Mills, Professor of Economics and Public Affairs and Gerald L. Phillippe Professor of Urban Studies, Princeton University.

Professor E. S. Starkman, College of Engineering, University of California, Berkeley, California.

John D. Baldeschwieler, Professor of Chemistry, Stanford University.

(d) *Witnesses opposing the administration proposal.*

Walker Winter, Member of Board of Directors of U.S. Chamber of Commerce and Chairman of the Taxation Committee (Sept. 14).

Andrew J. Biemiller, Director, Department of Legislation, American Federation of Labor-Congress of Industrial Organizations (Sept. 14).

John C. Davidson, President, The Tax Council (Sept. 14).

Honorable Paul G. Rogers, Congressman, state of Florida (Sept. 16).

Peter N. Gammelgard, Senior Vice President for Public and Environmental Affairs, American Petroleum Institute and also on behalf of the Western Oil and Gas Association (Sept. 16).

Robert E. Yancey, President, Ashland Petroleum Company (Sept. 16).

Henry A. Logan, President, United Refining Company and also on behalf of National Petroleum Refiners Association (Sept. 16).

J. H. Pittinger, President, Apco Oil Corporation and also on behalf of Independent Refiners Association of America (Sept. 16).

James H. DeMaras, Jr., Executive Vice President, Independent Refiners Association of California (Sept. 16).

J. L. Kimberly, Executive Vice President, Lead Industries Association (Sept. 17).

(e) *Witnesses opposing the proposed tax with alternative recommendations.*

Favor establishment and enforcement of Federal emission standards for motor vehicles:

Walker Winter, Member of Board of Directors of U.S. Chamber of Commerce and Chairman of the Taxation Committee (Sept. 14).

Edwin A. Gee, Vice President and Director, E. I. duPont de Nemours and Chairman of the Environmental Quality Committee (Sept. 17).

Lawrence E. Blanchard, Jr., Executive Vice President, Ethyl Corporation (Sept. 17).

Support air pollution control legislation presently before Congress (S. 4358, reported by the Senate Committee on Public Works, September 18, 1970):

Andrew J. Biemiller, Director, Department of Legislation, American Federation of Labor-Congress of Industrial Organizations (Sept. 14).

Honorable Paul G. Rogers, Congressman, State of Florida (Sept. 16).

Oppose proposed tax and recommends special assistance to small, independent refiners to develop capacity for production of unleaded gasoline in the form of low interest rate loans from SBA, an investment credit on new facilities, or accelerated amortization:

Harry A. Logan, Jr., President, United Refining Company and also on behalf of National Petroleum Refiners Association (Sept. 16).

Jesse D. Winzenried, Vice President of Coastal States Gas Producing Company (Sept. 16).

Oppose proposed tax, but if enacted, propose different exemptions for independent refiners and marketers:

Harry A. Logan, Jr., President, United Refining Company and also on behalf of National Petroleum Refiners Association (Sept. 16).

J. H. Pittinger, President, Apco Oil Corporation, and also on behalf of Independent Refiners Association of America (Sept. 16).

Ronald J. Peterson, Chairman, Martin Oil Service, Inc., and also on behalf of The Society of Independent Gasoline Marketers of America (Sept. 17).

(f) *Written statements submitted for the record opposing the proposal.*

A. E. Johnson, Executive Director, American Association of State Highway Officials, Washington, D.C.

Walter Famariss, Jr., President, American Petroleum Refiners Association, Washington, D.C.

Henry A. Rosenberg, Jr., President, Crown Central Petroleum Corporation, Baltimore, Maryland.

W. L. Smith, President, Good Hope Refineries, Inc., Houston, Texas.

A. B. Hershberger, Executive Vice President, Husky Oil Company, Denver, Colorado.

Ralph Booker, General Manager, National Cooperative Refinery Association, McPherson, Kansas.

R. D. Quillian, Jr., San Antonio, Texas.

John M. Houchin, President, Phillips Petroleum Company, Bartlesville, Oklahoma.

John E. Heston, President, Cities Service Company, New York, New York.

William A. Jones, President, National Oil Jobbers Council, Washington, D.C.

Honorable James A. McClure, Congressman, State of Idaho.

George F. Kachlein, Jr., Executive Vice President, American Automobile Association, Washington, D.C.

National Association of Manufacturers.

Daniel B. Diederich, Sweeney, Cozy, and Diederich, Attorneys-at-law, Torrance, California.

W. J. Driver, President, Manufacturing Chemists Association, Washington, D.C.

Claude C. Wild, Jr., Vice President, Governmental Relations Department, Gulf Oil Corporation, Washington, D.C.

Shell Oil Company.

Joe R. Wright, President, Natural Gas Processors Association, Tulsa, Oklahoma.

Henrik E. Stafseth, Director, Michigan State Highways Department, Lansing, Michigan.

Honorable William F. Ryan, Congressman, State of New York.