

SUMMARY OF PRESIDENT'S RECOMMENDATIONS
FOR (1) EXTENSION OF EXCISE TAXES ON AUTO-
MOBILES AND COMMUNICATION SERVICES; (2)
ACCELERATED PAYMENT OF GIFT AND ESTATE
TAXES; AND (3) IMPOSITION OF A TAX ON LEAD
ADDITIVES USED IN GASOLINE

PREPARED FOR THE USE OF THE
COMMITTEE ON WAYS AND MEANS
OF THE
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BY THE
STAFF OF THE JOINT COMMITTEE ON
INTERNAL REVENUE TAXATION



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EXTENSION OF EXCISE TAXES ON AUTOMOBILE AND COMMUNICATION SERVICES

Present law.—The excise tax on passenger automobiles (imposed on the manufacturer's sales price) presently is 7 percent through December 31, 1970. Under present law, the rate is to be reduced to 5 percent for 1971, to 3 percent for 1972, and to 1 percent for 1973. The tax then is repealed as of January 1, 1974.

The excise tax on amounts paid for local and toll telephone services and teletypewriter exchange services is 10 percent through December 31, 1970. Under present law, the rate is to be reduced to 5 percent during 1971, to 3 percent during 1972, and to 1 percent during 1973. The tax is then repealed as of January 1, 1974.

Administration proposal.—The Administration proposes to postpone for one year all of the scheduled reductions in the excise taxes on passenger automobiles and communications services.

Revenue effect.—It is estimated that this extension will provide \$650 million in the fiscal year 1971 and \$1,250 million in the fiscal year 1972. This revenue has already been taken into account in the fiscal 1971 budget.

ACCELERATED PAYMENT OF GIFT AND ESTATE TAXES

Gift tax

Present law.—Under present law, a donor taxpayer is required to file a gift tax return and pay the gift tax by April 15 following the year in which taxable gifts were made. For example, if an individual makes taxable gifts in January and April of 1970, the tax with respect to those gifts must be paid by April 15, 1971.

Administration proposal.—The Administration proposes to accelerate the filing of the gift tax return and the payment of the tax by requiring filing and payment on a quarterly rather than on an annual basis. The gift tax return and the payment of the gift tax would be due by the last day of the month following the end of the calendar quarter in which the gift was made. Thus, the gift tax return and payment for a gift made on February 1, 1971, would be due by April 30, 1971.

Estate tax

Present law.—Under present law, the estate tax return must be filed and the estate tax paid within 15 months after the date of the decedent's death. For example, if an individual dies on February 20, 1971, his estate tax return and tax payment must be made by May 20, 1972. There is no requirement for the payment of an estimated tax.

Administration proposal.—The Administration proposes the payment of an estimated estate tax within 7 months after the date of the decedent's death. The payment required would be 80 percent of the estate tax which would be due if the gross estate were valued as of the date of death. This estimated estate tax return, however, would be required only if the gross estate, based on the value at the date of death, exceeds \$150,000.

To prevent hardships on estates which consist chiefly of nonliquid assets, the proposal provides that the amount of estimated tax to be paid is not to exceed the value of the "net liquid assets" of the estate 6 months after the decedent's death. Net liquid assets would include cash, readily marketable securities, and other liquid assets in the gross estate less funeral and administration expenses, debts payable within 15 months after death, and (if there is a surviving spouse or surviving minor child) an allowance of \$10,000 plus \$5,000 for the surviving spouse and \$5,000 for each surviving minor child.

The proposal further provides that any property included in the gross estate which is sold within 6 months after the death of the decedent will be treated as held for more than 6 months (generally, resulting in long-term capital gains). In addition, the proposal provides a quick refund procedure if the estimated tax payment exceeds the tax finally due as, for example, where the alternate valuation date is used.

Revenue effect.—It is estimated that the proposed acceleration in gift and estate tax payments will result in \$1.5 billion in additional receipts for fiscal year 1971.

American Bankers Association and American Bar Association proposals.—The American Bankers Association and the American Bar Association have proposed alternatives under which the time for filing the Federal estate tax return and paying the tax would be changed from 15 months to 9 months after the date of death of a decedent. The alternate valuation date would also be changed from one year to 6 months after death. These alternatives also include a speedup in the audit of Federal estate tax returns and the release of fiduciaries other than the executor from personal liability for the tax.

TAX ON LEAD ADDITIVES USED IN GASOLINE

Present law.—Under present law, there is no tax on lead additives used in gasoline.

Administration proposal.—The Administration proposes a manufacturers' excise tax of \$4.25 per pound on the sale of lead in additives used in gasoline. 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 proposed tax is part of the administration's program to reduce air pollution.

Revenue effect.—It is estimated that the proposed tax will result in a first-year revenue gain of approximately \$1.6 billion. It is expected that this amount will diminish as lead-free or low-level leaded gasoline is developed.





