

Exhibit 24

REVENUE ACT OF 1963

REPORT

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

TO ACCOMPANY

H.R. 8363

A BILL TO AMEND THE INTERNAL REVENUE CODE OF
1954 TO REDUCE INDIVIDUAL AND CORPORATE
INCOME TAXES, TO MAKE CERTAIN
STRUCTURAL CHANGES WITH
RESPECT TO THE INCOME
TAX, AND FOR OTHER
PURPOSES



SEPTEMBER 13, 1963.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

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taxes. The categories of taxes which may not be deducted under present law are:

1. Federal income taxes.
2. Federal war profits and excess profits taxes.
3. Federal import duties and Federal excise and stamp taxes (except that these taxes may be deductible as business expenses or taken into account as expenses incurred in the production of income).
4. Estate, inheritance, gift, and similar taxes.
5. Most local improvement taxes.
6. Foreign income and excess profits taxes and similar taxes imposed by U.S. possessions (if the taxpayer elects to take a foreign tax credit for these taxes in lieu of a deduction).

The practical effect of the above listing of taxes is to deny any deduction for Federal taxes paid by the taxpayer (except to the extent that taxes listed in category 3 above qualify as business expenses or expenses incurred in the production of income).

State and local taxes on the other hand generally are deductible, except death and gift taxes and most local improvement taxes. The most important State and local taxes, and the revenues derived from them by State and local governments in 1961, are as follows:

1. Real and personal property taxes, \$18 billion.
2. Income taxes, \$3.9 billion.
3. General sales and gross receipts taxes, \$5.4 billion.

The three categories of taxes indicated above account for \$7.5 billion of the total \$10 billion of taxes taken as non-business deductions on taxable returns for Federal income tax purposes in 1960. The principal remaining State and local taxes, for which deductions may presently be taken, together with revenues derived from them by State and local governments in 1961, are as follows:

1. Gasoline taxes, \$3.5 billion.
2. Alcoholic beverage taxes, \$0.7 billion.
3. Tobacco taxes, \$1.1 billion.
4. Auto and drivers' licenses, \$1.8 billion.
5. Selective sales or excise taxes not included above (such as those on admissions, room occupancy, etc.), \$1.8 billion.

(b) *General reasons for the provision.*—Your committee recognized that there were important reasons for continuing the deductibility of property taxes, income taxes, and general sales taxes. The burden of property taxes varies widely among individuals according to whether or not they are homeowners. Thus, any denial of deductions in such cases would result in an important shift in the distribution of Federal income taxes between homeowners and nonhomeowners.

In the case of State and local income taxes, continued deductibility represents an important means of accommodation where both the State and local governments on one hand and the Federal Government on the other hand tap this same revenue source, in some cases to an important degree. A failure to provide deductions in this case, could mean that the combined burden of the State, local, and Federal income taxes might be extremely heavy.

If property and income taxes are to be deductible in computing income subject to Federal income tax, it also becomes important to allow the deduction of general sales taxes as well. These are the three major sources of State and local government revenue, and were the