

years beginning on or before that date if ending after December 31, 1965.

*8. Percentage depletion rate for certain clay bearing alumina (sec. 208 of the bill and sec. 613 of the code)*

At the present time, practically all alumina—the raw material used for the production of aluminum—is obtained from bauxite. Most of the bauxite is obtained from foreign deposits, since less than 1 percent of the known world bauxite reserves are in the United States.

There are, however, large deposits of clay containing alumina in the United States from which alumina can be extracted under newly developed processes, but at a greater cost than producing alumina from bauxite. In order to spur the development of these domestic deposits and build the facilities needed to extract the alumina from them, your committee has made two changes in the existing percentage depletion provisions applicable to clay, laterite, and nephelite syenite to the extent alumina and aluminum compounds are extracted from them. (These provisions do not apply to bauxite having an aluminum oxide content of 40 percent or more.)

First, the percentage depletion rate is raised from 15 to 23 percent in the case of domestic deposits of clay, laterite, and nephelite syenite (to the extent alumina or aluminum compounds are extracted therefrom). This is the same rate of percentage depletion which is now allowed to domestic deposits of bauxite.

Second, your committee provides that in the case of domestic deposits of clay, laterite, and nephelite syenite, all processes applied to derive alumina or aluminum compounds from them are to be treated as mining processes in computing gross income from mining for depletion purposes. It is not intended to treat as mining any of the processes in the electrolytic refining of the alumina or aluminum compounds.

The amendments are applicable only to taxable years beginning after the date of the enactment of this act.

*9. Percentage depletion rate for clam and oyster shells (sec. 209 of the bill and sec. 613 of the code)*

Under present law, clam shells and oyster shells are allowed a percentage depletion rate of 5 percent. This rate applies even though the shells are used because of their chemical content—calcium carbonate—in the production of cement or lime. On the other hand, when other minerals, such as limestone, are used as a source of calcium carbonate, percentage depletion at the rate of 15 percent is allowed under existing law.

Clam and oyster shells are composed almost entirely of calcium carbonate and in fact, contain a much higher percentage of calcium carbonate than do limestone and marble. Your committee believes that when clam and oyster shells are used for their calcium carbonate content—such as in the making of cement or lime—they should have the same percentage depletion rate as limestone and other calcium carbonates.

Accordingly, the committee amendment provides that in the case of clam shells and oyster shells (as well as other mollusk shells), a percentage depletion rate of 15 percent generally is to apply. However, as is true under existing law in the case of limestone and other calcium