erty) to patrons with respect to products marketed for them which is fixed without regard to the net earnings of the cooperative. The term "per-unit retain certificate" is defined to mean any written notice which discloses to the recipient the stated dollar amount of a per-unit retain allocation. The term "qualified per-unit retain certificate" is defined to mean a per-unit retain certificate which the patron has agreed to include in his income at the stated dollar amount. For this purpose, a cooperative may enter into individual agreements with each of its patrons, or the agreement may be contained in a bylaw, a written notice and copy of which is given to each of the members. In general, agreements once made are effective for all subsequent years until revoked. A "nonqualified per-unit retain certificate" is defined to be any per-unit retain certificate other than one which is "qualified."

The amendment also requires the reporting by the cooperative of information with respect to per-unit retain allocations comparable to the reporting requirements with respect to patronage dividends under present law.

Effective dates and transition rule.—The amendments which relate to the substantive tax treatment of per-unit retains are to apply, generally, for taxable years of cooperatives beginning after April 30, 1966, and the information reporting provisions are to apply for calendar years after 1966.

If a cooperative has entered into individual agreements with its patrons with respect to per-unit retain allocations in compliance with the existing income tax regulations, new agreements would not be required under the amendment. Existing bylaw agreements with respect to per-unit retain allocations adopted under the Treasury regulations are to be effective for taxable years beginning before May 1, 1967. After that date a bylaw agreement which conforms to the new statutory provisions is required.

13. Excise tax rate on hearses (sec. 213 of the bill and sec. 4062 of the code)

Present law imposes a 10 percent excise tax on the sale by the manufacturer, importer, or producer of bodies and chassis of trucks, while a rate of 7 percent is imposed on automobiles.[1]

There is no statutory classification of hearses, ambulances, or combination ambulance-hearse vehicles for purposes of this excise tax. However, since 1921 the Internal Revenue Service, by administrative interpretation has classified hearses as trucks while treating ambulances and combination ambulance-hearse vehicles as automobiles for the purpose of determining the appropriate excise tax rate.

Your committee sees no reason why hearses should not be accorded the same tax treatment as ambulances—especially since the vehicles are often combined into the same unit. Moreover, ambulance and hearse manufacturers use the same basic chassis for hearses, ambulances, and combination vehicles and, further, the tax on the chassis, which is paid by the chassis manufacturer, is computed at the rate provided for automobile chassis. In addition, it is understood that the same basic body is added to the chassis by the ambulance and

[1] This 7-percent rate is scheduled for reduction to 2 percent effective Apr. 1, 1968, and to 1 percent effective Jan. 1, 1969. The 10-percent tax on trucks and hearses is a permanent rate.