

hearse manufacturer without regard to whether it ultimately becomes an ambulance, hearse, or combination ambulance-hearse vehicle. Further, your committee has been informed that a rear-loading hearse can be easily converted into an ambulance or an ambulance-hearse combination vehicle by the addition of certain accessories at a cost of about half of the excise tax saving which is realized by the manufacturers as a result of the conversion. Still further evidence that it is unrealistic to classify hearses as trucks is the fact that most of the States presently license hearses as automobiles while very few States license them as trucks.

It is estimated that this bill will result in a revenue loss of approximately \$100,000 a year during the period while the excise tax on trucks is 10 percent and that on automobiles is 7 percent. After April 1, 1968, when the rate on automobiles is reduced to 2 percent (and then to 1 percent on January 1, 1969) the revenue loss might actually decrease because the increased differential in rates between hearses and ambulances actually might result in fewer hearses, and more combination ambulance-hearses, being sold.

For the reasons indicated above, your committee has amended the bill to specifically classify hearses, ambulances, and combination ambulance-hearses as automobiles (and not as trucks) for purposes of the excise tax on the sale of these vehicles by the manufacturer, producer, or importer. This amendment is made effective with respect to vehicles sold after the date of enactment of this act.

14. Interest equalization tax; loans to insure raw material sources (sec. 214 of the bill and sec. 4914 of the code)

The interest equalization tax, in general, is a tax imposed on Americans with respect to the purchase of foreign securities. In the case of debt the tax rate varies with the period of time to maturity; in the case of stock the tax rate is 15 percent. The tax is designed to increase capital costs in the United States for foreigners by about 1 percent a year.

Presently there is an exemption from the interest equalization tax—as the equivalent to a direct investment—for loans made by U.S. lenders to foreign subsidiaries of U.S. corporations producing foreign ores and minerals in short supply in the United States where the financing is secured by a so-called “take or pay” contract entered into between the foreign subsidiaries and the U.S. parent. However, these loans become subject to the interest equalization tax when and if they are subsequently transferred by the lender to another U.S. person, regardless of the intent of the investor at the time of acquisition.

The amendment made by your committee provides that transfers by the original lender, subsequent to the original acquisition of the indebtedness which is exempted under this provision, would not be subject to tax where the indebtedness was originally acquired by the lender without an intent to sell the indebtedness to other U.S. persons. However, where in fact more than one sale of the indebtedness occurs after the debt is held by the initial lender, for each such sale to be exempt the indebtedness must be purchased without any intent to resell. This amendment is to be effective with respect to debt obligations acquired after the date of enactment of this act.