

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. For years beginning after that date a bylaw agreement which conforms to the new statutory provisions is required.

12. Excise tax rate on hearses (sec. 212 of the act and sec. 4062 of the code)

A 10 percent excise tax is imposed on the sale by the manufacturer, importer, or producer of bodies and chassis of trucks. A rate of 7 percent is imposed on automobiles.⁹

Under prior law there was 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, had classified hearses as trucks while treating ambulances and combination ambulance-hearse vehicles as automobiles for the purpose of determining the appropriate excise tax rate.

The act classifies 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 effective with respect to vehicles sold after November 13, 1966.

13. Interest equalization tax; loans to insure raw material sources (sec. 213 of the act 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.

⁹ 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.