SEC. 5. POSTPONEMENT OF CERTAIN EXCISE TAX RATE REDUCTIONS

(a) Passenger Automobiles.—

(1) In general.—Subparagraph (A) of section 4061 (a)(2) (relating to imposition of tax) is amended to read as follows:

"(A) Article enumerated in subparagraph (B) are taxable at whichever of the following rates is applicable:

"7 percent for the period beginning with the day after the date of the enactment of the Tax Adjustment Act of 1966 through June 30, 1969.

"2 percent for the period July 1, 1969, through Dec. 31, 1969

"1 percent for the period after Dec. 31, 1969."

(2) Conforming amendments.—Section 6412 (a)(1) (relating to floor stocks refunds on passenger automobiles, etc.) is amended by striking out "April 1, 1968, or January 1, 1969" and inserting in lieu thereof "July 1, 1969, or January 1, 1970".

(b) Communication Services.—Section 4251 (relating to tax on communications) is amended—

(1) By striking out subsection (a)(2) and inserting in lieu thereof:

"(2) The rate of tax referred to in paragraph (1) is as follows:

"Amounts paid pursuant to bills first rendered—	*Percent*
"Before July 1, 1969	10
"After June 30, 1969, and before January 1, 1970	1"

(2) By striking out subsection (b) and inserting in lieu thereof:

"(b) *Termination of Tax.*—The tax imposed by subsection (a) shall not apply to amounts paid pursuant to bills first rendered on or after January 1, 1970."

(3) By striking out subsection (c) and inserting in lieu thereof:

"(c) *Special Rule.*—For purposes of subsection (a), in the case of communications services rendered before May 1, 1969, for which a bill has not been rendered before July 1, 1969, a bill shall be treated as having been first rendered on June 30, 1969. For purposes of subsections (a) and (b), in the case of communications services rendered after April 30, 1969, and before November 1, 1969, for which a bill has not been rendered before January 1, 1970, a bill shall be treated as having been first rendered on December 31, 1969."

(c) Effective Date.—The amendments made by this section shall be effective on the date of enactment of this Act.

Technical Explanation of Surcharge Tax Act of 1967

This bill, which is entitled the "Surcharge Tax Act of 1967", has four substantive sections:

(1) Section 2 imposes a temporary surcharge on both individual and corporate income tax liability at an annual rate of 10 percent.

(2) Section 3 raises from 70 percent to 80 percent, the percent of its estimated tax which a corporation may pay by installments without incurring a penalty.

(3) Section 4 eliminates, over a five-year period, the $100,000 estimated tax exemption presently granted corporations.

(4) Section 5 suspends the schedule for the reduction of the excise taxes on passenger automobiles and telephone services during the period of the temporary surcharge.

There follows a more detailed description of each of these provisions.

Section 1 of the bill sets forth its title.

Section 2. *Tax Surcharge.*

(a) *Imposition of tax.*—Subsection (a) of section 2 of the bill adds a new part to subchapter A of chapter 1 of the Internal Revenue Code which consists of a new section 51 imposing a temporary tax surcharge on corporations and individuals.

General Provisions.—Subsection (a) of the new section 51 provides for the imposition of the surcharge. The tax is at an annual rate of 10 percent of tax liability (adjusted as provided in section 51(c)) and is effective from July 1, 1967, through June 30, 1969, for corporations and from October 1, 1967, through June 30, 1969, for individuals. For taxpayers who report their income on a calendar year basis, the rate of the surcharge for the calendar years involved is as follows: