

MAR 23 1956

Personal

Dear Harry:

You added a note on your letter of March 21, calling my attention to a letter from Lyndon Johnson about the highway revenue bill. This bill has some bad features, which I hope you will be able to do something about when it gets over to the Senate.

1. Over the 16 years the bill takes almost \$5 billion from the general revenues, over and above the gas and diesel fuel tax, by transferring to the trust fund the excise tax on tires and $\frac{3}{8}$ ths of the existing excise tax on trucks, beginning with the fiscal year 1958. This diversion from general revenues will have to be made up in one way or another or it will put us in trouble in the general budget.
2. Though the revenues appear to cover the cost of road construction over a 16-year period, this is done only by cutting way back on the regular road program for the last two years to the extent of about \$1.5 billion. This seems a poor way to show a balance.
3. Though the program ostensibly balances out over the 16 years on the basis of the two preceding actions, there would be some very substantial deficits running to about three-quarters of a billion dollars a year during the middle years of the program. This would make a bad drain on the general budget during this period. A motion to put the program on a real pay-as-you-build basis by keeping expenditures in line with receipts was defeated in the House Ways and Means Committee. I especially hope you will be able to do something about this part of the bill.

The annual truck tax, to which Lyndon Johnson objects, would bring in about \$900 million over the 16 years. If that tax were not included, the figures would be out by that much more. The original Boggs Bill did not provide for the annual tax on trucks. It was proposed by Mr. Reed and adopted by the Committee. There had apparently been a good deal of protest about the fact that there was no special tax on trucks to help make up for the additional road cost due to truck traffic. We did not take any position with reference to this particular tax, but I have not seen anything that makes me believe that it is not perfectly fair and reasonable.

I understand that the 26,000 pound figure is pretty generally accepted as the line of distinction between ordinary trucks and the big 3-axle ones. There is a real difference in treatment around the 26,000 pound level, since the tax applies on the full weight of everything about that weight. I suppose it would be possible to work out a tax on the excess over 26,000 pounds, but it would take a very much higher rate to get the same revenue and from what I have seen thus far I would not suggest such a change.

My best to you.

Sincerely yours,

George

Secretary of the Treasury

Honorable Harry F. Byrd
U. S. Senate
Washington 25, D. C.

Smith (3/22/56)

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Center for
Transportation

UNITED STATES SENATE
OFFICE OF THE DEMOCRATIC LEADER
WASHINGTON, D. C.

March 19, 1956

Dear Harry:

I have received communications from a number of persons in the trucking business commenting adversely upon the Boggs bill as amended in committee by the proposal of Congressman Reed, which will soon come before the House for action from the House Ways and Means Committee and probably reach our Finance Committee shortly thereafter. In the event the bill passes the House with the Reed amendment attached, I believe that our committee should give careful consideration to the desirability of eliminating that amendment, as being excessively and disproportionately burdensome in the new taxes to be imposed upon the trucking industry.

At the very least, the Reed amendment, which imposes an additional tax of \$1.50 per thousand pounds on the total weight of any truck weighing more than 26,000 pounds, should be modified to exempt some or all of the first 26,000 pounds from this additional tax. As proposed, the amendment would be extremely discriminatory against trucks weighing slightly more than 26,000 pounds.

It seems to me at this point that the Boggs bill without the Reed amendment is a fair and reasonable approach to the problem of obtaining adequate new revenue for the highway bill. I shall certainly be prepared to participate with the committee in the consideration of this legislation, but I wanted you to have, in advance, my present feelings on the subject.

With best wishes,

Sincerely,

Signed - Lyndon B. Johnson

Hon. Harry F. Byrd
Chairman, Finance Committee
United States Senate
Washington, D. C.

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Transportation