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THE WHITE HOUSE

ACTION

WASHINGTON

Last Day - October 29

October 25, 1974

MEMORANDUM FOR: THE PRESIDENT  
FROM: KEN COLE  
SUBJECT: Enrolled Bill H.R. 11251  
Duty-free Treatment for  
Methanol

Attached for your consideration is House bill, H.R. 11251, sponsored by Representative Ullman, which provides for the duty-free entry of methanol when imported for use in producing synthetic natural gas or for direct use as fuel; and contains tax riders relating to (a) transfers of accounts receivable to related Domestic International Sales Corporations (DISCs), and (b) rehabilitation expenditures incurred with respect to low income rental housing.

Roy Ash recommends approval and provides you with additional background information in his enrolled bill report (Tab A).

The Counsel's office (Chapman), the NSC, and Bill Timmons all recommend approval.

RECOMMENDATION

That you sign House bill, H.R. 11251 (Tab B).

APPROVED  
OCT 26 1974

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

OCT 23 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 11251 - Duty-free treatment  
for methanol  
Sponsor - Rep. Ullman (D) Oregon and 15 others

Last Day for Action

October 29, 1974 - Tuesday

Purpose

Provides for the duty-free entry of methanol when imported for use in producing synthetic natural gas or for direct use as fuel; and contains tax riders relating to (a) transfers of accounts receivable to related Domestic International Sales Corporations (DISCs), and (b) rehabilitation expenditures incurred with respect to low income rental housing.

Agency Recommendations

Office of Management and Budget	Approval
Department of the Treasury	Approval
Department of Commerce	Approval
Department of the Interior	Approval
Federal Energy Administration	Approval
Federal Power Commission	Approval (Informally)
Council of Economic Advisers	No objection (Informally)
Department of Labor	No objection (Informally)
Department of Housing and Urban Development	No objection (Informally)
Office of the Special Representative for Trade Negotiations	No objection (Sections 1 and 2)
Department of State	No objection (Sections 1 and 2)
Council on International Economic Policy	No objection (Sections 1 and 2)

*Patel 10/28*  
*To Archives 10/29*



## Discussion

The enrolled bill contains the following provisions:

### Duty-free entry of methanol (Sections 1 and 2)

Methanol (methyl alcohol), which can be produced from natural gas by a relatively simple chemical process, may be used directly as a fuel or it may be converted to synthetic natural gas.

Recent research shows that, with the introduction of new technology coupled with increasing energy shortages, transporting natural gas in the form of methanol from remote gas-producing areas, such as Saudi-Arabia, Iran, and Indonesia, to U.S. energy markets is more practical than shipping it in the form of liquified natural gas (LNG), as is currently done. The existing statutory duty on imported methanol, however, precludes the economical importation of methanol to supplement domestic energy sources.

Sections 1 and 2 of the enrolled bill would provide for permanent duty-free entry of methanol from countries granted most-favored-nation-tariff treatment when it is imported for use in producing synthetic natural gas or for direct use as a fuel (it should be pointed out that imports of natural gas and LNG are presently accorded duty-free treatment). The duty-free rate would not apply to methanol imported for other uses or from communist countries (except Poland and Yugoslavia which have MFN status).

Since domestically produced methanol is used primarily in the synthesis of other chemicals and as a solvent, not as a fuel, the enactment of sections 1 and 2 of H.R. 11251 should not adversely affect domestic industry. The bill does contain a provision, however, that would permit parties affected by methanol imports to apply for trade adjustment or adjustment assistance should such relief become appropriate.

### Transfers of accounts receivable to related DISCs (Section 3)

This section would amend the DISC provisions of the Internal Revenue Code to expand the definition of "qualified export assets" of a DISC to include accounts receivable and other evidences of indebtedness arising out of the transactions of a related DISC (i.e., a DISC that is a member of the same controlled group as the subject DISC).

Under current law, such accounts receivable and other evidences of indebtedness are "qualified export assets" only if they arise from transactions of the DISC which holds them.

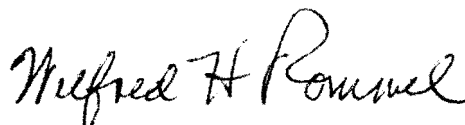
Treasury stated no objection to similar legislative proposals (H.R. 5400 and Amendment No. 648 to H.R. 8214) in reports to the House Ways and Means Committee and the Senate Finance Committee.

Rehabilitation expenditures incurred with respect to low income rental housing (Section 4)

This provision would extend the period for special tax treatment of certain low income housing rehabilitation expenditures.

The Internal Revenue Code currently permits taxpayers to depreciate rehabilitation expenditures over a period of 60 months, and is applicable only to expenditures made prior to January 1, 1975.

Section 4 of H.R. 11251 would extend this cutoff date to January 1, 1978, provided that the expenditures are incurred pursuant to a binding contract entered into before December 31, 1974.



Assistant Director for  
Legislative Reference

Enclosure



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

OCT 18 1974

Dear Sir:

This is in response to your request for the views of the Treasury Department on the enrolled bill H.R. 11251, which amends Subpart D, Part 2, Schedule 4, of the Tariff Schedules of the United States (TSUS) by striking out item 427.96, TSUS, and inserting in lieu thereof two new items 427.96 and 427.97, to provide for the duty-free entry of methanol imported for use as a fuel.

Proposed item 427.96 would provide for the duty-free entry under column 1 rates of duty of methyl alcohol imported only for use in producing synthetic natural gas (SNG) or for direct use as a fuel. The column 2 rate of duty would be 18 cents per gallon. Proposed item 427.97 would provide for a column 1 rate of duty of 7.6 cents per gallon and a column 2 rate of duty of 18 cents per gallon for methyl alcohol used for any other purpose.

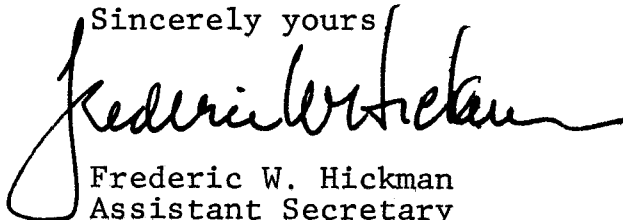
Section 2 would provide that the duty free treatment for methyl be treated as having been proclaimed by the President as being required or appropriate to carry out foreign trade agreements to which the United States is a party, thereby permitting parties affected by methyl imports to apply for trade adjustment or adjustment assistance.

Section 3 would amend the Domestic Internal Sales Corporation (DISC) provisions of the Internal Revenue Code to expand the definition of "qualified export assets" of a DISC to include accounts receivable and other evidences of indebtedness which arise out of the transactions of a related DISC (i.e., a DISC that is a member of the same controlled group as the subject DISC). Under present law, such accounts receivable and other evidences of indebtedness are "qualified export assets" only if they arise by reason of transactions of the DISC that holds them. This provision is identical to Amendment No. 648 to H.R. 8214 respecting which this Department gave a no opposition report on November 30, 1973 (copy attached).

Section 4 extends the applicability of the provisions of section 167(k)(1) of the Internal Revenue Code of 1954 (relating to depreciation of expenditures to rehabilitate low income rental housing). Section 167(k)(1) is presently scheduled to expire at the end of this year. Under section 4, the provision would remain in effect for expenditures incurred before January 1, 1978, pursuant to a binding contract entered into before December 31, 1974. The Ways and Means Committee had tentatively decided to adopt a more general extension of 167(k)(1) until January 1, 1978, and to liberalize the provision somewhat. We have supported that action and believe that section 4 of the enrolled bill is a desirable transitional measure pending adoption of the broader provision.

Accordingly, the Treasury Department recommends that these provisions be approved by the President.

Sincerely yours

A handwritten signature in cursive script, reading "Frederic W. Hickman". The signature is written in dark ink and is positioned below the typed name.

Frederic W. Hickman  
Assistant Secretary

Director, Office of Management  
and Budget  
Attention: Assistant Director for  
Legislative Reference, Legislative  
Reference Division  
Washington, D. C. 20503



THE GENERAL COUNSEL OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D. C. 20410

Mr. Wilfred H. Rommel  
Assistant Director for  
Legislative Reference  
Office of Management and Budget  
Washington, D. C. 20503

Attention: Mrs. Garziglia

Dear Mr. Rommel:

Subject: H. R. 11251, 93d Congress, Enrolled Enactment

This is in response to your request for our views on the enrolled enactment of H. R. 11251, an Act "To amend the Tariff Schedules of the United States to provide for the duty-free entry of methanol imported for use as fuel, and for other purposes."

This Department is concerned only with section 4 of H. R. 11251 which would extend through December 31, 1977 that provision of the Internal Revenue Code, section 167(k), which permits a taxpayer to depreciate expenses for the rehabilitation of low- and moderate-income housing over a sixty month period, with no salvage value, and with the straight line method of depreciation. The extension would apply only to those rehabilitation expenditures incurred pursuant to a binding contract entered into prior to December 31, 1974.

It is our understanding that section 4 was added to H. R. 11251 in order to extend section 167(k) on an interim basis pending further consideration by the Congress of a general extension and similar tax incentives. This Department, insofar as section 4 of H. R. 11251 is concerned, has no objection to Presidential approval of the enrolled bill.

Sincerely,

  
Robert R. Elliott



FEDERAL POWER COMMISSION  
WASHINGTON, D.C. 20426

ENROLLED BILL  
H.R. 11251 - 93d Congress

OCT 23 1974

Honorable Roy L. Ash  
Director, Office of Management and Budget  
Executive Office of the President  
Washington, D. C. 20503

Attention: Mrs. Louise Garziglia  
Legislative Reference Division  
Room 7201, New Executive Office Building

Dear Mr. Ash:

This responds to Mr. Rommel's request for our comments on the subject Enrolled Bill.

As we stated in our report on this bill submitted to the House Ways and Means Committee, in terms of economics and fuel supply, the advantages of methanol importation outweigh any possible disadvantages at a time when domestic fuel supplies are scarce. Methanol is a product which can be manufactured in large quantities from natural gas by a relatively simple process. It can be transported by regular tanker and stored at atmospheric pressure. It would require separate storage facilities and special combustion equipment which could be adapted from existing equipment at reasonable cost. Storage costs of methanol would also be lower than that for natural gas or LNG.

The use of methanol as a direct fuel would be preferable to the use of SNG derived from methanol primarily because its conversion to SNG requires a further input of energy. Additionally, the combustion of methanol produces smaller amounts of the nitrogen oxide pollutants than SNG. Methanol is, therefore, a cleaner burning fuel than SNG. This latter advantage facilitates the substitution of methanol for petroleum in steam-electric plants and for natural gas



Honorable Roy L. Ash

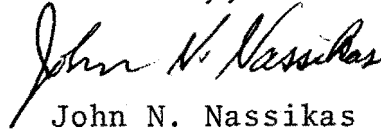
- 2 -

in those plants which are losing their gas supplies. Still a third possibility is its use as a substitute or supplement to imported LNG in coastal areas.

From an economic standpoint, the elimination or reduction of the tariff would make methanol more competitive with LNG, thus providing a short-term supplement to domestic energy supply. Importation of methanol would not substantially augment our domestic fuel supply, but is capable of providing short-term, 3-5 year, increments to domestic supplies.

The Commission supports approval of H.R. 11251.

Sincerely,



John N. Nassikas  
Chairman

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

OCT 25 1974

Honorable Roy Ash  
Director, Office of Management  
and Budget  
Executive Office of the President  
Washington, D. C. 20503

Dear Mr. Ash:

This is in response to the request of your Office for our views on the enrolled enactment of H.R. 11251, "To amend the Tariff Schedules of the United States to provide for the duty-free entry of methanol imported for use as fuel, and for other purposes." This Department would have no objection to the President's approval of this measure from the standpoint of its provisions relating to the duty-free entry of methanol.

The Department defers to the Department of the Treasury regarding views on sections 3 and 4 of the enrolled enactment. Section 3 would amend section 993(b)(3) of the Internal Revenue Code of 1954 (relating to qualified export assets.) Section 4 concerns the application of section 167(k) of the Internal Revenue Code of 1954 with respect to rehabilitation expenditures incurred in connection with low income rental housing.

Sincerely,



Secretary of Labor

H.R. 8214 - amend 6/73

NOV 30 1973

Dear Mr. Chairman:

This is in response to your request for the views of the Treasury Department on Amendment No. 648 to H.R. 8214 which has been introduced by Mr. Tunney.

The amendment would amend section 993(b)(3) of the Internal Revenue Code to expand the definition of the term "qualified export assets" of a DISC to include accounts receivable and other evidences of indebtedness which arise out of transactions of the DISC or of any other corporation which is a DISC and which is a member of the same controlled group as the DISC.

Existing section 993(b)(3) provides that only accounts receivable and evidences of indebtedness which arise by reason of transactions of the DISC itself are qualified export assets. This enables the DISC to sell export property directly on credit or to act as a commission agent with respect to export property and to purchase from the seller the receivables the seller took from its customer on the sales on which the DISC received commissions. Under either arrangement, the DISC may aid in the financing of export sales. The proposed bill would expand this use of the DISC by permitting a DISC to acquire obligations arising out of export transactions in which another member of the group which is a DISC participated as principal or sales agent.

The Department of the Treasury does not oppose this amendment.

The Office of Management and Budget has advised the Treasury Department that there is no objection from the

standpoint of the Administration's program to the presentation of this report.

Sincerely yours,

Frederic W. Hickman  
Assistant Secretary

The Honorable  
Russell B. Long  
Chairman, Committee on Finance  
United States Senate  
Washington, D.C. 20510

bc: Dr. Woodworth  
Mr. William Gifford



**GENERAL COUNSEL OF THE  
DEPARTMENT OF COMMERCE**  
Washington, D.C. 20230

OCT 21 1974

Honorable Roy L. Ash  
Director, Office of Management  
and Budget  
Washington, D. C. 20503

Attention: Assistant Director for Legislative Reference

Dear Mr. Ash:

This is in reply to your request for the views of this Department concerning H. R. 11251, an enrolled enactment

"To amend the Tariff Schedules of the United States to provide for the duty-free entry of methanol imported for use as fuel, and for other purposes."

H. R. 11251 would provide for the duty free entry of methyl alcohol (methanol) from countries accorded most-favored-nation tariff treatment and imported only for use in producing synthetic natural gas or for direct use as a fuel. The bill would also amend provisions of the Internal Revenue Code of 1954 relating to the tax treatment accorded DISC's and low income rental housing.

This Department recommends approval by the President of H. R. 11251.

Enactment of this legislation will not involve the expenditure of funds by this Department.

Sincerely,

*Karl E. Batke*

General Counsel



# United States Department of the Interior

OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20240

**OCT 22 1974**

Dear Mr. Ash:

This responds to your request for our views on the enrolled bill H.R. 11251, "To amend the Tariff Schedules of the United States to provide for the duty-free entry of methanol imported for use as fuel, and for other purposes."

We recommend that the President approve the enrolled bill.

H.R. 11251, as enrolled, amends the Tariff Schedules of the United States by allowing the duty-free import of methanol when this commodity is to be used for the production of synthetic natural gas or for direct use as a fuel and when imported from a country accorded most-favored-nation status. The enrolled bill also amends the Internal Revenue Code by allowing a Domestic International Sales Corporation (DISC) to divide its sales operations and financing operations into separate corporations and still retain special tax benefits whereby profits of a DISC are not taxed to the DISC but are taxed to the shareholders when distributed to them. The enrolled bill amends another part of the Internal Revenue Code by extending the period for special tax treatment of certain low income housing rehabilitation expenditures from expenditures made prior to January 1, 1975 to those made prior to January 1, 1978.

Neither amendment to the Internal Revenue Code affects the tariff schedules for imported methanol, the original purpose of H.R. 11251, nor do they affect the policies of this Department. We therefore have no comment on their inclusion in the bill.

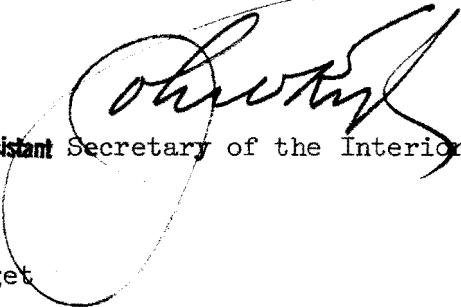
Since we reported on the bill, three amendments have been made to the portion eliminating the tariff on certain imported methanol. However, all three amendments are technical and do not affect our position on the legislation. The bill is therefore in accord with Departmental



*Save Energy and You Serve America!*

policy of encouraging the use of alternate sources of energy whenever and wherever such sources are available.

Sincerely yours,

  
Assistant Secretary of the Interior

Honorable Roy L. Ash  
Director  
Office of Management and Budget  
Washington, D. C. 20503



FEDERAL ENERGY ADMINISTRATION

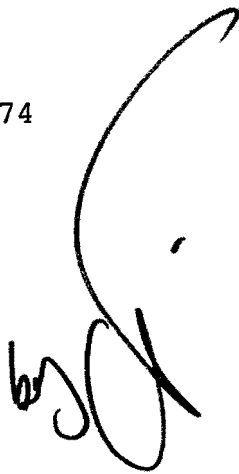
WASHINGTON, D.C. 20461

October 21, 1974

MEMORANDUM FOR: Wilfred H. Rommel  
Assistant Director for  
Legislative Reference  
Office of Management and  
Budget

FROM: Robert E. Montgomery, Jr.  
General Counsel

SUBJECT: Enrolled Bill Report on H.R. 11251 "To  
amend the Tariff Schedules of the United  
States to provide for the duty-free entry  
of methanol imported for use as fuel."



This is in response to your request for the views of the Federal Energy Administration on the subject enrolled bill.

H.R. 11251 would permanently eliminate the 7.6¢ per gallon duty on methanol imported from a country accorded most favored nation treatment by the United States. Duty-free treatment of methanol would help alleviate some of the current shortages for energy materials, particularly, natural gas. Since methanol can be produced from natural gas, increased methanol imports would help make more natural gas available for other uses in the United States. In addition, H.R. 11251 would encourage industries in certain petroleum-producing countries to capture natural gas which might otherwise be flared off, process it into methanol, and transport it to the United States. Without duty-free treatment, the development of this alternative energy source would not be economically feasible.

In view of the above discussion, the Federal Energy Administration recommends that the President sign H.R. 11251 into law.

OFFICE OF THE SPECIAL REPRESENTATIVE  
FOR TRADE NEGOTIATIONS

EXECUTIVE OFFICE OF THE PRESIDENT  
WASHINGTON  
20506

October 21, 1974

W. L. Rommel, Esquire  
Assistant Director for  
Legislative Reference  
Office of Management and Budget  
Washington, D. C. 20503

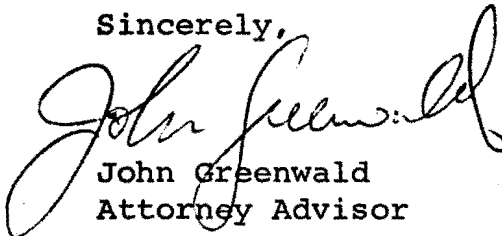
Attention: Mrs. Garziglia

Dear Mr. Rommel:

Reference is made to your request of October 17, concerning enrolled bills, H.R. 11452, H.R. 11251, H.R. 13631, H.R. 12035, H.R. 7780, H.R. 6191, H.R. 6642, H.R. 11830, and your request of October 21 concerning H.R. 12281.

This Office considers that the import duty suspensions provided by these bills provide no reason for withholding Presidential signature. We would, however, yield to the Treasury Department as to the advisability of the Administration's concurrence with the tax riders to each of these duty suspension bills.

Sincerely,



John Greenwald  
Attorney Advisor



DEPARTMENT OF STATE

Washington, D.C. 20520

OCT 18 1974

Honorable Roy L. Ash, Director  
Office of Management and Budget  
Washington, D.C. 20503

Dear Mr. Ash:

The Secretary has asked me to reply to your communication (Office of Management and Budget Memorandum, dated October 17, signed by Mr. Rommel) requesting our views on H.R. 11251, an enrolled bill providing for the duty free entry of methanol (methyl alcohol) imported for use as fuel.

The Department of State has no objection, from the standpoint of the foreign economic relations of the United States, to the enactment of the proposed legislation. In so concluding, we note that the text of the bill also includes provisions amending the Internal Revenue Code and defer to other executive agencies on the effects of the proposed amendments on our tax policy.

Cordially,

A handwritten signature in cursive script, reading "Linwood Holton".


Linwood Holton  
Assistant Secretary for  
Congressional Relations

MEMORANDUM

COUNCIL ON INTERNATIONAL ECONOMIC POLICY

October 21, 1974

FOR : MR. W. H. ROMMEL, Assistant Director for Legislative  
Reference, OMB, Room 7201 - New EOB

FROM : Skip Hartquist 

SUBJECT: Enrolled Bill Request - H. R. 11251

We have no objections to Sections 1 or 2 of H. R. 11251.

However, Sections 3 and 4 relate to changes in the Internal Revenue Code and we defer to the Treasury Department for their views on those sections.

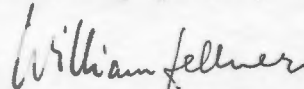
THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

October 22, 1974

Dear Mr. Rommel:

The Council of Economic Advisers has no objections to the President's signing H.R. 11251, an Act "To amend the Tariff Schedules of the United States to provide for duty free entry of methanol imported for use as fuel, and for other purposes."

Sincerely yours,



William J. Fellner  
Acting Chairman

Mr. W. H. Rommel  
Assistant Director  
for Legislative Reference  
Office of Management & Budget  
Washington, D. C.



OFFICE OF  
MANAGEMENT & BUDGET  
OCT 25 1 55 PM '74  
RECEIVED

## THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 692

Date: October 23, 1974

Time: 12:00 Noon

FOR ACTION: ✓ Geoff Shepard  
 NSC/S  
 Phil Buchen  
 Bill Timmons

cc (for information): Warren K. Hendriks  
 Jerry Jone  
 Paul Theis

FROM THE STAFF SECRETARY

DUE: Date: Friday, October 25, 1974

Time: 2:00 p.m.

SUBJECT: Enrolled Bill H.R. 11251 - Duty-free treatment  
 for methanol

## ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks

## REMARKS:

Please return to Kathy Tindle - West Wing

*No of*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Warren K. Hendriks  
 For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 692

Date: October 23, 1974

Time: 12:00 Noon

FOR ACTION:  Geoff Shepard  
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Paul Theis

FROM THE STAFF SECRETARY

DUE: Date: Friday, October 25, 1974

Time: 2:00 p.m.

SUBJECT: Enrolled Bill H.R. 11251 - Duty-free treatment  
for methanol

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Please return to Kathy Tindle - West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

\_\_\_\_\_  
K. R. COLE, JR.  
For the President

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

ACTION

Last Day - October 29

MEMORANDUM FOR: THE PRESIDENT  
FROM: KEN COLE  
SUBJECT: Enrolled Bill H.R. 11251  
Duty-free treatment for  
methanol

Attached for your consideration is House bill, H.R. 11251, sponsored by Representative Ullman, which provides for the duty-free entry of methanol when imported for use in producing synthetic natural gas or for direct use as fuel; and contains tax riders relating to (a) transfers of accounts receivable to related Domestic International Sales Corporations (DISCs), and (b) rehabilitation expenditures incurred with respect to low income rental housing.

Roy Ash etc.

~~We have checked with~~ the Counsel's office (Chapman), the NSC, and Bill Timmons ~~who~~ recommend approval.

*all*

RECOMMENDATION

That you sign House bill, H.R. 11251 (Tab B).



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

OCT 23 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 11251 - Duty-free treatment  
for methanol  
Sponsor - Rep. Ullman (D) Oregon and 15 others

Last Day for Action

October 29, 1974 - Tuesday

Purpose

Provides for the duty-free entry of methanol when imported for use in producing synthetic natural gas or for direct use as fuel; and contains tax riders relating to (a) transfers of accounts receivable to related Domestic International Sales Corporations (DISCs), and (b) rehabilitation expenditures incurred with respect to low income rental housing.

Agency Recommendations

Office of Management and Budget	Approval
Department of the Treasury	Approval
Department of Commerce	Approval
Department of the Interior	Approval
Federal Energy Administration	Approval
Federal Power Commission	Approval (Informally)
Council of Economic Advisers	No objection (Informally)
Department of Labor	No objection (Informally)
Department of Housing and Urban Development	No objection (Informally)
Office of the Special Representative for Trade Negotiations	No objection (Sections 1 and 2)
Department of State	No objection (Sections 1 and 2)
Council on International Economic Policy	No objection (Sections 1 and 2)

To  
Harrison Handrick  
10-23-74  
11:20 a.m.

THE WHITE HOUSE  
WASHINGTON

October 24, 1974

MEMORANDUM FOR: MR. WARREN HENDRIKS  
FROM: WILLIAM E. TIMMONS *W. E. Timmons*  
SUBJECT: Action Memorandum - Log No. 692  
Enrolled Bill H. R. 11251 - Duty-free  
treatment for methanol

The Office of Legislative Affairs concurs in the attached proposal and has no additional recommendations.

Attachment

## THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 692

Date: October 23, 1974

Time: 12:00 Noon

FOR ACTION: Geoff Shepard  
 NSC/S  
 Phil Buchen  
 ✓ Bill Timmons

cc (for information): Warren K. Hendriks  
 Jerry Jone  
 Paul Theis

FROM THE STAFF SECRETARY

DUE: Date: Friday, October 25, 1974

Time: 2:00 p.m.

SUBJECT: Enrolled Bill H.R. 11251 - Duty-free treatment  
for methanol

## ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks

## REMARKS:

Please return to Kathy Tindle - West Wing

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Warren K. Hendriks  
 For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 692

Date: October 23, 1974

Time: 12:00 Noon

FOR ACTION: Geoff Shepard  
NSC/S  
✓ Phil Buchen  
Bill Timmons

cc (for information): Warren K. Hendriks  
Jerry Jone  
Paul Theis

FROM THE STAFF SECRETARY

DUE: Date: Friday, October 25, 1974

Time: 2:00 p.m.

SUBJECT: Enrolled Bill H.R. 11251 - Duty-free treatment for methanol

ACTION REQUESTED:

\_\_\_ For Necessary Action

XX For Your Recommendations

\_\_\_ Prepare Agenda and Brief

\_\_\_ Draft Reply

\_\_\_ For Your Comments

\_\_\_ Draft Remarks

REMARKS:

Please return to Kathy Tindle - West Wing

*No objection  
D.C.*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Warren K. Hendriks  
For the President

Last Day - October 29

October 25, 1974

MEMORANDUM FOR: THE PRESIDENT  
FROM: KEN COLE  
SUBJECT: Enrolled Bill H.R. 11251  
Duty-free Treatment for  
Methanol

Attached for your consideration is House bill, H.R. 11251, sponsored by Representative Ullman, which provides for the duty-free entry of methanol when imported for use in producing synthetic natural gas or for direct use as fuel; and contains tax riders relating to (a) transfers of accounts receivable to related Domestic International Sales Corporations (DISCs), and (b) rehabilitation expenditures incurred with respect to low income rental housing.

Roy Ash recommends approval and provides you with additional background information in his enrolled bill report (Tab A).

The Counsel's office (Chapman), the NSC, and Bill Timmons all recommend approval.

RECOMMENDATION

That you sign House bill, H.R. 11251 (Tab B).

Last Day - October 29

October 25, 1974

MEMORANDUM FOR: THE PRESIDENT  
FROM: KEN COLE  
SUBJECT: Enrolled Bill H.R. 11251  
Duty-free Treatment for  
Methanol

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Roy Ash recommends approval and provides you with additional background information in his enrolled bill report (Tab A).

The Counsel's office (Chapman), the NSC, and Bill Timmons all recommend approval.

RECOMMENDATION

That you sign House bill, H.R. 11251 (Tab B).

ELIMINATION OF DUTY ON METHANOL IMPORTED  
FOR CERTAIN USES

APRIL 23, 1974.—Committed to the Committee of the Whole House on the  
State of the Union and ordered to be printed

Mr. ULLMAN, from the Committee on Ways and Means,  
submitted the following

REPORT

[To accompany H.R. 11251]

The Committee on Ways and Means, to whom was referred the bill (H.R. 11251) to amend the Tariff Schedules of the United States to provide for the duty-free entry of methanol imported for use as fuel, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Page 1, strike out the matter appearing immediately after line 6 and insert the following:

427.96	Methyl Imported only for use in producing synthetic natural gas (SNG) or for direct use as a fuel.....	Free.....	18¢ per gal.
427.97	Other.....	7.6¢ per gal.....	18¢ per gal.

PURPOSE

The purpose of H.R. 11251, as reported, is to provide for the duty-free status of methyl alcohol (methanol), but only when imported for use in producing synthetic natural gas or for direct use as a fuel.

GENERAL STATEMENT

Methanol or methyl alcohol, the subject of H.R. 11251, is currently dutiable under item 427.96 of the Tariff Schedules of the United States (TSUS) at a rate column numbered 1 duty (applicable to countries accorded most-favored-nation treatment) of 7.6¢ per gallon and under rate column numbered 2 (applicable to Communist countries, except Poland and Yugoslavia) at 18¢ per gallon. The bill would make entries of methanol duty free under rate column numbered 1 (there



would be no change in rate column numbered 2) when imported for use in producing synthetic natural gas or for direct use as a fuel.

Imports of both natural gas and liquified natural gas (LNG) are accorded duty-free treatment. As noted above, methanol, which could serve as a supplemental energy source to both natural gas and liquified natural gas, is dutiable as a chemical intermediate, methyl alcohol, under item 427.96 of the TSUS. Until recently, widespread use of imported methanol has not been economically possible, although the development of liquified natural gas facilities in the Caribbean and the Mediterranean areas have demonstrated the feasibility of processing and transporting long distances natural gas presently being flared-off in certain petroleum-producing countries due to the absence of nearby markets. With increasing energy shortages and technological developments, it now appears that it is economically feasible in such countries as Saudi Arabia and Iran to process into methanol the natural gas which is presently being flared-off. However, the existing rate of duty of 7.6¢ per gallon on imports of methanol precludes any further development of such additional sources of energy for the U.S. market.

Your committee held public hearings on H.R. 11251 on March 4, 1974. In the course of these hearings, witnesses called attention to the fact that in such petroleum-producing countries as Saudi Arabia, Iran and Indonesia, which are remote to major energy markets, large quantities of natural gas produced in association with petroleum production are simply being flared-off and wasted. Firms in energy-consuming countries, including the United States, have been working on proposals to acquire this wasted natural gas and transport it to their energy markets. Until recently, it was believed that the only practical method of transporting natural gas from these remote producing areas was to liquify it by refrigeration.

The production and transport of liquified natural gas (LNG) require elaborate and expensive liquid natural gas plants and special cryogenic tankers to transport it. While this method is considered best for moving gas from such relatively near source countries as Nigeria and Venezuela, more recent research shows that a more practical and less expensive method of transporting natural gas from the more remote overseas sources is to change the gas into liquid methanol by a relatively simple chemical process.

Methanol can be transported in any tanker or vessel suitable for transporting water or gasoline. Once it reaches the energy market, it may be used directly as fuel for gas burners modified to accommodate the liquid fuel, or it may be converted into synthetic natural gas (SNG) and used to supplement the domestic supply of gas in natural gas pipeline distribution systems.

The planned process, which would remove sulfur and hydrocarbons heavier than methane from the wet natural gas, would yield "crude" methyl alcohol. "Crude" methyl alcohol would be further refined abroad or after importation into the United States to bring it to the level of purity of domestically-produced methanol. Crude methyl alcohol is not presently an article of trade in the United States. Refined methyl alcohol (also called methanol) is an important chemical intermediate. In 1972, United States production of refined methyl alcohol totalled 6 billion pounds valued at almost \$120 million. About 85 to 90 percent of the production was consumed in the synthesis

of other chemicals; less than 10 percent was used as a solvent; and virtually none was used as a fuel. There are 12 domestic producers, including several of the largest chemical companies.

Your committee wishes to emphasize that the methanol covered by this legislation and which is included in item 427.96 of the TSUS by H.R. 11251 is expressly limited to that which is imported for use in producing synthetic natural gas or for direct use as a fuel. It does not apply to methanol imported for other purposes, such as for chemical uses, which would be covered by new item 427.97 of the Tariff Schedules and would remain dutiable at the current rates of duty (7.6¢ per gallon). Your committee calls attention to this because in the course of its public hearings, domestic producers of methanol for such other uses expressed some concern that the duty-free methanol imports for energy purposes be diverted to chemical use. In this regard, your committee cites general headnote 10(e) of the TSUS which will require that not only must the methanol imported duty free under item 427.96 be intended for the prescribed energy uses, but it must be actually so used and proof of such use furnished the U.S. Customs Service within three years after entry.

Your committee believes that this provision and its careful administration by the Customs Service will serve to adequately prevent such diversion. In order to assure appropriate surveillance of imports under this legislation, however, your committee directs the Customs Service to notify it of the initial duty-free entry of methanol under this legislation. Such entry is not expected for several years because of plant construction and production lead times. Further, your committee directs the Customs Service to supply it specific information before January 1, 1978, relating to the volume of imports, and at that time, also to inform your committee of any difficulties or problems that may have arisen with respect to the administration and control of duty-free methanol under item 427.96.

In terms of the problems of stability of supply, the trends in relative prices of energy sources and the potential diversion problem discussed above, your committee considered a temporary suspension of duty rather than the permanent provision for imports of methanol as an energy source. However, your committee is informed that a temporary suspension of the duty on imports of methanol for limited energy uses would not provide sufficient inducement either to the American investors in the processing plants or to the host governments. Thus, your committee believes that the proposed elimination of the duty on imports of methanol for use as a fuel is necessary, both in terms of cost and as an aspect of a long-term financial commitment to obtain and process the natural gas in the producing countries. Your committee is of the opinion that the permanent tariff provision as provided in H.R. 11251 is warranted.

The executive departments all support the enactment of H.R. 11251. For example, the Department of Commerce, in its report to your committee, stated as follows:

The Department of Commerce strongly favors enactment of H.R. 11251. The proposed elimination of duty on imports of methyl fuel will permit, in certain cases, an economically feasible and more practical alternative to the importation of

LNG as a means of supplementing domestic energy supplies with fuels from producing countries which are remote to the U.S. energy market. The duty-free treatment would apply only to imports of methanol used in producing SNG or directly as fuel. There is no domestic production of methanol for use as fuel. The enactment of the proposed legislation would not change the tariff treatment presently applicable to methanol imported for use in producing chemical products which may be produced domestically and would not have an adverse effect on U.S. industry.

Likewise, the Department of the Treasury, in its favorable report to your committee on December 17, 1973, advised:

Methanol provides a source of clean energy which is critically needed in view of the present energy shortage. Currently, methanol is not produced in large quantities in the United States. There have practically been no foreign imports of methanol. In fact, the revenue collected from merchandise dutiable under item 427.96 for calendar year 1972 was \$17. Several companies have proposed to build methanol plants in the Middle East to produce methanol for importation into the United States provided that the tariff on methanol is removed so as to make such importation economical. At a time when the United States needs all the clean fuel it can get, it seems sensible to remove a tariff which is prohibitive to imports of a clean fuel.

The Department of Labor, in its favorable report to your committee, suggested ". . . the employment situation might well be improved as a result of such imports, since they would tend to alleviate the current fuel shortage which threatens diminished industrial output."

In addition to favorable reports from the above mentioned departments, favorable comment and testimony was also received from the Department of State, the Department of the Interior, the Office of the Special Representative for Trade Negotiations, the Cost of Living Council, the Federal Power Commission, and the Federal Energy Office.

#### EFFECT OF THE BILL ON THE REVENUES AND VOTE OF THE COMMITTEE IN REPORTING THE BILL

In compliance with clause 7 of rule XIII of the Rules of the House of Representatives, the following statement is made relative to the effect on the revenues of this bill. Your committee estimates that no loss of revenue would result from enactment of H.R. 11251 in the first full year of its effectiveness.

In compliance with clause 27(b) of rule XI of the Rules of the House of Representatives, the following statement is made relative to the vote by your committee on reporting the bill. This bill was unanimously ordered favorably reported by your committee.

#### CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

##### TARIFF SCHEDULES OF THE UNITED STATES

##### SCHEDULE 4.—CHEMICALS AND RELATED PRODUCTS

Item	Articles	Rates of duty	
		1	2
	<b>PART 2.—CHEMICAL ELEMENTS, INORGANIC AND ORGANIC COMPOUNDS, AND MIXTURES</b>		
	Subpart D.—Organic Chemical Compounds		
[427.96	Methyl	7.6¢ per gal.	18¢ per gal.]
427.96	Methyl	Free	18¢ per gal.
427.79	Imported only for use in producing synthetic natural gas (SNG) or for direct use as a fuel.	7.6¢ per gal.	18¢ per gal.
	Other		

## ELIMINATION OF DUTY ON METHANOL IMPORTED FOR CERTAIN USES

AUGUST 1, 1974.—Ordered to be printed

Mr. LONG, from the Committee on Finance,  
submitted the following

### REPORT

[To accompany H.R. 11251]

The Committee on Finance, to which was referred the bill (H.R. 11251) to amend the Tariff Schedules of the United States to provide for the duty-free entry of methanol imported for use as fuel, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

#### I. SUMMARY

*House bill.*—The House bill would provide for the duty-free treatment of methanol when imported for use in producing synthetic natural gas or for direct use as a fuel. Duties on methanol imported for other than use as a fuel would remain unaffected. The committee bill does not substantially modify the House bill, but includes an amendment unrelated to the subject matter of the House bill.

*Committee amendment.*—The committee amendment makes a change in the DISC provisions relating to export transactions. This provision specifies that a financing corporation is not to be prevented from qualifying as a DISC if it holds accounts receivable or evidences of indebtedness which arise by reason of the export-related transactions of a related DISC. The present tax law requires that at least 95 percent of a corporation's assets be export-related in order to qualify as a DISC. These export-related assets include accounts receivable or evidences of indebtedness which arise in connection with the export transactions of the corporation. This corporation can retain these accounts receivable or evidences of indebtedness as its only assets and continue to qualify as a DISC. However, if these accounts receivable or evidences of indebtedness are transferred to another corporation, which retains these as its only assets, this transferee corporation can-

not presently qualify as a DISC. The committee provision would allow the transferee financing corporation to hold these accounts receivable or evidences of indebtedness and qualify as a DISC if they arise by reason of the export-related transactions (whether as principal or agent) of a related DISC.

## II. GENERAL STATEMENT

### A DUTY-FREE TREATMENT OF METHANOL

Methanol or methyl alcohol, the subject of H.R. 11251, is currently dutiable under item 427.96 of the Tariff Schedules of the United States (TSUS) at a rate column numbered 1 duty (applicable to countries accorded most-favored-nation treatment) of 7.6¢ per gallon and under rate column numbered 2 (applicable to Communist countries except Poland and Yugoslavia) at 18¢ per gallon. The bill would make entries of methanol duty free under rate column numbered 1 (there would be no change in rate column numbered 2) when imported for use in producing synthetic natural gas or for direct use as a fuel.

Imports of both natural gas and liquefied natural gas (LNG) are serve as a supplemental energy source to both natural gas and liquefied accorded duty-free treatment. As noted above, methanol, which could natural gas, is dutiable as a chemical intermediate, methyl alcohol, under item 427.96 of the TSUS. Until recently, widespread use of imported methanol has not been economically possible, although the development of liquefied natural gas facilities in the Caribbean and the Mediterranean areas have demonstrated the feasibility of processing and transporting long distances natural gas presently being flared-off in certain petroleum-producing countries due to the absence of nearby markets. With increasing energy shortages and technological developments, it now appears that it is economically feasible in such countries as Saudi Arabia and Iran to process into methanol the natural gas which is presently being flared-off. However, the existing rate of duty of 7.6¢ per gallon on imports of methanol precludes any further development of such additional sources of energy for the U.S. market.

During public hearings on H.R. 11251 on March 4, 1974, before the House Ways and Means Committee, witnesses called attention to the fact that in such petroleum-producing countries as Saudi Arabia, Iran and Indonesia, which are remote to major energy markets, large quantities of natural gas produced in association with petroleum production are simply being flared-off and wasted. Firms in energy-consuming countries, including the United States, have been working on proposals to acquire this wasted natural gas and transport it to their energy markets. Until recently, it was believed that the only practical method of transporting natural gas from these remote producing areas was to liquefy it by refrigeration.

The production and transport of liquefied natural gas (LNG) require elaborate and expensive liquid natural gas plants and special cryogenic tankers to transport it. While this method is considered best for moving gas from such relatively near source countries as Nigeria and Venezuela, more recent research shows that a more practical and less expensive method of transporting natural gas from the more remote overseas sources is to change the gas into liquid methanol by a relatively simple chemical process.

Methanol can be transported in any tanker or vessel suitable for transporting water or gasoline. Once it reaches the energy market, it may be used directly as fuel for gas burners modified to accommodate the liquid fuel, or it may be converted into synthetic natural gas (SNG) and used to supplement the domestic supply of gas in natural gas pipelines distribution systems.

The planned process, which would remove sulfur and hydrocarbons heavier than methane from the wet natural gas, would yield "crude" methyl alcohol. "Crude" methyl alcohol would be further refined abroad or after importation into the United States to bring it to the level of purity of domestically produced methanol. Crude methyl alcohol is not presently an article of trade in the United States. Refined methyl alcohol (also called methanol) is an important chemical intermediate. In 1972, United States production of refined methyl alcohol totaled 6 billion pounds valued at almost \$120 million. About 85 to 90 percent of the production was consumed in the synthesis of other chemicals; less than 10 percent was used as a solvent; and virtually none was used as a fuel. There are 12 domestic producers, including several of the largest chemical companies.

The committee wishes to emphasize that the methanol covered by this legislation and which is included in item 427.96 of the TSUS by H.R. 11251 is expressly limited to that which is imported for use in producing synthetic natural gas or for direct use as a fuel. It does not apply to methanol imported for other purposes, such as for chemical uses, which would be covered by new item 427.97 of the Tariff Schedules and would remain dutiable at the current rates of duty (7.6¢ per gallon). The committee calls attention to this because in the course of the public hearings, domestic producers of methanol for such other uses expressed some concern that the duty-free methanol imports for energy purposes be diverted to chemical use. In this regard, the committee cites general headnote 10(e) of the TSUS which will require that not only must the methanol imported duty free under item 427.96 be intended for the prescribed energy uses, but it must be actually so used and proof of such use furnished the U.S. Customs Service within three years after entry.

The committee believes that this provision and its careful administration by the Customs Service will serve to adequately prevent such diversion. In order to assure appropriate surveillance of imports under this legislation, however, your committee directs the Customs Service to notify it of the initial duty-free entry of methanol under this legislation. Such entry is not expected for several years because of plant construction and production lead times. Further, the committee directs the Customs Service to supply it specific information before January 1, 1978, relating to the volume of imports, and at that time, also to inform the committee of any difficulties or problems that may have arisen with respect to the administration and control of duty-free methanol under item 427.96.

The executive departments all support the enactment of H.R. 11251. For example, the Department of Commerce, in its report to the committee, stated as follows:

The Department of Commerce strongly favors enactment of H.R. 11251. The proposed elimination of duty on imports

of methyl fuel will permit, in certain cases, an economically feasible and more practical alternative to the importation of LNG as a means of supplementing domestic energy supplies with fuels from producing countries which are remote to the U.S. energy market. The duty-free treatment would apply only to imports of methanol used in producing SNG or directly as fuel. There is no domestic production of methanol for use as fuel. The enactment of the proposed legislation would not change the tariff treatment presently applicable to methanol imported for use in producing chemical products which may be produced domestically and would not have an adverse effect on U.S. industry.

The committee approved two technical amendments relating to the changes in the Tariff Schedules of the United States effected by the House bill. The first amendment would indent the line item descriptions so as to bring the heading "Methyl" immediately below the other categories of alcohol subscribed by the general alcohol superior heading. The descriptions for items 427.96 and 427.97 would be indented below the Methyl heading. The second technical amendment would specify that the column 1 rates established by the House bill are to be considered rates proclaimed pursuant to trade agreement, in a manner consistent with the status of column 1 rates.

The committee received no unfavorable comments from any interested party, nor any unfavorable reports from any executive agency on the methanol provisions of the bill.

#### B. TRANSFERS OF ACCOUNTS RECEIVABLE TO RELATED DISC'S

Under present law, the profits of a Domestic International Sales Corporation (DISC) are not taxed to the DISC but instead are taxed to the shareholders when actually or constructively distributed to them. To qualify as a DISC, at least 95 percent of a domestic corporation's gross receipts must arise from export sale or lease transactions and other export-related investments or activities. In addition, at least 95 percent of the corporation's assets must be export-related. Included in export-related assets are accounts receivable and evidences of indebtedness held by the corporation which arose in connection with qualified export sale or lease transactions (including related and subsidiary services) of the corporation or the performance of managerial, engineering, or architectural services producing qualified export receipts by the corporation.

Accounts receivable and evidences of indebtedness can only be treated as qualified export assets if they arise by reason of transactions in which the corporation itself acted as principal or commission agent, and a corporation can qualify as a DISC even though these accounts receivable are the only assets of the corporation making the export sale. However, if these accounts receivable and evidences of indebtedness are transferred to another related corporation, they would not be treated as qualified export assets in the hands of that transferee corporation. Therefore, if these were the only assets held by the transferee corporation, it could not qualify as a DISC.

It has come to the attention of the committee that a corporation may want to have its sales operations in one DISC and its financing operations in another DISC. A corporation might adopt this corporate structure because it believes it eases its ability to receive outside financing. In view of this, the committee has adopted an amendment which enables a financing corporation to qualify as a DISC by allowing it to treat as qualified export assets the accounts receivable and evidences of indebtedness acquired as a result of the export related transactions (whether as principal or agent) of a related DISC.

This amendment applies with respect to taxable years beginning after 1973, and at the election of the taxpayer (if the election is made within 90 days after the date of the enactment of this amendment) to any taxable year beginning after 1971 and before 1974.

This amendment will have no direct effect on revenues.

### III. COSTS OF CARRYING OUT THE BILL AND EFFECT ON THE REVENUES OF THE BILL

In compliance with section 252(a) of the Legislative Reorganization Act of 1970, the following statement is made relative to the costs to be incurred in carrying out this bill and the effect on the revenues of the bill. The committee estimates that the temporary suspension of duties on methanol imported for use as fuel provided by the bill will not result in any additional revenue loss or administrative costs.

Similarly, the amendment permitting transfers of accounts receivable to related DISCs will have no direct effect on revenues.

### IV. VOTE OF COMMITTEE ON REPORTING THE BILL

In compliance with section 133 of the Legislative Reorganization Act, as amended, the following statement is made relative to the vote of the committee on reporting the bill. This bill was ordered favorably reported by the committee without a roll call vote and without objection.

### V. CHANGES IN EXISTING LAW

In the opinion of the committee, it is necessary, in order to expedite the business of the Senate, to dispense with the requirements of subsection 4 of rule XXIX of the Standing Rules of the Senate (relating to the showing of changes in existing law made by the bill, as reported).

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## DUTY-FREE ENTRY OF METHANOL

OCTOBER 1, 1974.—Ordered to be printed

Mr. MILLS, from the committee of conference,  
submitted the following

### CONFERENCE REPORT

[To accompany H.R. 11251]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 11251) to amend the Tariff Schedules of the United States to provide for the duty-free entry of methanol imported for use as a fuel, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, and 3, and agree to the same.

The committee of conference report in disagreement the amendments of the Senate numbered 4 and 5, and the amendment of the Senate to the title of the bill.

W. D. MILLS,  
AL ULLMAN,  
JAMES A. BURKE,  
H. T. SCHNEEBELL,  
HAROLD R. COLLIER,

*Managers on the Part of the House.*

RUSSELL LONG,  
HERMAN E. TALMADGE,  
WALLACE F. BENNETT,

*Managers on the Part of the Senate.*

## JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 11251) to amend the Tariff Schedules of the United States to provide for the duty free entry of methanol imported for use as fuel, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

Amendment Nos. 1, 2, and 3: The House bill provides for the duty-free entry of methyl when imported (from free world countries) only for use in producing synthetic natural gas (SNG) or for direct use as a fuel. Senate amendments numbered 1 and 2 make a technical and a conforming change to the House provision. Senate amendment numbered 3 provides that the duty free treatment for methyl under the House bill shall be treated as not having the status of a statutory provision enacted by the Congress, but as having been proclaimed by the President as being required or appropriate to carry out foreign trade agreements to which the United States is a party. The Senate amendment would permit parties affected by methyl imports to apply for trade adjustment or adjustment assistance should such relief become appropriate. The House recedes with respect to Senate amendments numbered 1, 2, and 3.

Amendment No. 4: The Senate amendment specifies that a financing corporation is not to be prevented from qualifying as a DISC if it holds accounts receivable or evidences of indebtedness which arise by reason of the export-related transactions of a related DISC. The present tax law requires that at least 95 percent of a corporation's assets be export-related in order to qualify as a DISC. These export-related assets include accounts receivable or evidences of indebtedness which arise in connection with the export transactions of the corporation. Thus presently a corporation with whom the export transaction arose can retain these accounts receivable or evidences of indebtedness as its only assets and continue to qualify as a DISC. However, if these accounts receivable or evidences of indebtedness are transferred to another corporation, which retains these as its only assets, this transferee corporation cannot presently qualify as a DISC. The amendment would allow the transferee financing corporation to hold these accounts receivable or evidences of indebtedness and qualify as a DISC if they arise by reason of the export-related transactions (whether as principal or agent) of a related DISC.

This amendment is reported in technical disagreement. The managers on the part of the House will offer the following motion:

(3)

That the House recede from its disagreement to Senate amendment numbered 4, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment, insert the following:

SEC. 3. (a) Section 993(b)(3) of the Internal Revenue Code of 1954 (relating to qualified export assets) is amended by striking out "such corporation" and inserting in lieu thereof "such corporation or of another corporation which is a DISC and which is a member of a controlled group which includes such corporation".

(b) The amendment made by subsection (a) applies to taxable years beginning after December 31, 1973. The amendment shall, at the election of the taxpayer made within 90 days after the date of enactment of this Act, also apply to any taxable year beginning after December 31, 1971, and before January 1, 1974.

The effect of the motion is that the House recede from its disagreement to Senate amendment numbered 4, and agree to the same with technical changes.

The managers on the part of the Senate will move to agree to the amendment of the House to Senate amendment numbered 4.

Amendment No. 5: The Senate amendment extends the period for special tax treatment of certain low income housing rehabilitation expenditures to expenditures made prior to January 1, 1978. Section 167(k) of the Internal Revenue Code, adopted as part of the Tax Reform Act of 1969, permits taxpayers to depreciate rehabilitation expenditures for low- and moderate-income rental housing over a period of 60 months. The provision only applies to expenditures made prior to January 1, 1975. This provision is applicable only where at least \$3,000 per unit is spent for rehabilitation over a 2-year period and no more than \$15,000 per unit qualifies for this special treatment. The amendment would extend this special tax treatment for rehabilitation expenditures to those made prior to January 1, 1978.

This amendment is reported in technical disagreement. The managers on the part of the House will offer the following motion:

That the House recede from its disagreement to Senate amendment numbered 5, and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment, insert the following:

SEC. 4. Notwithstanding the provisions of section 167(k)(1) of the Internal Revenue Code of 1954 (relating to depreciation of expenditures to rehabilitate low income rental housing), the provisions of section 167(k) shall apply with respect to rehabilitation expenditures incurred with respect to low income rental housing after December 31, 1974, and before January 1, 1978, if such expenditures are incurred pursuant to a binding contract entered into before December 31, 1974.

The House substitute for the Senate amendment extends the period for special tax treatment of such expenditures only to expenditures made under a binding contract entered into before December 31, 1974. This provision was limited at this time to cover only binding contracts

before the end of this year rather than an extension of section 167(k), as provided in the Senate amendment, because the House Committee on Ways and Means has provided in its tax bill, which it is presently marking up, for the extension of all the 60 month amortization provisions which expire at the end of 1974.

The managers on the part of the Senate will move to agree to the amendment of the House to Senate amendment numbered 5.

Amendment to title: The managers on the part of the House will offer a motion that the House recede from its disagreement to the amendment of the Senate to the title of the bill, and agree to the same.

W. D. MILLS,  
AL ULLMAN,  
JAMES A. BURKE,  
H. T. SCHNEEBEL,  
HAROLD R. COLLIER

*Managers on the Part of the House*

RUSSELL LONG,  
HERMAN E. TALMADGE,  
WALLACE F. BENNETT,

*Managers on the Part of the Senate.*

○



# Ninety-third Congress of the United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Monday, the twenty-first day of January, one thousand nine hundred and seventy-four*

## An Act

To amend the Tariff Schedules of the United States to provide for the duty-free entry of methanol imported for use as fuel, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That subpart D of part 2 of schedule 4 of the Tariff Schedules of the United States (19 U.S.C. 1202) is amended by striking out item 427.96 and inserting in lieu thereof the following:

427.96	Methyl: Imported only for use in producing synthetic natural gas (SNG) or for direct use as a fuel.....	Free	18¢ per gal.	”
427.97	Other.....	7.6¢ per gal.	18¢ per gal.	

SEC. 2. (a) The amendments made by the first section of this Act shall apply with respect to articles entered, or withdrawn from warehouse, for consumption on or after the date of the enactment of this Act.

(b) The rates of duty in rate column numbered 1 of the Tariff Schedules of the United States (as amended by the first section of this Act) shall be treated as not having the status of statutory provisions enacted by the Congress, but as having been proclaimed by the President as being required or appropriate to carry out foreign trade agreements to which the United States is a party.

SEC. 3. (a) Section 993(b)(3) of the Internal Revenue Code of 1954 (relating to qualified export assets) is amended by striking out “such corporation” and inserting in lieu thereof “such corporation or of another corporation which is a DISC and which is a member of a controlled group which includes such corporation”.

(b) The amendment made by subsection (a) applies to taxable years beginning after December 31, 1973. The amendment shall, at the election of the taxpayer made within 90 days after the date of enactment of this Act, also apply to any taxable year beginning after December 31, 1971, and before January 1, 1974.

SEC. 4. Notwithstanding the provisions of section 167(k)(1) of the Internal Revenue Code of 1954 (relating to depreciation of expenditures to rehabilitate low income rental housing), the provisions of section 167(k) shall apply with respect to rehabilitation expenditures incurred with respect to low income rental housing after December 31, 1974, and before January 1, 1978, if such expenditures are incurred pursuant to a binding contract entered into before December 31, 1974.

*Speaker of the House of Representatives.*

*Vice President of the United States and  
President of the Senate.*

HH  
HHH  
HHH  
HHH

October 17, 1974

Dear Mr. Director:

The following bills were received at the White House on October 17th:

S.J. Res. 236 ✓	S. 2840 ✓	H.R. 7768	H.R. 14225
S.J. Res. 250 ✓	S. 3007 ✓	H.R. 7780	H.R. 14597
S.J. Res. 251 ✓	S. 3234 ✓	H.R. 11221	H.R. 15148 ✓
S. 355 ✓	S. 3473 ✓	H.R. 11251 ✓	H.R. 15427
S. 605 ✓	S. 3698 ✓	H.R. 11452 ✓	H.R. 15540 ✓
S. 628 ✓	S. 3792	H.R. 11830 ✓	H.R. 15643 ✓
S. 1411 ✓	S. 3838 ✓	H.R. 12035 ✓	H.R. 16857 ✓
S. 1412 ✓	S. 3979 ✓	H.R. 12281	H.R. 17027 ✓
S. 1769 ✓	H.R. 6624	H.R. 13561 ✓	
S. 2348 ✓	H.R. 6642 ✓	H.R. 13631 ✓	

Please let the President have reports and recommendations as to the approval of these bills as soon as possible.

Sincerely,

Robert D. Linder  
Chief Executive Clerk

The Honorable Roy L. Ash  
Director  
Office of Management and Budget  
Washington, D. C.