

15-21
STATEMENT BY SEN. STROM THURMOND (D-SC) ON BILL RELATING TO
FEDERAL CONTRACT PURCHASES, May 27, 1955

WASHINGTON, May 27---Senator Strom Thurmond (D-SC) today introduced a bill in the U.S. Senate that would secure to the states the right to collect sales taxes on purchases made by contractors executing government contracts.

Thurmond's action today followed remarks he made on the Senate floor last week in which he urged Congress to enact such legislation. At that time, he had printed in the Congressional Record a concurrent resolution from the South Carolina General Assembly asking for the right to collect taxes on government contract purchases.

The South Carolina Democrat pointed out that the recent Supreme Court decision in Kern-Limerick, Inc., versus Scurlock appears to preclude the states from collecting these taxes in the future.

The court ruled in that case that private contractors are agents of the United States, which would grant them immunity from state taxation.

In introducing the bill, Thurmond said: "To give such sweeping immunity to this revenue source of the states will work a tremendous hardship on at least 32 states, including South Carolina, that now have sales taxes. This could mean the difference between operating in the red or in the black for a number of our states. This is another Supreme Court decision that cannot be taken lightly."

Similar legislation is being prepared for introduction in the House.

The text of the bill follows:

" To prohibit agencies of the United States from entering into contracts under which private contractors are constituted agents of the United States to purchase property necessary to carry out such contracts.

(a) notwithstanding the provisions of any other law, no agency of the United States shall, after the date of the enactment of this Act, enter into any contract or agreement with any private person whereby such person, for the purpose of purchasing or acquiring property necessary to carry out such contract or agreement, is constituted an agent of the United States, or of such agency, with authority to purchase or acquire such property in the name of the United States, or of such agency.

(b) If any contract or agreement entered into by any agency of the United States after the date of the enactment of this Act with any private person contains any provisions which constitute such person an agent of the United States, or of such agency, with authority to purchase or acquire in the name of the United States, or of such agency, property necessary to carry out such contract, such provisions shall be void insofar as the application of the laws of any State or Territory (including the District of Columbia) imposing taxes on the sale or use of such property is concerned.

Sec. 2. For purposes of this Act--

(a) The term "agency of the United States" means any department, agency, or instrumentality of any branch of the Government of the United States, and any independent

establishment of the Government of the United States.

(b) The term "private person" does not include an officer or employee of the United States or of any agency of the United States.