

PERMITTING THE SHIPMENT TAX-FREE OF CERTAIN TOBACCO
PRODUCTS TO TERRITORIES OF THE UNITED STATES FOR USE
OF MEMBERS OF THE MILITARY AND NAVAL FORCES OF THE
UNITED STATES

MARCH 16 (legislative day, MARCH 9), 1943.—Ordered to be printed

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

REPORT

[To accompany H. R. 2030]

The Committee on Finance, to whom was referred the bill (H. R. 2030) to permit the shipment tax-free of certain tobacco products to Territories of the United States for use of members of the military and naval forces of the United States, having considered the same, report favorably thereon and recommend that the bill do pass.

For the information of the Senate there is attached hereto and made a part of this report a letter from the Secretary of War to the Speaker of the House of Representatives, dated February 22, 1943, outlining the purposes and intent of the proposed legislation, and setting forth the necessity of such legislation, reading as follows:

WAR DEPARTMENT,
Washington, February 22, 1943.

The SPEAKER, HOUSE OF REPRESENTATIVES.

DEAR MR. SPEAKER: There is inclosed a draft of a bill to permit the shipment tax-free of certain tobacco products to Territories of the United States for the use of members of the military and naval forces of the United States which the War Department recommends be enacted into law.

The purpose of the proposed legislation is twofold: (1) To eliminate an information leak with regard to the disposition of troops and the locale of Army Post Office numbers, and (2) as a factor in morale, to equalize the privilege of receiving or buying tax-free tobacco, particularly cigarettes, between troops serving in the Territories and troops serving in foreign countries and the possessions of the United States.

Section 2135 of the Internal Revenue Code permits the removal for export to a foreign country or for shipment to a possession of the United States of manufactured tobacco, snuff, cigars, and cigarettes, without payment of tax under such rules and regulations as the Commissioner of Internal Revenue with the approval of the Secretary of the Treasury shall prescribe. Accordingly, Army post exchanges, commissaries, and similar organizations located in foreign countries or in the possessions, can sell cigarettes to troops serving in such areas at prices which do not include the existing tax amounting to 7 cents per package of 20 cigarettes on popular brands of cigarettes, while post exchanges and commissaries located in Alaska and Hawaii must include the tax in their prices.

The various tobacco manufacturers have advertised that relatives or friends of troops serving outside the States and the District of Columbia who desire to send cigarettes to such troops may pay for them at retail outlets and that, upon furnishing the Army post-office addresses of the soldiers, the cigarettes will be mailed directly by the manufacturers. The price charged the payor does not include any tax. It has come to the attention of the War Department that cartons of cigarettes so purchased and addressed to individuals stationed in Hawaii or Alaska have been returned with the statement: "Such packages of duty-free cigarettes are undeliverable within the continental limits of the United States, Hawaii, and Alaska." This procedure will eventually result in the compromise of troop dispositions and Army post-office numbers in Hawaii and Alaska.

In the absence of corrective legislation it would be necessary, in order to prevent the disclosure of this vital military information, to take steps to discourage the practice of sending tax-free cigarettes to soldiers and sailors serving outside the States and the District of Columbia, since the manufacturers cannot and will not be able to differentiate between troops serving in Hawaii and Alaska and troops serving in foreign countries or in the possessions.

The War Department is of the opinion that the privilege of receiving or buying tax-free cigarettes is an important contribution to the morale of the troops serving outside the continental United States. The morale of the armed forces in Hawaii and Alaska is just as important to the prosecution of the war as that in other areas.

In the absence of a general knowledge on the part of the public that tobacco products cannot be sent tax-free to Alaska or Hawaii, the return of the packages marked merely "undeliverable" without further explanation might close the information leak resulting from the present system. Such procedure would, however, undoubtedly create undue apprehension and anxiety in the minds of the relatives and friends to whom the packages would be returned concerning the well-being of the individuals to whom the packages had been sent. Furthermore, the undesirable impact upon the morale of troops serving in Alaska and in Hawaii arising from the present discriminatory condition would not be removed.

The War Department is of the opinion that this problem can be solved most satisfactorily by relaxing the revenue laws to the extent necessary to permit soldiers and sailors in Alaska and Hawaii to receive or purchase tobacco products tax-free.

The proposed measure will not result in an increase in administrative expenses, but will involve the loss of revenue relatively negligible in amount, and will be effective only until the President proclaims that hostilities in the present war have terminated.

The Bureau of the Budget advises that there is no objection to the submission of the proposed legislation to the Congress for its consideration.

Sincerely yours,

HENRY L. STIMSON,
Secretary of War.

