

AMENDING THE INTERNAL REVENUE CODE WITH RESPECT TO THE MANUFACTURE OF WINES

JUNE 30 (legislative day, APRIL 21), 1947.—Ordered to be printed

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

REPORT

To accompany H. R. 1945

The Committee on Finance, to whom was referred the bill (H. R. 1945) to amend sections 2801 (e) (4), 3043 (a), 3044 (b), and 3045 of the Internal Revenue Code relating to the production of rectified spirits, to certain penalties and forfeitures, definitions, and the application of natural-wine provisions to citrus-fruit wines and other like wines, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

By virtue of this action, the committee adopts the Committee on Ways and Means report which follows:

GENERAL STATEMENT

This bill proposes five technical amendments to certain regulatory provisions of the Internal Revenue Code governing the production of wines. In general, the amendments proposed would permit American wine growers to compete more favorably in the American market with foreign-made imported wines, and would permit more flexibility in wine-making production. The bill makes no changes in existing tax rates. Briefly, the proposed amendments would have the following general effects:

1. Permit interior communication between the vermouth department and other departments or parts of a bonded winery.

2. Extend existing law which authorizes production of vermouth in bonded winery premises, to production of apéritif wines other than vermouth.

3. Permit the acidity of loganberry, currant, and gooseberry wines to be adjusted with the volume of sugar-water solution not in excess of 60 percent of the volume of the resultant product.

4. Permit production of retsina, a specialty wine not possible to produce under existing law and regulations which hold that the process of manufacturing retsina constitutes rectification and cannot be conducted in a bonded winery.

5. Permit wines produced with sugar-water solution to be fermented somewhat in excess of 13 percent of alcohol after complete fermentation, so that subsequent sweetening will not lower the alcoholic content below the present 13-percent limit, which is necessary to assure freedom from spoilage and to make them more merchantable. In this way, the bill would permit production of such wines in accordance with good trade practices.

For many years the wine-making industry in the United States has been handicapped by existing laws governing production of wines. Many of these laws, patterned to accommodate trade conditions and trade practices of a generation ago, have now become out of date. While this bill does not make broad or substantial revisions in existing laws, it will nevertheless, if enacted, remove some of the chief barriers to economical and efficient operations in the industry.

The Treasury Department has no objections to passage of the legislation.

CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes in the Internal Revenue Code made by the bill as introduced and reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, and existing law in which no change is proposed is shown in roman):

"SEC. 2301. RECTIFIED SPIRITS.

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"(e) RECTIFYING.—

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"(4) VERMOUTH MANUFACTURED WITH FORTIFIED WINES.—The manufacture of vermouth with fortified sweet wine on bonded winery premises shall not be deemed to be rectification within the meaning of section 3254 (g), if distilled spirits other than necessary in the production of approved essences, used in the manufacture of vermouth, whether or not such essences are produced on the bonded winery premises, are not added to the fortified sweet wine used in the manufacture thereof or to such vermouth during or after its manufacture. Such vermouth may be manufactured on bonded winery premises, but only in a separate department thereof [having no interior communication with any other department or part of such premises] under such supervision and in accordance with such regulations as the Commissioner, with the approval of the Secretary, shall prescribe. *The provisions of this paragraph shall apply in the same manner and to the same extent to apertif wines other than vermouth.*

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"SEC. 3043. PENALTIES AND FORFEITURES.

"(a) OFFENSES.—Whoever evades or attempts to evade any tax imposed by sections 3030 or 3031, or any requirement of this subchapter, or regulation issued pursuant thereto, or whoever, otherwise than as provided in this subchapter, recovers or attempts to recover any spirits from domestic or imported wine, shall, on conviction, be punished for each such offense by a fine of not exceeding \$5,000, or imprisonment for not more than five years, or both, and in addition thereto by a penalty of double the tax evaded, or attempted to be evaded, to be assessed and collected in the same manner as taxes are assessed and collected, and all wines, spirits, liqueurs, cordials, or similar compounds as to which such violation occurs shall be forfeited to the United States. But the provisions of this section and of section 3254 (g) relating to rectification, or other internal revenue laws of the United States, shall not be held to apply to or prohibit the mixing or blending of wines subject to tax under the provisions of section 3030 or 3031 with each other or with other wines for the sole purpose of perfecting such wines according to commercial standards[:], *nor to apply to or prohibit the fermentation of grape wine retsina with resin on bonded winery premises: Provided, That nothing herein contained shall be construed as prohibiting the use of tax-paid grain or other ethyl alcohol in the fortification of sweet wines as defined in sections 3036 and 3044.*

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"SEC. 3044. DEFINITIONS.

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"(b) WINE.—The product made from the juice of sound ripe grapes by complete fermentation of the must under proper cellar treatment and corrected by the addition (under the supervision of a storekeeper-gauger) of a solution of water and pure cane, beet, or dextrose sugar (containing, respectively, not less than 95 per centum of actual sugar, calculated on a dry basis) to the must or to the wine, to correct natural deficiencies, when such addition shall not increase the volume of the resultant product more than 35 per centum, and the resultant product does not contain less than five parts per thousand of acid before fermentation

[and not more than 13 per centum of alcohol after complete fermentation,] and not more than 13 per centum of alcohol after complete fermentation or, if sweetened, after complete fermentation and sweetening, shall be deemed, to be wine within the meaning of this subchapter, and may be labeled, transported, and sold as "wine," qualified by the name of the locality where produced, and may be further qualified by the name of its own particular type or variety.

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"SEC. 3045. APPLICATION OF NATURAL WINE PROVISIONS TO CITRUS-FRUIT WINES AND OTHER LIKE WINES.

The provisions of the internal revenue laws applicable to natural wine shall apply in the same manner and to the same extent to citrus-fruit wines, peach wines, cherry wines, berry wines, apricot wines, prune wines, plum wines, pear wines, pawpaw wines, papaya wines, pineapple wines, cantaloup wines, and apple wines, which are the products, respectively, of normal alcoholic fermentation of the juice of sound ripe (1) citrus-fruit (except lemons and limes), (2) peaches, (3) cherries, (4) berries, (5) apricots, (6) prunes, (7) plums, (8) pears, (9) pawpaws, (10) papayas, (11) pineapples, (12) cantaloups, (13) apples, with or without the addition of dry cane, beet, or dextrose sugar (containing, respectively, not less than 95 per centum of actual sugar, calculated on a dry basis) for the purpose of perfecting the product according to standards, but without the addition or abstraction of other substances, except as may occur in the usual cellar treatment of clarifying or aging^[.]: *Provided, That in the case of wines produced from loganberries, currants, or gooseberries, respectively, having a normal acidity of twenty parts or more per thousand, the volume of the resultant product may be increased more than 35 per centum but not more than 60 per centum by the addition of sugar and water solution under such regulations as the Commissioner of Internal Revenue may prescribe.*"

