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MAKING IMPORTED BEER AND OTHER SIMILAR IMPORTED FERMENTED LIQUORS SUBJECT TO THE INTERNAL REVENUE TAX ON FERMENTED LIQUOR

JUNE 16 (legislative day, JUNE 15), 1948.—Ordered to be printed

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

REPORT

[To accompany H. R. 6162]

The Committee on Finance, to whom was referred the bill (H. R. 6162) to make imported beer and other similar imported fermented liquors subject to the internal-revenue tax on fermented liquor, having considered the same, report favorably thereon with an amendment and recommend that the bill, as amended, do pass.

The bill makes imported fermented liquors subject to the internal-revenue tax of \$8 per barrel which is levied upon domestic fermented liquors. Imported fermented liquors are now subject only to an import duty of \$7.75 per barrel and are exempt from internal-revenue tax. In consequence the tax on imported fermented liquors is 25 cents less than the tax on similar domestic products.

The Geneva agreement provides that if internal-revenue taxes are imposed on imported fermented liquors the present import duty shall be cut in half. Therefore this bill would result in total excises on imported fermented liquors of \$11.87½ per barrel, of which \$8 would be internal-revenue tax and \$3.87½ would be import duty.

The committee amendment is technical. It is as follows:

On page 2, line 9, after the word "shall" insert a comma and beginning with the word "also" strike out all that follows through the word "Code" in line 11. In lieu thereof insert the following:

during the continuance of the war-tax rate on fermented malt liquors prescribed in section 1650, be subject to tax at such rate in lieu of the rate hereinbefore prescribed.

Section 3150 (a) of the Internal Revenue Code imposes a tax of \$7 per barrel on fermented liquors. Section 1650 of the code imposes a war-tax rate of \$8 per barrel on fermented liquors in lieu of this \$7 tax. Your committee's amendment corrects an ambiguity in the

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wording of the referred bill which made the bill subject to the interpretation that it would impose a \$7 internal-revenue tax in addition to the \$8 internal-revenue tax.

The report of the Committee on Ways and Means of the House of Representatives is as follows:

EFFECT OF THE BILL

The bill would amend section 3150 (a) of the Internal Revenue Code (imposing a tax on fermented liquors) to subject all beer, lager beer, ale, porter, and other similar fermented liquor imported into the United States to the internal-revenue tax of \$7 for every barrel of not more than 31 gallons, as well as to the war excise tax of \$1 per barrel prescribed in section 1650 of the Internal Revenue Code. The taxes would apply with respect to all such fermented liquors by whatever name such liquors may be called.

The effective date of the amendment would be the first day of the first month which begins at least 10 days after the date of enactment.

GENERAL STATEMENT

There is at present no internal-revenue tax on imported fermented malt liquors, although most other imported alcoholic beverages are subject to internal-revenue taxes. For example, imported distilled spirits pay a domestic excise tax of \$9 per gallon, including the war tax rate, and in addition pay an import duty of \$1.50 per gallon. The reason for the variation in policy in the application of internal-revenue taxes to imported alcoholic beverages is historic. At the time of enactment of the Revenue Act of 1917, the import duty on fermented malt liquor was \$13.95 per barrel when imported in bottles and jugs, and \$7.13 when imported in barrels or kegs. The limitation in application of the internal-revenue tax of \$3 per barrel solely to domestic beer still provided a substantial over-all tax advantage to American brewers. On the other hand, the imposition of the internal-revenue tax of \$3.20 per gallon upon domestic distilled spirits, without similarly taxing imported distilled spirits, would have resulted in a net tax advantage to imported distilled spirits of 60 cents per gallon.

Since the Revenue Act of 1917, therefore, internal-revenue taxes have been imposed on imported distilled spirits and wine, but not on imported fermented malt liquor. Imported fermented malt liquor is now subject only to the import duty of \$7.75 per barrel, and is exempt from the internal-revenue taxes of \$8 per gallon imposed upon such liquor of domestic origin. The result is an obvious discrimination against American brewers.

Justifiable complaints have been received, especially from brewers along the Mexican and Canadian borders. The situation is made even more intolerable by comparison with the Canadian import tax on American beer of approximately \$35 per barrel, and the Mexican import tax on American beer of approximately \$40 per barrel.

Under paragraph 805 of the Tariff Act of 1930, as modified by schedule XX of the General Agreement on Tariff and Trade concluded at Geneva in 1947, the enactment of this bill will result in reducing the rate of duty on imported fermented malt liquor from the present \$7.75 per barrel of not more than 31 gallons to \$3.87½ per barrel. The combined import duty and internal-revenue tax per barrel on imported fermented malt liquor would then be \$11.87½ per barrel, as compared with the \$8 per barrel internal-revenue taxes paid on domestic fermented malt liquor.

