

AMENDMENT OF SECTION 3250 (L) (5) OF THE INTERNAL REVENUE CODE

JULY 30 (legislative day JULY 27), 1953.—Ordered to be printed

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

REPORT

[To accompany H. R. 4980]

The Committee on Finance, to whom was referred the bill (H. R. 4980) to amend section 3250 (l) (5) of the Internal Revenue Code to provide that a person entitled to drawback with respect to certain nonbeverage products may elect to receive such drawback on a monthly instead of a quarterly basis.

PURPOSE

The purpose of H. R. 4980 is to provide that a person entitled to the drawback of taxes paid on distilled spirits used for designated nonbeverage purposes can elect in writing to file monthly claims and receive the refund of tax on a monthly basis.

GENERAL STATEMENT

Under existing law the claim for drawback is not filed by the taxpayer on the drawback allowance refunded until the quarter following the quarter in which the distilled spirits were used. At present, the claimant is required to wait until the termination of a quarter and file a claim for the entire quarter. The distilled spirits are fully taxpaid at the time of withdrawal, and the drawback claimant must assume the burden of satisfactorily showing that the alcohol was properly used in the manufacture of authorized nonbeverage products before drawback may be allowed and paid.

The basic effect of the bill would be to accelerate the refund to manufacturers or producers of designated nonbeverage products of the authorized drawback allowance, thereby substantially reducing the amount of capital which such manufacturers or producers have frozen

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in taxes which they have paid, but which they are entitled to have refunded upon filing of a proper claim.

If the refund claimant does not elect in writing to file monthly claims and receive the refund of tax on a monthly basis, he can continue to file claims and receive the refund of tax on a quarterly basis as presently provided by section 3250 (l) (5). The election to file monthly claims for drawback can be revoked by the claimant by filing a notice to such effect with the Secretary of the Treasury.

The restriction in present law, providing that no claim for drawback shall be allowed unless properly filed with the Secretary within the 3 months next succeeding the quarter in which the distilled spirits covered by the claim were used, shall not be changed in your committee's bill.

To minimize the cost of administering monthly drawback claims, H. R. 4980 authorizes the Secretary of the Treasury to require the posting of a bond by persons electing to file monthly claims. This will permit refunds to be made on a monthly basis and the investigation in auditing of drawback claims to be continued on a quarterly basis.

The Treasury Department favors the enactment of this legislation.

CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill 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):

LAST TWO SENTENCES OF SECTION 3250 (l) (5) OF THE INTERNAL REVENUE CODE

SEC. 3250. TAX.

(a) WHOLESALE DEALERS IN LIQUORS.—* * *

* * * * *

(l) Manufacturers or Producers of Designated Nonbeverage Products.—

(1) IN GENERAL.—* * *

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(5) DRAWBACK.—In the case of distilled spirits tax-paid and used as provided in the subsection, a drawback shall be allowed—

(A) * * *

(B) * * *

(C) * * *

Such drawback shall be due and payable quarterly upon filing of a proper claim with the Secretary; *except that, where any person entitled to such drawback shall elect in writing to file monthly claims therefor, such drawback shall be due and payable monthly upon filing of a proper claim with the Secretary. Any such election may be revoked upon filing of notice thereof with the Secretary.* No claim under this subsection shall be allowed unless filed with the Secretary within the three months next succeeding the quarter [for which the drawback is claimed] in which the distilled spirits covered by the claim were used as provided in this subsection.

