
RELATING TO THE APPLICATION OF THE DOCUMENTARY STAMP TAX TO TRANSFERS OF CERTAIN OBLIGATIONS PAID FOR IN INSTALLMENTS

JANUARY 12, 1956.—Ordered to be printed

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

R E P O R T

[To accompany H. R. 7364]

The Committee on Finance, to whom was referred the bill (H. R. 7364) relating to the application of the documentary stamp tax to transfers of certain obligations paid for in installments, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

By virtue of this action, the Committee on Finance accepts the report of the Committee on Ways and Means, which is as follows:

PURPOSE OF BILL

This bill as reported reenacts an exemption from the documentary stamp tax on transfers of certain certificates of indebtedness, effective as of January 1, 1955, the effective date of subtitle D of the 1954 code. This exemption was inadvertently omitted from the 1954 code.

REASONS FOR BILL

Under section 1801 of the Internal Revenue Code of 1939, a tax was imposed upon the issuance of certain certificates of indebtedness. The tax specifically was inapplicable to any instrument with respect to which the obligee was required to make payments in installments and was not permitted to make in any year a payment of more than 20 percent of the cash amount to which the obligee was entitled upon maturity of the instrument. Section 3481 of the 1939 code imposed a documentary stamp tax on the transfer of instruments which were subject to the stamp tax at the time of their issue.

It was the expressed intention to continue these provisions in the 1954 code. Under the 1954 code, the stamp tax on issuance is imposed by section 4311. This tax, as under the 1939 code, is made inapplicable under section 4315 (a) to the securities described above. However, the stamp tax on transfer of certificates of indebtedness, under section 4331, is imposed on "any certificates of indebtedness, issued by a corporation" rather than on instruments subject to tax on issuance. Thus in the case of transfers, the exemption applicable to the described certificates was omitted.

2 RELATING TO THE APPLICATION OF THE DOCUMENTARY STAMP TAX

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):

SECTION 4332 OF THE INTERNAL REVENUE CODE OF 1954

SEC. 4332. EXEMPTIONS.

(a) **BROKERS.**—The tax imposed by section 4331 shall not apply to any delivery or transfer to a broker for sale, nor upon any delivery or transfer by a broker to a customer for whom and upon whose order he has purchased same.

(b) *INSTALLMENT PURCHASE OF OBLIGATIONS.*—*The tax imposed by section 4331 shall not apply to any instrument under the terms of which the obligee is required to make payment therefor in installments and is not permitted to make in any year a payment of more than 20 percent of the cash amount to which entitled upon maturity of the instrument.*

[(b)] (c) OTHER EXEMPTIONS.—

For other exemptions, see sections 4341 to 4343, inclusive, and section 4382.

