

# Calendar No. 1310

73D CONGRESS }  
2d Session . }

SENATE

{ REPORT  
No. 1226

## AMEND SECTION 601 (C) (2) OF THE REVENUE ACT OF 1932

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MAY 28 (calendar day, JUNE 1), 1934.—Ordered to be printed

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MR. LA FOLLETTE, from the Committee on Finance, submitted the following

### REPORT

[To accompany H.R. 9234]

The Committee on Finance, to whom was referred the bill (H.R. 9234) to amend section 601 (c) (2) of the Revenue Act of 1932, having had the same under consideration, reported favorably thereon to the Senate with the recommendation that the bill do pass without amendment.

A full explanation of the bill is found in the report of the House Committee on Ways and Means, which is appended hereto.

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[S.Rept. No. 1679, 73d Cong., 2d sess.]

The Committee on Ways and Means, to whom was referred the bill (H.R. 9234) to amend section 601 (c) (2) of the Revenue Act of 1932, having had the same under consideration, report it back to the House without amendment and recommend that the bill do pass.

This bill provides for an exemption from the existing excise tax of 3 cents per pound on the sale of liquid malt, malt sirup, and malt extract when they are sold for resale to a baker for use in baking or for resale to a manufacturer or producer of malted milk, medicinal products, foods, cereal beverages, or textiles. Under section 601 (c) (2) of the Revenue Act of 1932, sales of these malt products are exempt only if made directly to a baker or manufacturer or producer. It seemed undesirable to your committee that the privilege of exemption should be granted only in the case of direct sales, with the result that manufacturers who do not happen to have their own distributing agencies are subject to the tax and must abandon the business or absorb the tax. It is believed that the enactment of the bill will not occasion any substantial loss of revenue and that competition in supplying users of the articles will be fostered thereby.

The following is a copy of the letter of the Secretary of the Treasury indicating the position of the Treasury Department on the bill:

TREASURY DEPARTMENT,  
Washington, May 2, 1934.

Hon. ROBERT L. DOUGHTON,  
*Chairman Ways and Means Committee, House of Representatives.*

MY DEAR MR. CHAIRMAN: I have your letter of April 23, 1934, transmitting, for report by this Department, a copy of a bill (H.R. 9234) to amend section 601 (c) (2) of the Revenue Act of 1932.

Section 601 (c) (2), as enacted, exempts liquid malt, malt sirup, and malt extract from the tax of 3 cents a pound when it is sold by the manufacturer or producer directly to a baker for use in baking or to a manufacturer or producer of malted milk, medicinal products, foods, cereal beverages, or textiles, for use in the manufacture or production of such products.

The proposed bill would extend the exemption to malt sirup, etc., sold by the manufacturer or producer to a dealer who resells it, directly or through another dealer, to a baker or manufacturer or producer of the named products for the uses specified.

The present provision of law places some manufacturers of malt sirup and their dealers at a serious disadvantage in competition with manufacturers of malt sirup who are in a position to maintain their own distributing agencies and make direct sales within the scope of the present exemption.

The proposed bill would equalize this competitive situation without any material effect on the revenue and without any serious administrative difficulties. The Treasury Department, therefore, has no objection to its enactment.

Very truly yours,

H. MORGENTHAU, Jr.,  
*Secretary of the Treasury.*

#### CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, 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 601 (c) (2) of the Revenue Act of 1932:

“(c) There is hereby imposed upon the following articles sold in the United States by the manufacturer or producer, or imported into the United States, a tax at the rates hereinafter set forth, to be paid by the manufacturer, producer, or importer:

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“(2) Brewer's wort, 15 cents a gallon. Liquid malt, malt sirup, and malt extract, fluid, solid, or condensed, made from malted cereal grains in whole or in part, unless **[sold to a baker]** *sold to, or for resale to, a baker* for use in baking or **[to manufacturer or producer]** *to, or for resale to, a manufacturer or producer* of malted milk, medicinal products, foods, cereal beverages, or textiles, for use in the manufacture or production of such products, 3 cents a pound. For the purposes of this paragraph liquid malt containing less than 15 per centum of solids by weight shall be taxable as brewer's wort.”

