

## AMENDING CERTAIN NARCOTIC LAWS

FEBRUARY 27, 1946.—Ordered to be printed

Mr. DOUGHTON of North Carolina, from the committee of conference,  
submitted the following

### CONFERENCE REPORT

[To accompany H. R. 2348]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 2348) to provide for the coverage of certain drugs under the Federal narcotic laws, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same.

R. L. DOUGHTON,  
JERE COOPER,  
JOHN D. DINGELL,  
A. WILLIS ROBERTSON,  
HAROLD KNUTSON,  
D. A. REED,  
ROY O. WOODRUFF,  
*Managers on the Part of the House.*  
WALTER F. GEORGE,  
D. I. WALSH,  
JOS. BAILEY,  
ROBERT M. LA FOLLETTE, Jr.,  
*Managers on the Part of the Senate*

## STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 2348) to provide for the coverage of certain drugs under the Federal narcotic laws, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The purpose of the Senate amendment is to make it possible for millers to produce hemp fiber from the hemp plant without incurring liability for the tax which is imposed upon transfers of marihuana. Marihuana and hemp fiber are produced from the same plants. When the Congress passed the Marihuana Tax Act of 1937 for the purpose of regulating the use of marihuana as a narcotic, it was understood that the act would not interfere with the operations of millers engaged in producing hemp fiber. However, it has now developed that the millers may be liable for the payment of the transfer tax on marihuana by reason of the transfer to them of the hemp plants. The rate of the tax is very heavy, being \$1 per ounce in certain cases and \$100 per ounce in other cases, and would make it utterly impossible for the millers to continue operations if they were required to pay the tax.

Under present law the tax is imposed upon marihuana as the term is defined in the law. The term is defined to include all parts of the hemp plant except the mature stalk thereof. It appears that under the regular practice in the industry a small quantity of leaves still adhere to the stalks when they are transferred to millers for the production of fiber. It is because of these leaves, which are included within the definition of marihuana, that the liability for the transfer tax might be incurred.

The Senate amendment to this bill provides for the registration of millers producing fiber from the hemp plant and provides that transfers of marihuana may be made to millers so registered, without payment of the transfer tax. A number of special requirements relating to the registration of millers for this purpose are contained in the amendment and are set out in the text of the amendment below.

The text of the amendment is as follows:

### AMENDMENTS RELATING TO MARIHUANA

SEC. 10. (a) EXEMPTION FOR CERTAIN TRANSFERS TO MILLERS.—Section 2591 of the Internal Revenue Code is amended by adding at the end thereof a new subsection (e) to read as follows:

“(e) EXEMPTION FOR CERTAIN TRANSFERS TO MILLERS.—Nothing in this section shall apply to a transfer of the plant *Cannabis sativa* L. or any parts thereof from any person registered under section 3231 to a person who is also registered under section 3231 as a taxpayer required to pay the tax imposed by section 3230 (a) (6).”

(b) SPECIAL TAX ON MILLERS.—Section 3230 of the Internal Revenue Code is hereby amended by adding at the end of subsection (a) a new subdivision (6) to read as follows:

“(6) MILLERS.—Any person who at a mill manufactures or produces from the plant *Cannabis sativa* L. any fiber or fiber products, \$1 per year or fraction thereof during which he engages in such activities.”

(c) **REGISTRATION OF MILLERS.**—Section 3231 of the Internal Revenue Code is hereby amended by inserting at the beginning thereof, before the word "Any", the following: "(a) **IN GENERAL.**—"; and by adding at the end of such section a new subsection to read as follows:

"(b) **SPECIAL REQUIREMENTS FOR MILLERS.**—The Secretary shall not permit the registration of any person under this section as a person required to pay the tax imposed by section 3230 (a) (6), unless in the opinion of the Secretary such person (or if a corporation, each officer thereof) is a person of good moral character and unless in the opinion of the Secretary such person is a person of suitable financial standing, intends to engage in good faith in the business of manufacturing or producing fiber or fiber products from the plant *Cannabis sativa L.* on a commercial basis, and is not seeking registration under this section for the purpose of facilitating the unlawful diversion of marihuana. Any person who is registered under this section and has paid the tax imposed by section 3230 (a) (6) shall afford agents of the Bureau of Narcotics ready access at all times to any part of the premises of the mill or other premises of such person and the right to inspect any and all books, papers, records, or documents connected with the activities of such person in dealing in, manufacturing, and processing *Cannabis sativa L.* and fiber or fiber products thereof, and the handling of marihuana. The Secretary may cancel or may refuse to renew, after notice and opportunity for hearing, the registration of any such person if he finds that such person has not complied or is not complying with the requirements of this subsection, or if he finds that grounds exist which would justify the refusal to permit the original registration of such person under this section."

R. L. DOUGHTON,  
JERE COOPER,  
JOHN D. DINGELL,  
A. WILLIS ROBERTSON,  
HAROLD KNUTSON,  
D. A. REED,  
ROY O. WOODRUFF,

*Managers on the Part of the House.*

