
AMENDING SECTION 2857 OF THE INTERNAL REVENUE CODE

JULY 25, 1939.—Ordered to be printed

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

REPORT

[To accompany H. R. 6479]

The Committee on Finance, to whom was referred the bill (H. R. 6479) amending section 2857 of the Distilled Spirits Act, having had the same under consideration, report it to the Senate with an amendment and recommend that the bill do pass.

The amendment is as follows:

Amend the title so as to read:

An Act Amending section 2857 of the Internal Revenue Code.

The purpose of the proposed legislation is fully explained in the report of the Committee on Ways and Means, House of Representatives, which accompanied the bill, and which is attached hereto and made a part of this report.

[H. Rept. No. 1118, 76th Cong., 1st sess.]

The Committee on Ways and Means, to whom was referred the bill (H. R. 6479) amending section 2857 of the Distilled Spirits Act, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Page 1, line 3, insert after "section 2857 (a)" the words "of the Internal Revenue Code".

GENERAL STATEMENT

H. R. 6479 deals with the records which the law requires wholesale, but not retail, liquor dealers to keep in respect of their receipts and dispositions of distilled spirits. A wholesale liquor dealer is defined by law as one who sells distilled spirits, wines, or fermented malt liquor in quantities of 5 gallons or more to the same person at the same time. One who sells malt liquors only in such quantities is a wholesale dealer in malt liquor and is not required to keep such records. It follows, therefore, that the sale of either wine or distilled spirits in quantities of more than 5 gallons to the same person at the same time constitutes the seller

a wholesale dealer in liquors. The law authorizes the issuance of special tax stamps as "wholesale dealer in wine" or "wholesale dealer in wine and malt liquors," to such wholesale liquor dealers as deal only in wines, or only in wines and malt liquors.

There are in the United States many wholesale liquor dealers selling wine only at wholesale who sell distilled spirits at retail on the same premises as those on which they conduct their wholesale liquor dealer business. Under the law and the regulations of the Treasury Department such wholesale liquor dealers are required to record their receipts and dispositions of distilled spirits. The purpose of this bill is the relieve wholesale liquor dealers of the class described of the requirement that they keep such records.

The Treasury Department has no objection to the enactment of this bill, as is indicated by the following letter from that Department:

TREASURY DEPARTMENT,
Washington, June 21, 1939.

Hon. ROBERT L. DOUGHTON,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, D. C.

MY DEAR MR. CHAIRMAN: Further reference is made to your letter of May 26, 1939, enclosing a copy of a bill (H. R. 6479, 76th Cong., 1st sess.), and requesting my recommendations or comments with respect thereto.

The bill proposes the amendment of the first paragraph of section 2857 (a) of the Internal Revenue Code. Whereas section 2857 (a) now requires that "Every rectifier and wholesale liquor dealer shall keep daily, * * * a record of distilled spirits received and disposed of by him, * * *" the bill would require that "Every rectifier and every wholesale liquor dealer who sells, or offers for sale, distilled spirits in quantities of five wine gallons or more to the same person at the same time shall keep daily * * * a record of distilled spirits received and disposed of by him, * * *."

Under existing law, every person who sells 5 wine gallons or more of distilled spirits, wine, or malt liquor to the same person at the same time is a wholesale liquor dealer, but the Commissioner of Internal Revenue may, by regulations, with the approval of the Secretary, provide for the issuance of a stamp denoting payment of such special tax as a "wholesale dealer in wines" or a "wholesale dealer in wines and malt liquors," if, as the case may be, wines only, or wines and malt liquors only, are sold by a wholesale dealer in liquors. (See sec. 3254 (b), I. R. C.)

It has been called to our attention heretofore that there are persons engaged in the business of selling wine in quantities of 5 wine gallons or more to the same person at the same time, in their capacities as wholesale liquor dealers, and distilled spirits in quantities of less than 5 wine gallons to the same person at the same time, in their capacities as retail liquor dealers, all at the same premises.

Regulations of the Treasury Department promulgated for the carrying into execution of section 2857 (a), I. R. C., have required that a person carrying on the businesses of both a wholesale dealer in liquor and a retail dealer in liquor at the same premises shall record his receipts and dispositions of distilled spirits even though all sales of the distilled spirits are at retail. It is assumed that the purpose of the bill is to so amend the law that a wholesale liquor dealer who does not sell distilled spirits in wholesale quantities shall not be required to keep the records provided for in section 2857 (a).

The obvious purpose of section 2857 (a) is to provide for a record of the receipts and dispositions of distilled spirits in wholesale quantities. This bill will not interfere with such records, because it will relieve wholesale liquor dealers of the necessity of keeping the records only when they dispose of distilled spirits in retail quantities. Such dispositions will be in their capacities as retail liquor dealers.

The Treasury Department will interpose no objection to the passage of the bill.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to your committee.

Very truly yours,

JOHN W. HANES,
Acting 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 (new matter added to existing law is printed in italics, existing law is shown in roman):

"SEC. 2857. BOOKS OF RECTIFIERS AND WHOLESALE DEALERS

"(a) REQUIREMENTS.—Every rectifier and every wholesale liquor dealer *who sells, or offers for sale, distilled spirits in quantities of five wine-gallons or more to the same person at the same time* shall keep daily, at his place of business covered by his special tax stamp, a record of distilled spirits received and disposed of by him, and shall render under oath correct transcripts and summaries of such records: *Provided, That the Commissioner may in his discretion require such record to be kept at the place where the spirits are actually received and sent out. The records shall be kept and the transcripts shall be rendered in such form, and under such rules and regulations as the Commissioner, with the approval of the Secretary, may prescribe.*"

