
AMENDING STAMP PROVISIONS OF BOTTLING IN BOND ACT

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

REPORT

[To accompany H. R. 6737]

The Committee on Finance, to whom was referred the bill (H. R. 6737) to amend the stamp provisions of the Bottling in Bond Act, having had the same under consideration, report favorably thereon without amendment and recommend that the bill do pass.

This bill deals with the printing and distribution of the green strip stamp which is affixed to and passes over the mouth of bottles containing bonded liquor to evidence the fact that the Federal revenue laws respecting bonded liquor have been complied with. The bill will modernize the methods of printing and distributing these stamps provided by the so-called Bottling in Bond Act of March 3, 1897, as amended, by incorporating therein the provisions of the Liquor Taxing Act of 1934, providing for the printing and distribution of the red strip stamp which is affixed to and passes over the mouth of bottles containing unbonded liquor. As will be shown, the bill is in the interest of both the Government and the distilled-spirits industry.

The statutes require, at the present time, that an internal-revenue stamp must be affixed to each bottle of distilled spirits by the distiller, rectifier, or bottler. Such stamps are popularly referred to as strip stamps. They are manufactured by the Bureau of Engraving and Printing, and they are issued to the users by officers of the Internal Revenue Service, under regulations and safeguards which are calculated to insure that they will not fall into unauthorized hands and that, when applied to bottled spirits, they may be relied upon both by the public and by officers of internal revenue as positive evidence that the Federal revenue laws have been fully complied with by the bottler. The policy involved is salutary and of the greatest importance in the protection of the revenue.

The Bureau of Internal Revenue is now required, under the provisions of the present statutes, to follow two entirely different systems

in regulating the distribution and application of strip stamps to be affixed to bottled spirits, one system applying to spirits bottled in bond and the other to spirits not bottled in bond.

The system applicable to spirits not bottled in bond is provided pursuant to the Liquor Taxing Act of 1934. The now familiar red strip stamps are supplied to distillers, rectifiers, and bottlers under the provisions of this act. Such stamps are manufactured in sheets by the Bureau of Engraving and Printing, serially numbered, and supplied in quantity in various denominations from one-tenth pint to 1 gallon to all collectors of internal revenue, who keep them in stock awaiting orders from the distillers, rectifiers, and other bottlers. Upon the receipt of any such order, with remittance, the stamps are registered by the collector in the name of the purchasing bottler and sent by registered mail to the Government officer in charge of the bottling plant. This officer keeps them in his official safe and issues them to the bottler to meet his daily requirements. This system is simple and inexpensive to the Government and convenient for the bottler, and it provides every necessary safeguard against the fraudulent use of the stamps.

Due to specific requirements of the Bottling in Bond Act referred to above, the stamps to be affixed to the immediate containers of spirits bottled in bond are manufactured and issued as coupons of case stamps which are also required by law. Under the law the bottler has his option to package the product in cases containing not less than 2 nor more than 5 gallons and in bottles containing 1 gallon, one-half gallon, 1 quart, four-fifths quart, 1 pint, four-fifths pint, one-half pint, one-eighth pint, one-tenth pint, or one-sixteenth pint. Each case must contain six bottles or some multiple of this number. The Bureau of Engraving and Printing now carries in stock bottled-in-bond stamps for bottles of such of the above-named sizes as are required by the industry.

To be affixed to each case of bottled-in-bond spirits, the Bureau provides a stamp $3\frac{1}{2}$ by $7\frac{3}{4}$ inches in size, with bottle coupons (or strip stamps) attached ranging in number, at the present time, from 12 to 240, according to the number of bottles in the case. The case stamp shows the State and collection district in which the spirits were produced and the quantity of spirits and the number of bottles in the case. The law requires that there shall be plainly burned on the side of each case the proof of the spirits; the registered distillery number; the State and collection district in which the distillery is located; the distiller's name; the year and distilling season, as spring or fall; and the year and season of bottling; and the law goes on to require that this same wording shall also be placed upon the coupon or strip stamp which must be affixed to each bottle.

In view of these complicated requirements of the present law, it is not practical to place general stocks of bottled-in-bond stamps in the hands of the various collectors of internal revenue, as is done in the case of red strip stamps. These general stocks are maintained in blank by the Bureau of Engraving and Printing, and when any collector receives from any distiller orders for particular quantities of particular stamps, he must forward the order through the office of the Commissioner to the Bureau of Engraving and Printing. Upon receipt of such an order, the Bureau of Engraving and Printing withdraws from its general stocks the specified quantity of blank case stamps with coupons of the specified denomination or denominations;

specially overprints them with the distillery number, the State, the collection district, the distiller's name, the year and season of distillation, and the year and season of bottling; binds them in books of convenient size, with stubs which show substantially the same particulars as appears upon the coupons; and in this form sends them to the proper collector for delivery to the distiller.

The complexity of the system of providing stamps for bottled-in-bond spirits, by comparison with the relatively simple system which applies to stamps for other spirits, will be perceived at once from this description. It results from two requirements of the Bottling in Bond Act—first, the requirement for a case stamp, and, second the requirement that numerous markings which serve to identify a particular lot of spirits must be placed on the coupon, or stamp, which is affixed to each bottle. This makes it impossible to manufacture the bottled-in-bond stamps by quantity-production methods, or, in other words, it necessitates a separate manufacturing job to produce the stamps required for each separate lot of spirits which any distiller may propose to bottle in bond.

Beginning at about the end of the present calendar year we may look forward to a constant and very large increase in the quantity of distilled spirits which will be bottled in bond under the provisions of the Bottling in Bond Act.

To be eligible for bottling in bond, spirits must be of domestic production, straight; that is to say, unmixed or unblended, of precisely 100° proof, and at least 4 years old. Since the repeal of the prohibition amendment in December 1933 there have been only limited quantities of liquor which met these requirements, and these have been used chiefly in the manufacture of blends. But little has been bottled in bond. Virtually all distilleries, however, have been accumulating stocks since the beginning or resumption of their operations at the time of repeal, and about December 1937 or January 1938 will be in a position to begin bottling spirits in bond on a large scale. As time goes on, it is expected that bottling in bond will become the rule rather than the exception, and that ultimately as much as 50,000,000 gallons of spirits will be bottled annually under the provisions of law here referred to.

When the time arrives when large quantities of distilled spirits are bottled in bond, it will become a matter of extreme difficulty to supply the stamps which will be required, if the present law is not changed so as to permit a substantial simplification of methods of manufacture and distribution, including particularly the elimination of all special over-printing operations at the Bureau of Engraving and Printing. The system which has now been followed for more than 3 years in the issuance and use of strip stamps for distilled spirits not bottled in bond has proved satisfactory in every respect. Under this system, since the stamps are numbered and registered, they are adequate for the identification of the spirits to which they are affixed without over-printing. They are proof against counterfeiting. They serve every useful purpose.

Your committee recommends therefore that section 1 of the Bottling in Bond Act of 1897 be amended so as to permit the stamping of bottled-in-bond spirits under the same taxing conditions as those which, under the provisions of the Liquor Taxing Act of 1934, attend the stamping of unbonded spirits.

The change contemplated by the bill in the present method of stamping bottled-in-bond spirits will not only not be a source of expense to the Government but will actually furnish an accretion to the annual revenues of the United States. This is true because at present the bottled-in-bond case stamps cost 10 cents regardless of the number of bottles in the case. No additional charge is made for the green strip stamps which are attached to the case stamp in the form of coupons. On the other hand, the red strip stamps used on unbonded liquor cost 1 cent apiece in the case of bottles of one-half pint size and over, and one-fourth cent apiece in the case of bottles of less than one-half pint in size. Since in practice there are never less than 12 bottles in a case, it will be seen that the application of the unbonded liquor strip stamp system to bonded liquor will mean an additional cost of at least 2 cents a case for the bottled-in-bond stamps. The distilled-spirits industry, however, will be amply compensated for this increased cost by the convenience of the new system. A distiller of bonded liquor will be able to obtain his strip stamps in a matter of hours at most after the sale of his liquor. Since the strip stamps must be placed on the bottles before they can be released from Government custody and delivered to the purchaser, this is obviously highly desirable. Under the present antiquated and cumbersome set-up it necessarily takes the distiller many days, sometimes even weeks, to obtain his stamps.

In order to accomplish the objectives indicated above, H. R. 6737 amends section 1 of the Bottling in Bond Act of 1897 to eliminate the present requirement that strip stamps on bonded liquor carry the identical minutely specified data that the same provision requires to be placed on the side of each case of bonded liquor and to vest the same discretion in the Commissioner of Internal Revenue to prescribe the data to be placed on bonded strip stamps and other details in connection with such stamps, as the Liquor Taxing Act of 1934 now vests in him with respect to unbonded strip stamps. Incidental to this, and with the same general objective of permitting flexibility in administering the law, the bill also amends section 1 of the Bottling in Bond Act to eliminate the requirement that specified data be shown on the side of the case and to authorize the Commissioner of Internal Revenue to prescribe the marks, brands, and stamps to be placed upon the case to denote the fact that the spirits packed therein have been bottled in bond.

Although the enactment of H. R. 6737 will eliminate the requirement of overprinting by the Bureau of Engraving and Printing of bonded liquor stamps and thus permit quantity production methods of printing and distribution of these stamps, as is now provided in connection with unbonded liquor strip stamps by the Liquor Taxing Act of 1934, the bill is not intended to and will not prevent distillers from overprinting their bonded liquor strip stamps through commercial printers, under regulations prescribed by the Commissioner of Internal Revenue which will safeguard the Government against the possibility of diversion of such stamps.

Representatives of the Treasury Department who appeared before your committee informed your committee that the present bill has the approval of the distilled-spirits industry. The bill is strongly recommended by the Secretary of the Treasury and is in accord with the program of the President.