

This is the Committee Print that was used by the Tax
Tax Advisor of the Treasury Department, in connection with
the testimony he gave before the Finance Committee
of the House of Representatives on January 21, 1925.
(See also the Committee Report on the
Finance Bill, H. R. 8245, 66th Cong., 1st Sess.,
p. 10.)

[Committee Print No. 1.]

Figure appearing on the original version of the
Committee Report.

**THIS PRINT INDICATES AMENDMENTS TO THE PRESENT
REVENUE LAW BY H. R. 8245, ENTITLED "AN ACT TO
REDUCE AND EQUALIZE TAXATION, TO AMEND AND
SIMPLIFY THE REVENUE ACT OF 1918, AND FOR
OTHER PURPOSES."**

[Roman type indicates the present law (Revenue Act of 1918), matter struck through shows the
portions of the present law repealed by H. R. 8245, italics indicate amendments thereto.]

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5

1 TITLE I.—GENERAL DEFINITIONS.
2 SECTION 1. ~~That when used in this Act~~ *This Act*
3 ~~may be cited as the "Revenue Act of 1921".~~
4 (1) The term "person" includes partnerships and corpo-
5 rations, as well as individuals;
6 (2) The term "corporation" includes associations, joint-
7 stock companies, and insurance companies;
8 (3) The term "domestic" when applied to a corporation
9 or partnership means created or organized in the United
10 States;
11 (4) The term "foreign" when applied to a corporation or
12 partnership means created or organized outside the United
13 States;

1 **5)** The term "United States" when used in a geographical
2 sense includes only the States, the Territories of Alaska and
3 Hawaii, and the District of Columbia;

4 **(6)** The term "Secretary" means the Secretary of the
5 Treasury;

6 **(7)** The term "Commissioner" means the Commissioner of
7 Internal Revenue;

8 **(8)** The term "collector" means Collector of Internal
9 Revenue;

10 The term "Revenue Act of 1916" means the Act enti-
11 tled "An Act to increase the revenue, and for other pur-
12 poses," approved September 8, 1916;

13 **(9)** The term "Revenue Act of 1917" means the Act enti-
14 tled "An Act to provide revenue to defray war expenses,
15 and for other purposes," approved October 3, 1917;

16 **(10)** The term "taxpayer" includes any person, trust or estate
17 subject to a tax imposed by this Act;

18 **(11)** The term "Government contract" means (a) a contract
19 made with the United States, or with any department,
20 bureau, officer, commission, board, or agency, under the
21 United States and acting in its behalf, or with any agency
22 controlled by any of the above if the contract is for the benefit
23 of the United States, or (b) a subcontract made with a con-
24 tractor performing such a contract if the products or services

1 to be furnished under the subcontract are for the benefit of the
2 United States. The term "Government contract or contracts
3 made between April 6, 1917, and November 11, 1918, both
4 dates inclusive," when applied to a contract of the kind
5 referred to in clause (a) of this paragraph, includes all such
6 contracts which, although entered into during such period,
7 were originally not enforceable, but which have been or
8 may become enforceable by reason of subsequent validation
9 in pursuance of law;

10 The term "military or naval forces of the United States"
11 includes the Marine Corps, the Coast Guard, the Army
12 Nurse Corps, Female, and the Navy Nurse Corps, Female,
13 but this shall not be deemed to exclude other units otherwise
14 included within such term;

15 The term "present war" means the war in which the
16 United States is now engaged against the German Govern-
17 ment.

18 For the purposes of this Act the date of the termination
19 of the present war shall be fixed by proclamation of the
20 President.

21 ~~SEC 2.~~ *Terms defined in the Revenue Act of 1918*
22 *shall, when used in this Act, unless the context otherwise*
23 *indicates, have the same meaning as when used in the Reve-*
24 *nuce Act of 1918, as amended by this Act.*

1 TITLE II.—INCOME TAX.

2 PART I.—GENERAL PROVISIONS.

3 DEFINITIONS.

13 4 SEC. 200. ²⁰⁰ That when used in this title—

5 (1) The term "taxable year" means the calendar year, or
6 the fiscal year ending during such calendar year, upon the
7 basis of which the net income is computed under section 212
8 or section 232. The term "fiscal year" means an accounting
9 period of twelve months ending on the last day of any month
10 other than December. The first taxable year, to be called
11 the taxable year 1918, shall be the calendar year 1918 or
12 any fiscal year ending during the calendar year 1918;

13 (2) The term "fiduciary" means a guardian, trustee, ex-
14 ecutor, administrator, receiver, conservator, or any person
15 acting in any fiduciary capacity for any person, trust or estate;

16 The term "withholding agent" means any person re-
17 quired to deduct and withhold any tax under the provisions
18 of section 224 or section 237;

19 The term "personal service corporation" means a cor-
20 poration whose income is to be ascribed primarily to the
21 activities of the principal owners or stockholders who are
22 themselves regularly engaged in the active conduct of the
23 affairs of the corporation and in which capital (whether
24 invested or borrowed) is not a material income-producing
25 factor; but does not include any foreign corporation, nor any

1 corporation 50 per centum or more of whose gross income
 2 consists either (1) of gains, profits or income derived from
 3 trading as a principal, or (2) of gains, profits, commissions,
 4 or other income, derived from a Government contract or con-
 5 tracts made between April 6, 1917, and November 11, 1918,
 6 both dates inclusive:

7 (4) The term "paid," for the purposes of the deductions
 8 and credits under this title, means "paid or accrued" or
 9 "paid or incurred," and the terms "paid or incurred" and
 10 "paid or accrued" shall be construed according to the method
 11 of accounting upon the basis of which the net income is
 12 computed under section 212.

→ (5)

13 *The term "foreign trader" means a citizen or resident of*
 14 *the United States or domestic partnership, (1) 80 per centum*
 15 *or more of whose gross income for the three-year period ending*
 16 *with the close of the taxable year (or for such part of such*
 17 *period immediately preceding the close of the taxable year*
 18 *as may be applicable) was derived from sources without the*
 19 *United States as determined under section 217, and (2) 50*
 20 *per centum or more of whose gross income for such period or*
 21 *such part thereof was derived from the active conduct of a*
 22 *business without the United States either on his own account*
 23 *or as the employee or agent of another.*

24 *The term "foreign trade corporation" means a domestic*
 25 *corporation, (1) 80 per centum or more of the gross income of*

1 *which for the three-year period ending with the close of the*
 2 *taxable year (or for such part of such period as the corporation*
 3 *has been in existence) was derived from sources without the*
 4 *United States as determined under section 217, and (2) 50*
 5 *per centum or more of the gross income of which for such*
 6 *period or such part thereof was derived from the active conduct*
 7 *of a business without the United States.*

8 DIVIDENDS.

9 ^{2nd (a)} SEC. 201. (a) That the term "dividend" when used
 10 in this title (except in paragraph (10) of subdivision (a) of
 11 section 234) and paragraph (4) of subdivision (a) of section
 12 245) means ~~(1) any distribution made by a corporation, other~~
 13 ~~than a personal service corporation,~~ to its shareholders or
 14 members, whether in cash or in other property, ~~or in stock~~
 15 ~~of the corporation,~~ out of its earnings or profits accumulated
 16 since February 28, 1913, ~~or (2) any such distribution except~~
 17 ~~a distribution made by a personal service corporation out of~~
 18 ~~earnings or its profits accumulated since February 28, 1913,~~
 19 ~~December 31, 1917, and prior to January 1, 1918; January~~
 20 ~~1, 1922.~~

21 ~~(b) Any distribution shall be deemed to have been made~~
 22 ~~from earnings or profits unless all earnings and profits have~~
 23 ~~first been distributed. Any distribution made in the year~~
 24 ~~1918 or any year thereafter shall be deemed to have been~~
 25 ~~made from earnings or profits accumulated since February 28,~~

1 ~~1913, or, in the case of a personal service corporation, from~~
 2 ~~the most recently accumulated earnings or profits; but any~~
 3 ~~earnings or profits accumulated prior to March 1, 1913, may~~
 4 ~~be distributed in stock dividends or otherwise, exempt from~~
 5 ~~the tax, after the earnings and profits accumulated since~~
 6 ~~February 28, 1913, have been distributed.~~

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7 ~~(b)~~ For the purposes of this Act every distribution is
 8 made out of earnings or profits, and from the most recently
 9 accumulated earnings or profits, to the extent of such earnings
 10 or profits accumulated since February 28, 1913; but any
 11 earnings or profits accumulated prior to March 1, 1913, may
 12 be distributed exempt from the tax, after the earnings and
 13 profits accumulated since February 28, 1913, have been
 14 distributed.

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15 ~~(c)~~ A dividend paid in stock of the corporation shall
 16 be considered income to the amount of the earnings or profits
 17 distributed. Amounts distributed in the liquidation of a
 18 corporation shall be treated as payments in part or in full
 19 payment in exchange for stock or shares, and any gain or
 20 profit realized thereby shall be taxed to the distributee as
 21 other gains or profits.

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22 ~~(d)~~ If any stock dividend (1) is received by a taxpayer
 23 between January 1 and November 1, 1918, both dates in-
 24 clusive, or (2) is during such period bona fide authorized or
 25 declared, and entered on the books of the corporation, and

1 ~~is received by a taxpayer after November 1, 1918, and before~~
2 ~~the expiration of thirty days after the passage of this Act,~~
3 ~~then such dividend shall, in the manner provided in section~~
4 ~~206, be taxed to the recipient at the rates prescribed by law~~
5 ~~for the year in which the corporation accumulated the earn-~~
6 ~~ings or profits from which such dividend was paid, but the~~
7 ~~dividend shall be deemed to have been paid from the most~~
8 ~~recently accumulated earnings or profits.~~

16 9 ~~(d)~~ *For the purposes of this Act, a taxable distribution*
194 10 *made by a corporation to its shareholders or members shall be*
11 *included in the gross income of the distributees as of the date*
12 *when the cash or other property is unqualifiedly made subject*
13 *to their demands.*

17 14 ~~(e) Any distribution made during the first sixty days of~~
15 ~~any taxable year shall be deemed to have been made from~~
16 ~~earnings or profits accumulated during preceding taxable~~
17 ~~years; but any distribution made during the remainder of~~
18 ~~the taxable year shall be deemed to have been made from~~
19 ~~earnings or profits accumulated between the close of the~~
20 ~~preceding taxable year and the date of distribution, to the~~
21 ~~extent of such earnings or profits, and if the books of the~~
22 ~~corporation do not show the amount of such earnings or~~
23 ~~profits, the earnings or profits for the accounting period within~~
24 ~~which the distribution was made shall be deemed to have been~~
25 ~~accumulated ratably during such period.~~

(c)
(d)

BASIS FOR DETERMINING GAIN OR LOSS.

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 2 ~~SEC. 202. (a) That for the purpose of ascertaining the~~
 3 ~~gain derived or loss sustained from the sale or other disposition~~
 4 ~~of property, real, personal, or mixed, the basis shall be—~~

5 ~~(1) In the case of property acquired before March 1,~~
 6 ~~1913, the fair market price or value of such property as of that~~
 7 ~~date; and~~

8 ~~(2) In the case of property acquired on or after that~~
 9 ~~date, the cost thereof; or the inventory value, if the inventory~~
 10 ~~is made in accordance with section 203.~~

11 ~~(b) When property is exchanged for other property, the~~
 12 ~~property received in exchange shall for the purpose of deter-~~
 13 ~~mining gain or loss be treated as the equivalent of cash to the~~
 14 ~~amount of its fair market value, if any; but when in connec-~~
 15 ~~tion with the reorganization, merger, or consolidation of a~~
 16 ~~corporation a person receives in place of stock or securities~~
 17 ~~owned by him new stock or securities of no greater aggregate~~
 18 ~~par or face value, no gain or loss shall be deemed to occur~~
 19 ~~from the exchange, and the new stock or securities received~~
 20 ~~shall be treated as taking the place of the stock, securities,~~
 21 ~~or property exchanged.~~

22 ~~When in the case of any such reorganization, merger or~~
 23 ~~consolidation the aggregate par or face value of the new~~
 24 ~~stock or securities received is in excess of the aggregate par~~
 25 ~~or face value of the stock or securities exchanged, a like~~

1 ~~amount in par or face value of the new stock or securities~~
 2 ~~received shall be treated as taking the place of the stock or~~
 3 ~~securities exchanged, and the amount of the excess in par or~~
 4 ~~face value shall be treated as a gain to the extent that the~~
 5 ~~fair market value of the new stock or securities is greater~~
 6 ~~than the cost (or if acquired prior to March 1, 1913, the fair~~
 7 ~~market value as of that date) of the stock or securities ex-~~

8 ~~changed.~~

9 364, 365 202(a)

10 *SEC. 202. (a) The basis for ascertaining the gain de-*
 11 *duced or loss sustained from a sale or other disposition of*
 12 *property, real, personal, or mixed, acquired after February*

13 *28, 1913, shall be the cost of such property; except that—*

(1)

14 *(1) In the case of such property, which should be*
 15 *included in the inventory, the basis shall be the last inven-*
 16 *tory value thereof;*

(2)

17 *(2) In the case of such property, acquired by gift after*
 18 *December 31, 1920, the basis shall be the same as that which*
 19 *it would have in the hands of the donor or the last preceding*
 20 *owner by whom it was not acquired by gift. If the facts*
 21 *necessary to determine such basis are unknown to the donee,*
 22 *the commissioner shall, if possible, obtain such facts from*
 23 *such donor or last preceding owner, or any other person*
 24 *cognizant thereof. If the commissioner finds it impossible*
 25 *to obtain such facts, the basis shall be the value of such prop-*
 26 *erty as found by the commissioner as of the date or approxi-*

1 mate date at which, according to the best information the
 2 commissioner is able to obtain, such property was acquired
 3 by such donor or last preceding owner. In the case of such
 4 property acquired by gift on or before December 31, 1920,
 5 the basis for ascertaining gain or loss from a sale or other
 6 disposition thereof, shall be the same as that provided by
 7 this Act before its amendment by the Revenue Act of 1921;

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 9 (3) In the case of such property, acquired by bequest,
 10 devise, or inheritance, the basis shall be the fair market price
 11 or value of such property at the time of such acquisition.
 12 The provisions of this paragraph shall apply to the acquisition
 13 of such property interests as are specified in subdivision (c)
 14 or (e) of section 402.

198 14 ^(b)
 15 (b) The basis for ascertaining the gain derived or loss
 16 sustained from the sale or other disposition of property, real,
 17 personal, or mixed, acquired before March 1, 1913, shall
 18 be the same as that provided by subdivision (a); but—

19 ⁽¹⁾
 20 (1) If its fair market price or value as of March 1, 1913,
 21 is in excess of such basis, the gain to be included in the gross
 22 income shall be the excess of the amount realized therefor
 23 over such fair market price or value;

24 ⁽²⁾
 25 (2) If its fair market price or value as of March 1,
 1913, is lower than such basis, the deductible loss is the excess
 of the fair market price or value as of March 1, 1913, over
 the amount realized therefor; and

(3)

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23 1 (3) If the amount realized therefor is more than such
24 2 basis but not more than its fair market price or value as of
3 March 1, 1913, or less than such basis but not less than such
4 fair market price or value, no gain shall be included in and
5 no loss deducted from the gross income.

21 6 ~~(b)~~ In ascertaining the gain derived or loss sustained
22 7 from a sale or other disposition of property, real, personal, or
23 8 mixed, proper adjustment shall be made for (1) any expendi-
24 9 ture properly chargeable to capital account, and (2) any item
25 10 of loss, impairment, exhaustion, wear and tear, obsolescence,
11 amortization, depletion, depreciation, or similar expense
12 properly chargeable with respect to such property.

27 13 (c) For the purposes of this title, on an exchange of
28 14 property, real, personal or mixed, for any other such property,
29 15 no gain or loss shall be recognized unless the property received
30 16 in exchange has a definite and readily realizable market value;
31 17 but even if the property received in exchange has a definite
18 and readily realizable market value, no gain or loss shall be
19 recognized—

(1)

20 (1) When any such property held for investment, or for
21 productive use in trade or business (not including stock-in-
22 trade or other property held primarily for sale), is exchanged
23 for property of a like kind or use;

(2)

24 (2) When in the organization or the reorganization of
25 one or more corporations a person receives in place of any

- 391-1 such property owned by him, now stock or securities.
 2 The word "reorganization," as used in this paragraph, in-
 338-8 cludes a merger, consolidation (however effected), recapitali-
 374-4 zation, or a mere change in identity, form, or place of organi-
 L5 zation of a corporation; and
 6 (3) When (A) a person transfers any such property
 29 7 to a corporation, and immediately after the transfer is in
 202 8 control of such corporation, or (B) a group of persons trans-
 9 fers any such property to a corporation, and immediately
 20-10 after the transfer is in control of such corporation, and
 203 11 when the amounts of stock, securities, or both, received by
 12 such persons are in substantially the same proportion as their
 202-18 interest in the property before such transfer. For the pur-
 203-14 ~~poses~~ ^{poses} of this paragraph, a person or group of persons is "in
 15 control" of a corporation when owning at least 80 per
 16 centum of the voting stock and 80 per centum of all other
 17 classes of stock of the corporation.
 30 18 (4) Where property is exchanged for other property
 203 19 and no gain or loss is recognized under the provisions of sub-
 331 20 division (d), the property received shall, for the purposes of
 21 this section, be treated as taking the place of the property
 22 exchanged therefor.
 30 23 (5) The basis for ascertaining allowable deductions
 261 24 for loss, exhaustion, wear and tear, obsolescence, amorti-
 331 25 zation, and other like deductions, except those authorized in
 (1) (1) (2) (3), (e), (f)

1 paragraph (10) of subdivision (a) of section 214 and in para-
 2 graph (9) of subdivision (a) of section 234, shall be the same
 3 basis as that provided by subdivisions (a) and (b) of this
 4 section.

5

INVENTORIES.

203

6 Sec. 203. That whenever in the opinion of the Com-
 7 missioner the use of inventories is necessary in order clearly
 8 to determine the income of any taxpayer, inventories shall
 9 be taken by such taxpayer upon such basis as the Commissioner,
 10 with the approval of the Secretary, may prescribe as con-
 11 forming as nearly as may be to the best accounting practice
 12 in the trade or business and as most clearly reflecting the
 13 income.

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NET LOSSES.

15 ~~Sec. 204. (a) That as used in this section the term~~
 16 ~~"net loss" refers only to net losses resulting from either~~
 17 ~~(1) the operation of any business regularly carried on by the~~
 18 ~~taxpayer, or (2) the bona fide sale by the taxpayer of plant,~~
 19 ~~buildings, machinery, equipment or other facilities, con-~~
 20 ~~structed, installed, or acquired by a taxpayer on or after~~
 21 ~~April 6, 1917, for the production of articles contributing~~
 22 ~~to the prosecution of the present war; and when so resulting~~
 23 ~~means the excess of the deductions allowed by law (excluding~~
 24 ~~in the case of corporations amounts allowed as a deduction~~
 25 ~~under paragraph (6) of subdivision (a) of section 234) over the~~

1 ~~sum of the gross income plus any interest received free from~~
 2 ~~taxation both under this title and under Title III.~~

3 ¹⁻¹²⁻²⁰ SEC. 204. (a) ~~That as used in this section the term "net~~
 4 ~~loss" means only net losses resulting after December 31, 1920,~~
 5 ~~from the operation of any business regularly carried on by the~~
 6 ~~taxpayer (including losses sustained from the sale or other~~
 7 ~~disposition of real estate, machinery, and other capital assets,~~
 8 ~~used in the conduct of such business); and when so resulting~~
 9 ~~means the excess of the deductions allowed by section 214 or~~
 10 ~~234 of this Act, as the case may be, over the sum of the fol-~~
 11 ~~lowing: (1) The gross income of the taxpayer for the taxable~~
 12 ~~year, (2) any interest received free from taxation under this~~
 13 ~~title, (3) the amount of deductible losses not sustained in~~
 14 ~~such business, (4) amounts allowed as a deduction under~~
 15 ~~paragraph (6) of subdivision (a) of section 234, and (5) so~~
 16 ~~much of the depletion deduction allowed with respect to any~~
 17 ~~mine, oil or gas well as is based upon discovery value in lieu~~
 18 ~~of cost.~~

19 ~~(b) If for any taxable year beginning after October 31,~~
 20 ~~1918, and ending prior to January 1, 1920, it appears upon~~
 21 ~~the production of evidence satisfactory to the Commissioner~~
 22 ~~that any taxpayer has sustained a net loss, the amount of~~
 23 ~~such net loss shall under regulations prescribed by the Com-~~
 24 ~~missioner with the approval of the Secretary be deducted~~
 25 ~~from the net income of the taxpayer for the preceding taxable~~

31 1 ~~year, and the taxes imposed by this title and by Title III~~
 2 ~~for such preceding taxable year shall be redetermined accord-~~
 3 ~~ingly. Any amount found to be due to the taxpayer upon~~
 4 ~~the basis of such redetermination shall be credited or re-~~
 5 ~~funded to the taxpayer in accordance with the provisions of~~
 6 ~~section 202. If such net loss is in excess of the net income~~
 7 ~~for such preceding taxable year, the amount of such excess~~
 8 ~~shall under regulations prescribed by the Commissioner with~~
 9 ~~the approval of the Secretary be allowed as a deduction in~~
 10 ~~computing the net income for the succeeding taxable year.~~

(b) *If for any taxable year beginning after December*

210 11 *31, 1920, it appears, upon the production of evidence satis-*
 12 *factory to the Commissioner, that any taxpayer has sustained*
 13 *a net loss, the amount thereof shall be deducted from the net*
 14 *income of the taxpayer for the succeeding taxable year; and if*
 15 *such net loss is in excess of the net income for such succeeding*
 16 *taxable year, the amount of such excess shall be allowed as a*
 17 *deduction in computing the net income for the next succeeding*
 18 *taxable year; the deduction in all cases to be made under*
 19 *regulations prescribed by the Commissioner, with the approval*
 20 *of the Secretary.*

210 21 *In ascertaining whether a net loss (as defined in this*
 22 *section) has resulted in any taxable year, the computation*
 23 *shall be made without reference to the provisions of section*
 24 *207; and if a net loss is established it shall, in the first or*
 25

1 ~~second~~ succeeding taxable year or years, be taken into account
 2 for the purposes of section 207 as a deduction in computing
 3 the ordinary net income as defined in such section.

4 ^(c)
 5 ~~(d)~~ The benefit of this section shall be allowed to
 6 the members of a partnership and the beneficiaries of an estate
 7 or trust under regulations prescribed by the Commissioner
 8 with the approval of the Secretary.

9 ^{(d) (e) 205(a)}
 10 Sec. 205. (a) That if a taxpayer makes return for a
 11 fiscal year beginning in ~~1917~~ 1920 and ending in ~~1918~~ 1921,
 12 his tax under this title for the first taxable year 1921 shall
 13 be the sum of: (1) the same proportion of a tax for the entire
 14 period computed under Title 4 of the Revenue Act of 1916
 15 as amended by the Revenue Act of 1917 and under Title I
 16 of the Revenue Act of 1917, which the portion of such period
 17 falling within the calendar year 1917 is of the entire period;
 18 and (2) the same proportion of a tax for the entire period com-
 19 puted under this title (as in force prior to the passage of the
 20 Revenue Act of 1921) at the rates for the calendar year
 21 ~~1918~~ 1920 which the portion of such period falling within
 22 the calendar year ~~1918~~ 1920 is of the entire period: ~~Pro-~~
 23 ~~vided, That in the case of a personal service corporation the~~
 24 ~~amount to be paid shall be only that specified in clause (1),~~
 and (2) the same proportion of a tax for the entire period
 computed under this title at the rates for the calendar year

1 1921 which the portion of such period falling within the
2 calendar year 1921 is of the entire period.

3 ~~Any amount heretofore or hereafter paid any amount~~
4 ~~paid before or after the passage of the Revenue Act of 1921~~
5 ~~on account of the tax imposed for such fiscal year by Title I~~
6 ~~of the Revenue Act of 1916 as amended by the Revenue Act~~
7 ~~of 1917, and by Title I of the Revenue Act of 1917, this title~~
8 ~~(as in force prior to the passage of the Revenue Act of 1921)~~
9 shall be credited toward the payment of the tax imposed for
10 such fiscal year by this Act, and if the amount so paid exceeds
11 the amount of such tax imposed by this Act, or, in the case of a
12 ~~personal service corporation, the amount specified in clause~~
13 ~~(1),~~ the excess shall be credited or refunded in accordance with
14 the provisions of section 252.

15 (b) If a taxpayer makes a return for a fiscal year begin-
16 ning in 1918 1921 and ending in 1919 1922, his ~~tax~~
17 under this title for such ~~fiscal~~ the taxable year 1922 shall
18 be the sum of: (1) the same proportion of a tax for the entire
19 period computed under this title (as in force on December
20 31, 1921) at the rates specified for the calendar year
21 1921 which the portion of such period falling within the
22 calendar year 1918 1921 is of the entire period, and (2) the
23 same proportion of a tax for the entire period computed under
24 this title at the rates specified for the calendar
25 1922 which the portion of such period falling within the

1 calendar year 1922 is of the entire period: *Provided,*
 2 That in the case of a personal service corporation the
 3 amount to be paid shall be only that specified in clause (2).

210 4 (c) If a fiscal year of a partnership begins in 1920
 5 and ends in 1921, or begins in 1921 and ends in
 6 1922, then notwithstanding the provisions of subdivi-
 7 sion (b) of section 218: (1) the rates for the calendar year
 8 during which such fiscal year begins shall apply to an amount
 9 of each partner's share of such partnership net income (de-
 10 termined under the law applicable to such year) equal to the
 11 proportion which the part of such fiscal year falling within
 12 such calendar year bears to the full fiscal year, and (2) the
 13 rates for the calendar year during which such fiscal year ends
 14 shall apply to an amount of each partner's share of such
 15 partnership net income (determined under the law applicable
 16 to such calendar year) equal to the proportion which the part
 17 of such fiscal year falling within such calendar year bears to
 18 the full fiscal year. ~~Provided, That in the case of a personal~~
 210 19 ~~service corporation with respect to a fiscal year beginning in~~
 20 ~~1917 and ending in 1918, the amount specified in clause (1)~~
 21 ~~shall not be subject to normal tax.~~

22 PARTS OF INCOME SUBJECT TO RATES FOR DIFFERENT YEARS.

36 23 SEC. 206. That whenever parts of a taxpayer's income
 24 are subject to rates for different calendar years, the part
 25 subject to the rates for the most recent calendar year shall be

1 placed in the lower brackets of the rate schedule provided in
 2 this title, the part subject to the rates for the next preceding
 3 calendar year shall be placed in the next higher brackets of
 4 the rate schedule applicable to that year, and so on until the
 5 entire net income has been accounted for. In determining
 6 the income, any deductions, exemptions or credits of a kind
 7 not plainly and properly chargeable against the income
 8 taxable at rates for a preceding year shall first be applied
 9 against the income subject to rates for the most recent calendar
 10 year; but any balance thereof shall be applied against the
 11 income subject to the rates of the next preceding year or
 12 years until fully allowed.

13 **Section 206 of the proposed bill provides as follows:**

14 *Part I of Title II of the Revenue Act of 1918 is amended*
 15 *by adding at the end thereof a new section, to take effect*
 16 *January 1, 1922, to read as follows:*

17 **CAPITAL GAIN AND CAPITAL LOSS.**

36
 37 18 **SEC. 207 (A).** *That for the purpose of this title:*

41 19 **(1)** *The term "capital gain" means taxable gain from the*
 217 20 *sale or exchange of capital assets consummated after Decem-*
 21 *ber 31, 1921;*

22 **(2)** *The term "capital loss" means deductible loss resulting*
 23 *from the sale or exchange of capital assets consummated*
 24 *after December 31, 1921;*

1 (3) The term "capital deductions" means such deductions
2 as are allowed under this title for the purpose of computing
3 net income and are properly allocable to or chargeable against
4 items of capital gain as herein defined;

5 (4) The term "capital net gain" means the excess of the
6 total amount of capital gain over the sum of the capital
7 deductions and capital losses;

8 The term "capital net loss" means the excess of the
9 sum of the capital losses plus the capital deductions over the
10 total amount of capital gain;

11 (5) The term "ordinary net income" means the net income,
12 computed in accordance with the provisions of this title, after
13 excluding all items of capital gain, capital loss, and capital
14 deductions; and

15 (6) The term "capital assets" as used in this section
16 includes property acquired and held by the taxpayer for
17 profit or investment (whether or not connected with his
18 trade or business), but does not include property held for the
19 personal use or consumption of the taxpayer or his family, or
20 stock in trade of the taxpayer or other property of a kind
21 which would properly be included in the inventory of the
22 taxpayer if on hand at the close of the taxable year.

23 (b) In the case of any taxpayer (other than a corpora-
24 tion) whose ordinary net income and capital net gain together

1 exceed \$29,000, there shall be levied, collected, and paid, in
2 lieu of the taxes imposed by sections 210 and 211 of this
3 title, a tax determined as follows:

4 A partial tax shall first be computed upon the basis of
5 the ordinary net income at the rates and in the manner pro-
6 vided in sections 210 and 211, and the total tax shall be this
7 amount plus 12½ per centum of the capital net gain, or minus
8 12½ per centum of the capital net loss, as the case may be;
9 but in no such case where the taxpayer derives a capital
10 net gain, shall the total tax be less than 12½ per centum
11 of the total net income. The total tax thus determined
12 shall be levied, collected, and paid at the same time and in
13 the same manner and subject to the same provisions of law,
14 including penalties, as other taxes under this title.

15 (c) In the case of a partnership or of an estate or trust,
16 the proper part of each share of the net income which consists,
17 respectively, of ordinary net income, capital net gain, or
18 capital net loss shall be determined under rules and regula-
19 tions to be prescribed by the Commissioner with the approval of
20 the Secretary, and shall be separately shown in the return
21 of the partnership or estate or trust, and shall be taxed to the
22 member or beneficiary or to the estate or trust as provided in
23 sections 218 and 219, but at the rates and in the manner
24 provided in subdivision (b) of this section.]

PART II.—INDIVIDUALS.

NORMAL TAX.

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3 SEC. 210. That, in lieu of the taxes imposed by subdi-
4 vision (a) of section 1 of the Revenue Act of 1916 and by
5 section 1 of the Revenue Act of 1917, there shall be levied,
6 collected, and paid for each taxable year upon the net income
7 of every individual a normal tax at the following rates:

8 ~~(a)~~ For the calendar year 1918, 12 per centum of the
9 amount of the net income in excess of the credits provided
10 in section 216: *Provided*, That in the case of a citizen or
11 resident of the United States the rate upon the first \$4,000
12 of such excess amount shall be 6 per centum;

13 ~~(b)~~ For each calendar year thereafter, 8 per centum of
14 the amount of the net income in excess of the credits provided
15 in section 216: *Provided*, That in the case of a citizen or
16 resident of the United States the rate upon the first \$4,000
17 of such excess amount shall be 4 per centum.

SURTAX.

18 211 (a)

19 SEC. 211. (a) That, in lieu of the taxes imposed by sub-
20 division (b) of section 1 of the Revenue Act of 1916 and by
21 section 2 of the Revenue Act of 1917, but in addition to the
22 normal tax imposed by section 210 of this Act, there shall
23 be levied, collected, and paid for each taxable year upon the
24 net income of every individual, a surtax equal to the sum of
25 the following:

39 1 1 per centum of the amount by which the net income
2 exceeds \$5,000 and does not exceed \$6,000;

3 2 per centum of the amount by which the net income
4 exceeds \$6,000 and does not exceed \$8,000;

5 3 per centum of the amount by which the net income
6 exceeds \$8,000 and does not exceed \$10,000;

7 4 per centum of the amount by which the net income
8 exceeds \$10,000 and does not exceed \$12,000;

9 5 per centum of the amount by which the net income
10 exceeds \$12,000 and does not exceed \$14,000;

11 6 per centum of the amount by which the net income
12 exceeds \$14,000 and does not exceed \$16,000;

13 7 per centum of the amount by which the net income
14 exceeds \$16,000 and does not exceed \$18,000;

15 8 per centum of the amount by which the net income
16 exceeds \$18,000 and does not exceed \$20,000;

17 9 per centum of the amount by which the net income
18 exceeds \$20,000 and does not exceed \$22,000;

19 10 per centum of the amount by which the net income
20 exceeds \$22,000 and does not exceed \$24,000;

21 11 per centum of the amount by which the net income
22 exceeds \$24,000 and does not exceed \$26,000;

23 12 per centum of the amount by which the net income
24 exceeds \$26,000 and does not exceed \$28,000;

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1 13 per centum of the amount by which the net income
2 exceeds \$28,000 and does not exceed \$30,000;

3 14 per centum of the amount by which the net income
4 exceeds \$30,000 and does not exceed \$32,000;

5 15 per centum of the amount by which the net income
6 exceeds \$32,000 and does not exceed \$34,000;

7 16 per centum of the amount by which the net income
8 exceeds \$34,000 and does not exceed \$36,000;

9 17 per centum of the amount by which the net income
10 exceeds \$36,000 and does not exceed \$38,000;

11 18 per centum of the amount by which the net income
12 exceeds \$38,000 and does not exceed \$40,000;

13 19 per centum of the amount by which the net income
14 exceeds \$40,000 and does not exceed \$42,000;

15 20 per centum of the amount by which the net income
16 exceeds \$42,000 and does not exceed \$44,000;

17 21 per centum of the amount by which the net income
18 exceeds \$44,000 and does not exceed \$46,000;

19 22 per centum of the amount by which the net income
20 exceeds \$46,000 and does not exceed \$48,000;

21 23 per centum of the amount by which the net income
22 exceeds \$48,000 and does not exceed \$50,000;

23 24 per centum of the amount by which the net income
24 exceeds \$50,000 and does not exceed \$52,000;

1 25 per centum of the amount by which the net income
2 exceeds \$52,000 and does not exceed \$54,000;

3 26 per centum of the amount by which the net income
4 exceeds \$54,000 and does not exceed \$56,000;

5 27 per centum of the amount by which the net income
6 exceeds \$56,000 and does not exceed \$58,000;

7 28 per centum of the amount by which the net income
8 exceeds \$58,000 and does not exceed \$60,000;

9 29 per centum of the amount by which the net income
10 exceeds \$60,000 and does not exceed \$62,000;

11 30 per centum of the amount by which the net income
12 exceeds \$62,000 and does not exceed \$64,000;

13 31 per centum of the amount by which the net income
14 exceeds \$64,000 and does not exceed \$66,000;

15 32 per centum of the amount by which the net income
16 exceeds \$66,000 and does not exceed \$68,000;

17 33 per centum of the amount by which the net income
18 exceeds \$68,000 and does not exceed \$70,000;

19 34 per centum of the amount by which the net income
20 exceeds \$70,000 and does not exceed \$72,000;

21 35 per centum of the amount by which the net income
22 exceeds \$72,000 and does not exceed \$74,000;

23 36 per centum of the amount by which the net income
24 exceeds \$74,000 and does not exceed \$76,000;

25 37 per centum of the amount by which the net income
26 exceeds \$76,000 and does not exceed \$78,000;

1 38 per centum of the amount by which the net income
2 exceeds \$78,000 and does not exceed \$80,000;

3 39 per centum of the amount by which the net income
4 exceeds \$80,000 and does not exceed \$82,000;

5 40 per centum of the amount by which the net income
6 exceeds \$82,000 and does not exceed \$84,000;

7 41 per centum of the amount by which the net income
8 exceeds \$84,000 and does not exceed \$86,000;

9 42 per centum of the amount by which the net income
10 exceeds \$86,000 and does not exceed \$88,000;

11 43 per centum of the amount by which the net income
12 exceeds \$88,000 and does not exceed \$90,000;

13 44 per centum of the amount by which the net income
14 exceeds \$90,000 and does not exceed \$92,000;

15 45 per centum of the amount by which the net income
16 exceeds \$92,000 and does not exceed \$94,000;

17 46 per centum of the amount by which the net income
18 exceeds \$94,000 and does not exceed \$96,000;

19 47 per centum of the amount by which the net income
20 exceeds \$96,000 and does not exceed \$98,000;

21 48 per centum of the amount by which the net income
22 exceeds \$98,000 and does not exceed \$100,000;

23 52 per centum of the amount by which the net income
24 exceeds \$100,000 and does not exceed \$150,000;

25 56 per centum of the amount by which the net income
26 exceeds \$150,000 and does not exceed \$200,000;

1 60 per centum of the amount by which the net income
2 exceeds \$200,000 and does not exceed \$300,000;

3 63 per centum of the amount by which the net income
4 exceeds \$300,000 and does not exceed \$500,000;

5 64 per centum of the amount by which the net income
6 exceeds \$500,000 and does not exceed \$1,000,000;

7 65 per centum of the amount by which the net income
8 exceeds \$1,000,000.

9 (b) In the case of a bona fide sale of mines, oil or gas
10 wells, or any interest therein, where the principal value of
11 the property has been demonstrated by prospecting or ex-
12 ploration and discovery work done by the taxpayer, the por-
13 tion of the tax imposed by this section attributable to such
14 sale shall not exceed 20 per centum of the selling price of
15 such property or interest.

16 ~~(c)~~ For the calendar year 1922, and each calendar
17 year thereafter, the rate upon the amount by which the net
18 income exceeds \$66,000 shall be 32 per centum instead of
19 the rates specified in subdivision (a) in respect thereto.

20 217 (a) NET INCOME DEFINED.

21 SEC. 212. (a) That in the case of an individual the
22 term "net income" means the gross income as defined in
23 section 213, less the deductions allowed by section 214.

24 (b) The net income shall be computed upon the basis
25 of the taxpayer's annual accounting period (fiscal year or

1 calendar year, as the case may be) in accordance with the
 2 method of accounting regularly employed in keeping the books
 3 of such taxpayer; but if no such method of accounting has
 4 been so employed, or if the method employed does not clearly
 5 reflect the income, the computation shall be made upon such
 6 basis and in such manner as in the opinion of the Commis-
 7 sioner does clearly reflect the income. If the taxpayer's
 8 annual accounting period is other than a fiscal year as defined
 9 in section 200 or if the taxpayer has no annual accounting
 10 period or does not keep books, the net income shall be com-
 11 puted on the basis of the calendar year.

12 (C) If a taxpayer changes his accounting period from fiscal
 13 year to calendar year, from calendar year to fiscal year, or
 14 from one fiscal year to another, the net income shall, with the
 15 approval of the Commissioner, be computed on the basis of
 16 such new accounting period, subject to the provisions of
 17 section 226.

18 GROSS INCOME DEFINED.

19 ²¹³ SEC. 213. That for the purposes of this title (except
 20 as otherwise provided in section 233) the term "gross in-
 21 come"

22 ^(a) (a) Includes gains, profits, and income derived from
 23 salaries, wages, or compensation for personal service of
 24 whatever kind and in whatever form paid (including in the
 25 case of the President of the United States, the judges of the

²³³ 1 ~~Supreme and inferior courts of the United States, and all other~~
 2 ~~officers and employees, whether elected or appointed,~~ of the
 3 United States, Alaska, Hawaii, or any political subdivision
⁴² 4 thereof, or the District of Columbia, *whether elected or ap-*
 5 *pointed,* the compensation received as such), ~~of whatever kind~~
 6 ~~and in whatever form paid,~~ or from professions, vocations,
 7 trades, businesses, commerce, or sales, or dealings in property,
 8 whether real or personal, growing out of the ownership or
 9 use of or interest in such property; also from interest, rent,
 10 dividends, securities, or the transaction of any business carried
 11 on for gain or profit, or gains or profits and income derived
⁴² 12 from any source whatever. Income received by any ^{market} com-
 18 munity shall be included in the gross income of the spouse
²³¹ 14 having the management and control of the community prop-
²³¹ 15 erty. *The amount of all such items (except as provided*
 16 *in subdivision (d) of section 201)* shall be included in the
 17 gross income for the taxable year in which received by the
 18 taxpayer, unless, under methods of accounting permitted
 19 under subdivision (b) of section 212, any such amounts are
 20 to be properly accounted for as of a different period; but
⁴³ 21 ^(b) (b) Does not include the following items, which shall
 22 be exempt from taxation under this title:
 23 (1) The proceeds of life insurance policies paid upon
²³¹ 24 the death of the insured; ~~to individual beneficiaries or to~~
^L 25 ~~the estate of the insured;~~

(2)

1 (2) The amount received by the insured as a return of
 2 premium or premiums paid by him under life insurance,
 3 endowment, or annuity contracts, either during the term or
 4 at the maturity of the term mentioned in the contract or
 5 upon surrender of the contract:

(3)

6 (3) The value of property acquired by gift, bequest, de-
 7 vise, or descent (but the income from such property shall be
 8 included in gross income):

(4)

9 (4) Interest upon (a) the obligations of a State, Terri-
 10 tory, or any political subdivision thereof, or the District of
 11 Columbia; or (b) securities issued under the provisions of the
 12 Federal Farm Loan Act of July 17, 1916; or (c) the obliga-
 13 tions of the United States or its possessions; or (d) bonds
 14 issued by the War Finance Corporation. ~~Provided, That~~
 15 ~~every person owning any of the obligations, securities or~~
 16 ~~bonds enumerated in clauses (a), (b), (c), and (d) shall, in~~
 17 ~~the return required by this title, submit a statement showing~~
 18 ~~the number and amount of such obligations, securities and~~
 19 ~~bonds owned by him and the income received therefrom, in~~
 20 ~~such form and with such information as the Commissioner~~
 21 ~~may require.~~ In the case of obligations of the United States
 22 issued after September 1, 1917, and in the case of bonds
 23 issued by the War Finance Corporation, the interest shall
 24 be exempt only if and to the extent provided in the respective
 25 Acts authorizing the issue thereof as amended and supple-

766 1 mented, and shall be excluded from gross income only if and
 47 2 to the extent it is wholly exempt from taxation to the tax-
 25 3 payer both under this title and under Title III; to the tax-
 4 payer from income, war-profits and excess-profits taxes:

47 5 (5) The income of foreign governments received from
 6 investments in the United States in stocks, bonds, or other
 7 domestic securities, owned by such foreign governments, or
 8 from interest on deposits in banks in the United States of
 9 moneys belonging to such foreign governments, or from any
 10 other source within the United States:

47 11 (6) Amounts received, through accident or health insur-
 12 ance or under workmen's compensation acts, as compensation
 13 for personal injuries or sickness, plus the amount of any
 14 damages received whether by suit or agreement on account
 15 of such injuries or sickness;

47 16 (7) Income derived from any public utility or the exer-
 17 cise of any essential governmental function and accruing
 18 to any State, Territory, or the District of Columbia, or any
 19 political subdivision of a State or Territory, or income accruing
 20 to the government of any possession of the United States, or
 21 any political subdivision thereof.

22 Whenever any State, Territory, or the District of Colum-
 23 bia, or any political subdivision of a State or Territory, prior
 24 to September 8, 1916, entered in good faith into a contract
 25 with any person, the object and purpose of which is to acquire,

1 construct, operate, or maintain a public utility, no tax shall
 2 be levied under the provisions of this title upon the income
 3 derived from the operation of such public utility, so far as the
 4 payment thereof will impose a loss or burden upon such
 5 State, Territory, District of Columbia, or political subdivi-
 6 sion; but this provision is not intended to confer upon such
 7 person any financial gain or exemption or to relieve such
 8 person from the payment of a tax as provided for in this title
 9 upon the part or portion of such income to which such person
 10 is entitled under such contract;

47 11 ~~(8) So much of the amount received during the present~~
 23 12 ~~war by a person in the military or naval forces of the United~~
 13 ~~States as salary or compensation in any form from the United~~
 14 ~~States for active services in such forces, as does not exceed~~

15 ~~\$2,500~~
 (8)

16 (8) *The income of a nonresident alien or foreign cor-*
 47 17 *poration which consists exclusively of earnings derived from*
 17 18 *the operation of a ship or ships documented under the laws of*
 19 *a foreign country which grants an equivalent exemption to*
 20 *citizens of the United States and to corporations organized*
 21 *in the United States;*

22 (9) *Amounts received as compensation, family allot-*
 23 *ments and allowances under the provisions of the War Risk*
 24 *Insurance and the Vocational Rehabilitation Acts, or as pen-*

1 sions from the United States for service of the beneficiary or
2 another in the military or naval forces of the United States
3 in time of war;

334 L 4 ~~(10)~~ Compensation received by the President of the
5 United States and the judges of the Supreme and inferior
6 courts of the United States;

49 L 7 ~~(11)~~ ⁽¹⁰⁾ So much of the amount received by an individual
234 8 as dividends or interest from domestic building and loan
9 associations, operated exclusively for the purpose of making
10 loans to members, as does not exceed \$500.

50 L 11 ~~(c) In the case of nonresident alien individuals, gross~~
234 12 ~~income includes only the gross income from sources within~~
247 13 ~~the United States, including interest on bonds, notes, or other~~
308 14 ~~interest-bearing obligations of residents, corporate or other-~~
15 ~~wise, dividends from resident corporations, and including all~~
16 ~~amounts received (although paid under a contract for the sale~~
17 ~~of goods or otherwise) representing profits on the manu-~~
18 ~~facture and disposition of goods within the United States.~~

L 19 ^(c)
(c) In the case of a nonresident alien individual, or a
50 20 foreign trader, gross income means only the gross income from
234 21 sources within the United States, determined under the
22 provisions of section 217.

258 L 23 214 (a) DEDUCTIONS ALLOWED.

36 L 24 SEC. 214. (a) That in computing net income there shall
50 25 be allowed as deductions:

(1)

50 1 (1) All the ordinary and necessary expenses paid or
 2 incurred during the taxable year in carrying on any trade or
 3 business, including a reasonable allowance for salaries or
 4 other compensation for personal services actually rendered;
 5 *traveling expenses (including the entire amount expended*
 235 6 *for meals and lodging) while away from home in the pur-*
 240 7 *suit of a trade or business; and including rentals or other*
 8 *payments required to be made as a condition to the continued*
 9 *use or possession, for purposes of the trade or business; of*
 10 *property to which the taxpayer has not taken or is not taking*
 11 *title or in which he has no equity;*

12 (2) All interest paid or accrued within the taxable year
 50 13 on indebtedness, except on indebtedness incurred or con-
 235 14 tinued to purchase or carry obligations or securities (other
 10 15 ~~than obligations of the United States issued after September~~
 235 16 ~~24, 1917), the interest upon which is wholly exempt from~~
 17 ~~taxation under this title as income to the taxpayer, or, in~~
 57 18 ~~the case of a nonresident alien individual, the proportion of~~
 235 19 ~~such interest which the amount of his gross income from~~
 20 ~~sources within the United States bears to the amount of his~~
 21 ~~gross income from all sources within and without the United~~
 22 ~~States;~~

57 23 (3) ~~Taxes paid or accrued within the taxable year im-~~
 235 24 ~~posed (a) by the authority of the United States, except income,~~
 25 ~~war-profits and excess-profits taxes; or (b) by the authority of~~

1 ~~any of its possessions, except the amount of income, war~~
 2 ~~profits and excess-profits taxes allowed as a credit under sec-~~
 3 ~~tion 222, or (c) by the authority of any State or Territory, or~~
 4 ~~any county, school district, municipality, or other taxing sub-~~
 5 ~~division of any State or Territory, not including those assessed~~
 6 ~~against local benefits of a kind tending to increase the value~~
 7 ~~of the property assessed; or (d) in the case of a citizen or~~
 8 ~~resident of the United States, by the authority of any foreign~~
 9 ~~country, except the amount of income, war profits and excess-~~
 10 ~~profits taxes allowed as a credit under section 222, or (c) in~~
 11 ~~the case of a nonresident alien individual, by the authority of~~
 12 ~~any foreign country (except income, war profits and excess-~~
 13 ~~profits taxes, and taxes assessed against local benefits of a~~
 14 ~~kind tending to increase the value of the property assessed),~~
 15 ~~upon property or business;~~

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 16 (3) Taxes paid or accrued within the taxable year
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 335 17 except (a) income, war-profits, and excess-profits taxes im-
 18 posed by the authority of the United States or any of its
 19 possessions, or of any foreign country and allowed as a credit
 20 under section 222, and (b) taxes assessed against local bene-
 21 fits of a kind tending to increase the value of the property
 22 assessed;

23 (4) Losses sustained during the taxable year and not
 24 compensated for by insurance or otherwise, if incurred in
 25 trade or business;

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(5) Losses sustained during the taxable year and not com-

2. pensated for by insurance or otherwise, if incurred in any

3. transaction entered into for profit, though not connected

4. with the trade or business; but in the case of a nonresident

5. alien individual only ~~as to such transactions within the~~

6. ~~United States; or foreign trader only if and to the extent that~~

7. the profit, if such transaction had resulted in a profit, would

8. be taxable under this title. [No deduction shall be allowed

9. under paragraphs (4) and (5) for any loss claimed to have

10. been sustained in any sale or other disposition of shares of

11. stock or securities made after the passage of the Revenue Act

12. of 1921 where it appears that at or about the date of such sale

13. or other disposition the taxpayer has acquired ^{within thirty days of} identical

14. property in the same or substantially the same amount as the

15. property sold or disposed of.] If such new acquisition is

16. to the extent of part only of identical property, then the amount

17. of loss deductible shall be in proportion as the total amount of

18. the property sold or disposed of bears to the property acquired;

19. (6) Losses sustained during the taxable year of property

20. not connected with the trade or business (but in the case of

21. a nonresident alien individual or foreign trader only property

22. within the United States) if arising from fires, storms, ship-

23. wreck, or other casualty, or from theft, and if not com-

24. pensated for by insurance or otherwise. Losses allowed

25. under paragraphs (4), (5), and (6) of this subdivision shall

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1 *of the taxable year in which sustained losses,*
2 *in order to clearly reflect the income, the loss should, in the*
3 *opinion of the Commissioner, be accounted for as of a differ-*
4 *ent period:*

5
6 (7) *Debts ascertained to be worthless and charged off*
7 *within the taxable year (or, in the discretion of the Commis-*
8 *sioner, a reasonable addition to a reserve for bad debts);*
9 *and when satisfied that a debt is recoverable only in part, the*
10 *Commissioner may allow such debt to be charged off in part;*

11 (8) *A reasonable allowance for the exhaustion, wear*
12 *and tear of property used in the trade or business, including a*
13 *reasonable allowance for obsolescence;*

14 (9) *In the case of buildings, machinery, equipment, or*
15 *other facilities, constructed, erected, installed, or acquired,*
16 *on or after April 6, 1917, for the production of articles con-*
17 *tributing to the prosecution of the present war, and in the*
18 *case of vessels constructed or acquired on or after such date*
19 *for the transportation of articles or men contributing to the*
20 *prosecution of the present war, there shall be allowed a*
21 *reasonable deduction for the amortization of such part of the*
22 *cost of such facilities or vessels as has been borne by the tax-*
23 *payer, but not again including any amount otherwise allowed*
24 *under this title or previous Acts of Congress as a deduction*
25 *in computing net income. At any time within three years*
after the termination of the present war, the Commissioner

1 may, and at the request of the taxpayer shall, reexamine the
 2 return, and if he then finds as a result of an appraisal or from
 3 other evidence that the deduction originally allowed was
 4 incorrect, the ~~taxes imposed by this title and by Title III~~
 5 ~~income, war-profits and excess-profits taxes~~ for the year or
 6 years affected shall be redetermined; and the amount of tax
 7 due upon such redetermination, if any, shall be paid upon
 8 notice and demand by the collector, or the amount of tax
 9 overpaid, if any, shall be credited or refunded to the tax-
 10 payer in accordance with the provisions of section 252:

(15)

11 (10) In the case of mines, oil and gas wells, other natural
 12 deposits, and timber, a reasonable allowance for depletion and
 13 for depreciation of improvements, according to the peculiar
 14 conditions in each case, based upon cost, including cost of
 15 development not otherwise deducted: *Provided*, That in
 16 the case of such properties acquired prior to March 1, 1913, the
 17 fair market value of the property (or the taxpayer's interest
 18 therein) on that date shall be taken in lieu of cost up to that
 19 date: *Provided further*, That in the case of mines, oil and
 20 gas wells, discovered by the taxpayer, on or after March 1,
 21 1913, and not acquired as the result of purchase of a proven
 22 tract or lease, where the fair market value of the property is
 23 materially disproportionate to the cost, the depletion allow-
 24 ance shall be based upon the fair market value of the property
 25 at the date of the discovery, or within thirty days thereafter;

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1 such reasonable allowance in all the above cases to be made
 2 under rules and regulations to be prescribed by the Commis-
 3 sioner with the approval of the Secretary. In the case of
 4 leases the deductions allowed by this paragraph shall be
 5 equitably apportioned between the lessor and lessee:

6 ^(B) (11) Contributions or gifts made within the taxable
 7 year to ~~corporations~~ or for the use of: (A) The United States,
 8 any State, Territory, or any political subdivision thereof, or
 9 the District of Columbia, for exclusively public purposes;
 10 (B) any corporation or community chest, fund, or founda-
 11 tion, organized and operated exclusively for religious, charita-
 12 ble, scientific, or educational purposes, or for the prevention
 13 of cruelty to children or animals, no part of the net earnings
 14 of which inures to the benefit of any private stockholder or
 15 individual; or ~~to~~ (C) the special fund for vocational reha-
 16 bilitation authorized by section 7 of the Vocational Rehabili-
 17 tation Act; ; to an amount ~~not in excess of~~ which in all of the
 18 above cases combined does not exceed 15 per centum of the tax-
 19 payer's net income as computed without the benefit of this
 20 paragraph. In case of a nonresident alien individual or for-
 21 eign trader this deduction shall be allowed only as to contribu-
 22 tions or gifts made to domestic corporations, or to community
 23 chests, funds, or foundations, created in the United States, or
 24 to such vocational rehabilitation fund. Such contributions or
 25 gifts shall be allowable as deductions only if verified under

1 rules and regulations prescribed by the Commissioner, with the
 2 approval of the Secretary: ~~In the case of a nonresident~~
 3 ~~alien individual this deduction shall be allowed only as to~~
 4 ~~contributions or gifts made to domestic corporations, or to~~
 5 ~~such vocational rehabilitation fund:~~

6 ~~(12) (a)~~ At the time of filing return for the taxable year
 7 1918 a taxpayer may file a claim in abatement based on the
 8 fact that he has sustained a substantial loss (whether or not
 9 actually realized by sale or other disposition) resulting from
 10 any material reduction (not due to temporary fluctuation) of the
 11 value of the inventory for such taxable year, or from the actual
 12 payment after the close of such taxable year of rebates in
 13 pursuance of contracts entered into during such year upon
 14 sales made during such year. In such case payment of the
 15 amount of the tax covered by such claim shall not be required
 16 until the claim is decided, but the taxpayer shall accompany
 17 his claim with a bond in double the amount of the tax cov-
 18 ered by the claim, with sureties satisfactory to the Commis-
 19 sioner, conditioned for the payment of any part of such tax
 20 found to be due, with interest. If any part of such claim is
 21 disallowed then the remainder of the tax due shall on notice
 22 and demand by the Collector be paid by the taxpayer with
 23 interest at the rate of 1 per centum per month from the time
 24 the tax would have been due had no such claim been filed.
 25 If it is shown to the satisfaction of the Commissioner that such

1 substantial loss has been sustained, then in computing the
 2 tax imposed by this title the amount of such loss shall be
 3 deducted from the net income. (b) If no such claim is found,
 4 but it is shown to the satisfaction of the Commissioner that
 5 during the taxable year 1919 the taxpayer has sustained a
 6 substantial loss of the character above described then the
 7 amount of such loss shall be deducted from the net income for
 8 the taxable year 1918 and the tax imposed by this title for
 9 such year shall be redetermined accordingly. Any amount
 10 found to be due to the taxpayer upon the basis of such rede-
 11 termination shall be credited or refunded to the taxpayer in
 12 accordance with the provisions of section 252.

13 ¹² (b) If property is compulsorily or involuntarily con-
 14 ²³⁸verted into cash or its equivalent as a result of (A) its destruc-
 15 tion in whole or in part, (B) theft or seizure, or (C) an exer-
 16 cise of the power of requisition or condemnation, or the ~~exercise~~
 17 or imminence thereof; and if the taxpayer proceeds forthwith
 18 in good faith, under regulations prescribed by the Commis-
 19 sioner with the approval of the Secretary, to expend the
 20 proceeds of such conversion in the acquisition, directly or through
 21 the purchase of stock, of other property of a character similar
 22 or related in service or use to the property so converted, or in
 23 the establishment of a replacement fund, then there shall be
 24 allowed as a deduction so much of the gain derived as the
 25 portion of the proceeds so expended bears to the entire pro-

1. ~~made~~, and the property acquired shall be treated as taking
 2 the place of a like proportion of the property converted.

3 (b) In the case of a nonresident alien individual or a
 4 foreign trader, the deductions allowed in paragraphs ~~(1)~~
 5 ~~(4), (7), (8), (9), (10), and (11)~~, and clause (c) of paragraph
 6 ~~(9)~~, of subdivision (a)—except those allowed in paragraphs
 7 (5), (6), and (11)—shall be allowed only if and to the extent
 8 that they are connected with income from sources within the
 9 United States; and the proper apportionment and allocation
 10 of the deductions with respect to sources of income within
 11 and without the United States shall be determined as pro-
 12 vided in section 217 under rules and regulations prescribed
 13 by the Commissioner with the approval of the Secretary,
 14 which determination shall be final.

15 ITEMS NOT DEDUCTIBLE.

16 SEC. 215. That in computing net income no deduction
 17 shall in any case be allowed in respect of—
 18 (1) Personal, living, or family expenses;
 19 (2) Any amount paid out for new buildings or for per-
 20 manent improvements or betterments made to increase the
 21 value of any property or estate;
 22 (3) Any amount expended in restoring property or in
 23 making good the exhaustion thereof for which an allowance
 24 is or has been made; or

(4)
 1 ~~(a)~~ Premiums paid on any life insurance policy covering
 2 the life of any officer or employee, or of any person financially
 3 interested in any trade or business carried on by the taxpayer,
 4 when the taxpayer is directly or indirectly a beneficiary
 5 under such policy;

(6)
 (e) Amounts paid under the laws of any State, Terri-
 6 tory, District of Columbia, possession of the United States,
 7 or foreign country as income to the holder of a life or termi-
 8 nable interest acquired by gift, bequest, devise, or inheritance
 9 shall not be reduced or diminished by any deduction for
 10 shrinkage (by whatever name called) in the value of such
 11 interest due to the lapse of time, [nor by any deduction allowed
 12 by this Act for the purpose of computing the net income of
 13 an estate or trust but not allowed under the laws of such
 14 State, Territory, District of Columbia, possession of the
 15 United States, or foreign country for the purpose of com-
 16 puting the income to which such holder is entitled.]

18 CREDITS ALLOWED.

19 SEC. 216. That for the purpose of the normal tax only
 20 there shall be allowed the following credits:

21 ~~(a) The amount received as dividends from a corporation~~
 22 ~~which is taxable under this title upon its net income, and~~
 23 ~~amounts received as dividends from a personal service corpora-~~
 24 ~~tion out of earnings or profits upon which income tax has been~~
 25 ~~imposed by Act of Congress;~~

(a)

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(a) The amount of dividends included in the gross income;

(b) The amount received as interest upon obligations of the United States and bonds issued by the War Finance Corporation, which is included in gross income under section 213;

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(c) In the case of a single person, a personal exemption of \$1,000; or in the case of the head of a family or a married person living with husband or wife, a personal exemption of ~~\$2,000~~ \$2,500, unless the net income is in excess of \$5,000, in which case the personal exemption shall be \$2,000. A husband and wife living together shall receive but one personal exemption of ~~\$2,000~~ against, which shall be computed on their aggregate net income; and in case they make separate returns, the personal exemption may be taken by either or divided between them;

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(d) ~~\$200~~ \$400 for each person (other than husband or wife) dependent upon and receiving his chief support from the taxpayer if such dependent person is under eighteen years of age or is incapable of self-support because mentally or physically defective.

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~~(e) In the case of a nonresident alien individual who is a citizen or subject of a country which imposes an income tax, the credits allowed in subdivisions (c) and (d) shall be allowed only if such country allows a similar credit to citizens of the United States not residing in such country.~~

63 1
 2 *(e) In the case of a nonresident alien individual or*
 3 *foreign trader, the personal exemption shall be only \$1,000,*
 4 *and he shall not be entitled to the credit provided in sub-*
 5 *division (d).*

64 6 *(f) The credits allowed by subdivisions (c), (d), and*
 7 *(e) of this section shall be determined by the status of the*
 8 *taxpayer on the last day of the period for which the return of*
 9 *income is made; but in the case of an individual who dies*
 10 *during the taxable year, such credits shall be determined by*
 11 *his status at the time of his death, and in such case full credits*
 12 *shall be allowed to the surviving spouse, if any, according to*
 13 *his or her status at the close of the period for which such*
 14 *survivor makes return of income.*

14 ~~NONRESIDENT ALIENS ALLOWANCE OF DEDUCTIONS AND~~
 15 ~~CREDITS.~~

16 ~~SEC. 217. That a nonresident alien individual shall~~
 17 ~~receive the benefit of the deductions and credits allowed in~~
 18 ~~this title only by filing or causing to be filed with the Col-~~
 19 ~~lector a true and accurate return of his total income received~~
 20 ~~from all sources corporate or otherwise in the United States,~~
 21 ~~in the manner prescribed by this title, including therein all~~
 22 ~~the information which the Commissioner may deem necessary~~
 23 ~~for the calculation of such deductions and credits: *Provided,*~~
 24 ~~That the benefit of the credits allowed in subdivisions (c)~~
 25 ~~and (d) of section 216 may, in the discretion of the Commis-~~

~~1 sioner, and except as otherwise provided in~~
~~2 of that section, be received by filing a claim with~~
~~3 the withholding agent. In case of failure to file~~
~~4 the Collector shall collect the tax on such income~~
~~5 property belonging to such nonresident. He~~
~~6 shall be liable to distraint for the tax.~~

7 **NET INCOME OF NONRESIDENT ALIEN INVESTORS**

8 **FOREIGN TRADERS.**

9 **SEC. 217. (a)** In the case of a nonresident alien

10 individual or foreign trader, the following

11 shall be treated as derived in full from sources in

12 United States:

(1)

13 (1) Interest on bonds, notes, or other interest-bearing

14 obligations of residents, corporations or otherwise, and

15 interest received from foreign traders or foreign cor-

16 porations, and interest on deposits in banks, ~~banks~~
~~banks~~

17 ~~cautions~~, and trust companies paid to persons not engaged in

18 business within the United States and not having a

19 or place of business therein);

(2)

20 (2) Dividends from domestic corporations, and

21 foreign trade corporations;

(3)

22 (3) Compensation for labor or personal

23 formed in the United States;

(4)

24 (4) Rentals or royalties from property located in

25 United States or from any interest in such

1 rentals or royalties for the use of or for the privilege of using
 2 in the United States, patents, copyrights, secret processes and
 3 formulas, good will, trade-marks, trade brands, franchises,
 4 and other like property;

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 5 ~~(1)~~ (5) Gains, profits, and income from the ownership or
 6 operation of any farm, mine, oil or gas well, other natural
 7 deposit, or timber, located in the United States, and from
 8 any sale by the producer of the products thereof;

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 9 ~~(1)~~ (5) Gains, profits, and income from the sale of real
 10 property located in the United States;

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 11 ~~(1)~~ (5) Gains, profits, and income from the sale of personal
 12 property, both purchased and sold, or both produced and sold
 13 by the taxpayer within the United States.

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 13
 14 (b) From the items of gross income specified in sub-
 15 division (a) there shall be deducted the expenses, losses, and
 16 other deductions properly apportioned or allocated thereto
 17 and a ratable part of any expenses, losses, or other deductions
 18 which can not definitely be allocated to some item or class of
 19 gross income. The remainder, if any, shall be included in
 20 full as net income from sources within the United States.

65
 21 (c) The following items of gross income shall not be
 22 included as income from sources within the United States:

65
 23 (1) Interest other than that derived from sources within
 24 the United States as provided in paragraph (1) of sub-
 25 division (a);

(2)

67 1 (2) Dividends from foreign corporations and from
2 foreign trade corporations;

67 3 (3) Compensation for labor or personal service per-
4 formed without the United States;

67 5 (4) Rentals or royalties from property located without
6 the United States or from any interest in such property, in-
7 cluding rentals or royalties for the use of or for the privilege
8 of using without the United States, patents, copyrights,
9 secret processes and formulae, good will, trade-marks, trade
10 brands, franchises, and other like property;

310 11 (5) Gains, profits, and income from the ownership or
12 operation of any farm, mine, oil or gas well, other natural
13 deposit or timber, located without the United States, and from
14 any sale by the producer of the products thereof;

310 15 (6) Gains, profits, and income from the sale of real
16 property located without the United States;

310 17 (7) Gains, profits, and income from the sale of per-
18 sonal property both purchased and sold or both produced and
19 sold by the taxpayer without the United States.

20 (8) No deduction shall be made from income from
21 sources within the United States for any expenses, losses, or
22 other deductions properly apportioned or allocated to items
23 specified in subdivision (c), nor for a ratable part of any ex-
24 penses, losses, and other deductions which can not definitely
25 be allocated to some item or class of gross income.

(d)

(2)

6 1 ~~(d)~~ Except as otherwise provided in subdivisions (a)
10 2 and (c), gains, profits, and income are (for the purposes of this
14 3 title) derived partly from sources within and partly from
4 4 sources without the United States, when derived (1) from
5 5 transportation or other services rendered partly within and
6 6 partly without the United States, or (2) from the sale of
7 7 personal property produced (in whole or part) by the taxpayer
8 8 within the United States and sold without the United States,
9 9 or produced (in whole or part) by the taxpayer without the
10 10 United States and sold within the United States. In the case
11 11 of such income and of any other income (except that specified
12 12 in subdivisions (a) and (c)) the net income shall first be com-
13 13 puted by deducting the expenses, losses, or other deductions
14 14 apportioned or allocated thereto, and a ratable part of any
15 15 expenses, losses, or other deductions which can not definitely
16 16 be allocated to some item or class of gross income. The
17 17 portion of such net income attributable to the sale, production,
18 18 or service rendered within the United States (which shall be
19 19 taxed as income from sources within the United States) shall
20 20 be determined by reasonable processes of allocation or appor-
21 21 tionment under regulations to be prescribed by the Commis-
22 22 sioner with the approval of the Secretary.

23 (f) As used in this section the words "sale" or "sold"
24 include "exchange" or "exchanged"; and the word "pro-

1 *duced* includes "created," "fabricated," "manufactured,"
 2 "extracted," "processed," "cured," or "aged."

3 ^(g) *(g) A nonresident alien individual or a foreign trader*
 4 *shall receive the benefit of the deductions and credits allowed*
 5 *in this title only by filing or causing to be filed with the*
 6 *Collector a true and accurate return of his total income re-*
 7 *ceived from all sources corporate or otherwise in the United*
 8 *States, in the manner prescribed in this title; including there-*
 9 *in all the information which the Commissioner may deem*
 10 *necessary for the calculation of such deductions and credits:*
 11 *Provided, That the benefit of the credit allowed in sub-*
 12 *division (c) of section 216 may, in the discretion of the Com-*
 13 *missioner, be received by filing a claim therefor with the*
 14 *withholding agent. In case of failure to file a return, the*
 15 *Collector shall collect the tax on such income, and all property*
 16 *belonging to such nonresident alien individual or foreign*
 17 *trader shall be liable to distraint for the tax.*

18 ~~[Section 224~~ of the proposed bill (H. R. 8245) provides:

19 *(a) Subdivisions (b) and (c) of section 218 of the*
 20 *Revenue Act of 1918 are repealed to take effect January*
 21 *1, 1922. In the case of a personal service corporation hav-*
 22 *ing a fiscal year beginning in 1921 and ending in 1922,*
 23 *amounts distributed prior to January 1, 1922, to its stock-*
 24 *holders out of earnings or profits accumulated after Decem-*
 25 *ber 31, 1920, shall be taxed to the distributees under Title*

1 *II of the Revenue Act of 1918 as in force prior to the pas-*
2 *sage of this Act; and the stockholders of record on Decem-*
3 *ber 31, 1921, shall be taxed under such title upon their*
4 *distributive shares of the difference (if any) between such*
5 *distributed profits and the portion of the corporation's net*
6 *income assignable to the calendar year 1921, determined in*
7 *the manner provided in clause (1) of subdivision (c) of sec-*
8 *tion 205 of the Revenue Act of 1918 as amended by this Act.]*

9 PARTNERSHIPS AND PERSONAL SERVICE CORPORATIONS.

10 SEC. 218. (a) That individuals carrying on business in
11 partnership shall be liable for income tax only in their indi-
12 vidual capacity. There shall be included in computing the
13 net income of each partner his distributive share, whether
14 distributed or not, of the net income of the partnership for
15 the taxable year, or, if his net income for such taxable year
16 is computed upon the basis of a period different from that upon
17 the basis of which the net income of the partnership is com-
18 puted, then his distributive share of the net income of the
19 partnership for any accounting period of the partnership end-
20 ing within the fiscal or calendar year upon the basis of which
21 the partner's net income is computed.

22 (b) The partner shall, for the purpose of the normal tax, be
23 allowed as credits, in addition to the credits allowed to him
24 under section 216, his proportionate share of such amounts
25 specified in subdivisions (a) and (b) of section 216 as are
26 received by the partnership.

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3 ~~(b) If a fiscal year of a partnership ends during a calendar~~
4 ~~year for which the rates of tax differ from those for the pre-~~
5 ~~ceding calendar year, then (1) the rates for such preceding~~
6 ~~calendar year shall apply to an amount of each partner's~~
7 ~~share of such partnership net income equal to the proportion~~
8 ~~which the part of such fiscal year falling within such calen-~~
9 ~~dar year bears to the full fiscal year, and (2) the rates for the~~
10 ~~calendar year during which such fiscal year ends shall apply~~
11 ~~to the remainder. [Repeal of this subsection to take effect~~
12 ~~January 1, 1922.]~~

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12
13 ~~(c)~~ In the case of an individual member of a partnership
14 which makes return for a fiscal year beginning in 1917 and
15 ending in 1918, his proportionate share of any excess-profits
16 tax imposed upon the partnership under the Revenue Act of
17 1917 with respect to that part of such fiscal year falling in
18 1917, shall, for the purpose of determining the tax imposed
19 by this title, be credited against that portion of the net income
20 embraced in his personal return for the taxable year 1918 to
21 which the rates for 1917 apply.

20
21
22 ~~(d) The net income of the partnership shall be com-~~
23 ~~puted in the same manner and on the same basis as provided~~
24 ~~in section 212 except that the deduction provided in para-~~
graph (11) of subdivision (a) of section 214 shall not be
allowed.

(d)

1 ~~(c) Personal service corporations shall not be subject~~
 2 ~~to taxation under this title, but the individual stockholders~~
 3 ~~thereof shall be taxed in the same manner as the members~~
 4 ~~of partnerships. All the provisions of this title relating to~~
 5 ~~partnerships and the members thereof shall as far as prac-~~
 6 ~~ticable apply to personal service corporations and the stock-~~
 7 ~~holders thereof: *Provided*, That for the purpose of this~~
 8 ~~subdivision amounts distributed by a personal service cor-~~
 9 ~~poration during its taxable year shall be accounted for by~~
 10 ~~the distributees; and any portion of the net income remaining~~
 11 ~~undistributed at the close of its taxable year shall be accounted~~
 12 ~~for by the stockholders of such corporation at the close of its~~
 13 ~~taxable year in proportion to their respective shares. [Re-~~
 14 ~~peal of this subdivision to take effect January 1, 1922.]~~

15 ESTATES AND TRUSTS.

16 219(a)

17 SEC. 219. (a) That the tax imposed by sections 210
 18 and 211 shall apply to the income of estates or of any kind
 19 of property held in trust, including—
 20 (1) Income received by estates of deceased persons during
 21 the period of administration or settlement of the estate;
 22 (2) Income accumulated in trust for the benefit of
 23 unborn or unascertained persons or persons with contingent
 24 interests;
 25 (3) Income held for future distribution under the terms
 of the will or trust; and

(A)

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69 1 (4) Income which is to be distributed to the beneficiaries
2 periodically, whether or not at regular intervals, and the
3 income collected by a guardian of an infant to be held or
4 distributed as the court may direct.

(B)

5 (b) The fiduciary shall be responsible for making the
6 return of income for the estate or trust for which he acts.

7 The net income of the estate or trust shall be computed in the
8 same manner and on the same basis as provided in section 212,
9 except that there shall also be allowed as a deduction (in lieu

10 of the deduction authorized by paragraph (11) of subdivision
11 (a) of section 214) there shall also be allowed as a deduction,

12 without limitation, any part of the gross income which,
13 pursuant to the terms of the will or deed creating the trust,

14 is during the taxable year paid to or permanently set aside

69 15 for the United States, any State, Territory, or any political
16 subdivision thereof, or the District of Columbia, or any

17 corporation organized and operated exclusively for religious,

18 charitable, scientific, or educational purposes, or for the pro-

19 vention of cruelty to children or animals, no part of the net

20 earnings of which inures to the benefit of any private stock-

21 holder or individual, and in cases under paragraph (4) of sub-

22 division (a) of this section the fiduciary shall include in the

23 return a statement of each beneficiary's distributive share of

24 such net income, purposes and in the manner specified in

69-25 paragraph (11) of subdivision (a) of section 214; and in cases

1 in which there is any income of the class described in para-
 2 graph (4) of subdivision (a) of this section the fiduciary
 3 shall include in the return a statement of the income of the
 4 estate or trust which, pursuant to the instrument or order
 5 governing the distribution, is distributable to each beneficiary,
 6 whether or not distributed before the close of the taxable year
 7 for which the return is made.

8 ^(c) In cases under paragraphs (1), (2), or (3) of subdivi-
 9 sion (a) or in any other case within subdivision (a) of this
 10 section except paragraph (4) thereof the tax shall be imposed
 11 upon the net income of the estate or trust and shall be paid
 12 by the fiduciary, except that in determining the net income
 13 of the estate of any deceased person during the period of
 14 administration or settlement there may be deducted the
 15 amount of any income properly paid or credited to any legatee,
 16 heir, or other beneficiary. In such cases the estate or trust
 17 shall, for the purpose of the normal tax, be allowed the same
 18 credits as are allowed to single persons under section 216.

19 ^(d) In cases under paragraph (4) of subdivision (a), and
 20 in the case of any income of an estate during the period of
 21 administration or settlement permitted by subdivision (c)
 22 to be deducted from the net income upon which tax is to be
 23 paid by the fiduciary, the tax shall not be paid by the fidu-
 24 ciary, but there shall be included in computing the net income
 25 of each beneficiary his distributive share, whether distributed

~~1 or not, of the net income of the estate or trust for the taxable~~
~~2 year, or, if his net income for such taxable year is computed~~
~~3 upon the basis of a period different from that upon the basis~~
~~4 of which the net income of the estate or trust is computed,~~
~~5 then his distributive share of the net income of the estate or~~
~~6 trust for any accounting period of such estate or trust ending~~
~~7 within the fiscal or calendar year upon the basis of which~~
~~8 such beneficiary's net income is computed: that part of the~~
~~9 income of the estate or trust for its taxable year which, pur-~~
~~10 suant to the instrument or order governing the distribution, is~~
~~11 distributable to such beneficiary, whether distributed or not,~~
~~12 or, if his taxable year is different from that of the estate or~~
~~13 trust, then there shall be included in computing his net income~~
~~14 his distributive share of the income of the estate or trust for its~~
~~15 taxable year ending within the taxable year of the beneficiary.~~
16 In such cases the beneficiary shall, for the purpose of the
17 normal tax, be allowed as credits in addition to the credits
18 allowed to him under section 216, his proportionate share of
19 such amounts specified in subdivisions (a) and (b) of section
20 216 as are received by the estate or trust.

21 ^(d)
336 (e) In the case of an estate or trust the income of which
22 consists both of income of the class described in paragraph
23 (4) of subdivision (a) of this section and other income, the
24 net income of the estate or trust shall be computed and the
25 return made by the fiduciary in accordance with subdivision

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 1 (b) and the tax shall be imposed, and shall be paid by the
 2 fiduciary in accordance with subdivision (c), except that
 3 there shall be allowed as an additional deduction in computing
 4 the net income of the estate or trust that part of its income of
 5 the class described in paragraph (4) of subdivision (a) which,
 6 pursuant to the instrument or order governing the distribu-
 7 tion, is distributable during its taxable year to the benefi-
 8 ciaries.

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9 PROFITS OF CORPORATIONS TAXABLE TO STOCKHOLDERS.
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 10 SEC. 220. That if any corporation, however created or

11 organized, is formed or availed of for the purpose of preventing
 12 the imposition of the surtax upon its stockholders or members
 13 through the medium of permitting its gains and profits to
 14 accumulate instead of being divided or distributed, such corpo-
 15 ration shall not be subject to the tax imposed by section 220,
 16 but the stockholders or members thereof shall be subject to
 17 taxation under this title in the same manner as provided in
 18 subdivision (c) of section 218 in the case of stockholders of a
 19 personal service corporation, except that the tax imposed by
 20 Title III shall be deducted from the net income of the cor-
 21 poration before the computation of the proportionate share
 22 of each stockholder or member there shall be levied, col-
 23 lected, and paid for each taxable year upon the net income
 24 of such corporat on a tax equal to 25 per centum of the amount
 25 thereof, wh ch shall be in addition to the tax imposed by sec-

71 1 tion 230 of this title and shall be computed, collected, and paid
2 at the same time and in the same manner and subject to the
3 same provisions of law, including penalties, as that tax:
4 *Provided, That if all the stockholders or members of such cor-*
5 *poration agree thereto, the Commissioner may, in lieu of all*
6 *income, war-profits and excess-profits taxes imposed upon the*
7 *corporation for the taxable year, tax the stockholders or mem-*
8 *bers of such corporation upon their distributive shares in the*
9 *net income of the corporation for the taxable year in the same*
10 *manner as provided in subdivision (a) of section 218 in the*
11 *case of members of a partnership. The fact that any corpo-*
12 *ration is a mere holding company, or that the gains and profits*
13 *are permitted to accumulate beyond the reasonable needs of the*
14 *business, shall be prima facie evidence of a purpose to escape*
15 *the surtax; but the fact that the gains and profits are in any*
16 *case permitted to accumulate and become surplus shall not*
17 *be construed as evidence of a purpose to escape the tax in*
18 *such case unless the Commissioner certifies that in his opinion*
19 *such accumulation is unreasonable for the purposes of the*
20 *business. When requested by the Commissioner, or any*
21 *collector, every corporation shall forward to him a correct*
22 *statement of such gains and profits and the names and ad-*
23 *dresses of the individuals or shareholders who would be*
24 *entitled to the same if divided or distributed, and of the*
25 *amounts that would be payable to each.*

PAYMENT OF TAX AT SOURCE.

231 (a)

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 246 263 72 72 46 72 246
 2 SEC. 221. (a) That all individuals, corporations, and
 3 partnerships, in whatever capacity acting, including lessors
 4 or mortgagors of real or personal property, fiduciaries, em-
 5 ployers, and all officers and employees of the United States
 6 having the control, receipt, custody, disposal, or payment of
 7 interest (except interest received from foreign traders or for-
 8 eign trade corporations, and interest on deposits in banks,
 9 banking associations, and trust companies paid to persons
 10 not engaged in business in the United States and not having
 11 an office or place of business therein), rent, salaries, wages,
 12 premiums, annuities, compensations, remunerations, emolu-
 13 ments, or other fixed or determinable annual or periodical
 14 gains, profits, and income, of any nonresident alien indi-
 15 vidual or of any partnership composed in whole or in part
 16 of nonresident aliens (other than dividends income received
 17 ~~as dividends from a corporation which is taxable under this~~
 18 ~~title on its net income~~) shall (except in the cases provided
 19 for in subdivision (b) and except as otherwise provided in regu-
 20 lations prescribed by the Commissioner under section 217)
 21 deduct and withhold from such annual or periodical gains,
 22 profits, and income a tax equal to 8 per centum thereof:
 23 *Provided*, That the Commissioner may authorize such tax
 24 to be deducted and withheld from the interest upon any

1 securities the owners of which are not known to the with-
 2 holding agent.

73 3 (b) In any case where bonds, mortgages, or deeds of
 4 trust, or other similar obligations of a corporation contain a
 5 contract or provision by which the obligor agrees to pay any
 6 portion of the tax imposed by this title upon the obligee, or
 7 to reimburse the obligee for any portion of the tax, or to pay
 8 the interest without deduction for any tax which the obligor
 9 may be required or permitted to pay thereon, or to retain
 10 therefrom under any law of the United States, the obligor
 11 shall deduct and withhold a tax equal to 2 per centum of the
 12 interest upon such bonds, mortgages, deeds of trust, or other
 13 obligations, whether such interest is payable annually or
 14 at shorter or longer periods and whether payable to a non-
 15 resident alien individually or to an individual citizen or
 34 16 resident of the United States or to a partnership or a cor-
 17 poration: *Provided*, That the Commissioner may authorize
 18 such tax to be deducted and withheld in the case of interest
 19 upon any such bonds, mortgages, deeds of trust, or other
 20 obligations, the owners of which are not known to the with-
 21 holding agent. Such deduction and withholding shall not
 22 be required in the case of a citizen or resident entitled to
 23 receive such interest, if he files with the withholding agent
 24 on or before February 1 a signed notice in writing claiming
 25 the benefit of the credits provided in subdivisions (c) and

1 (d) of section 216; nor in the case of a nonresident alien
 2 individual if as provided for in regulations prescribed by the
 3 Commissioner under subdivision (g) of section 217.

4 (e) Every individual, corporation, or partnership re-
 5 quired to deduct and withhold any tax under this section
 6 shall make return thereof on or before March first of each
 7 year and shall on or before June fifteenth pay the tax to the
 8 official of the United States Government authorized to re-
 9 ceive it. Every such individual, corporation, or partnership
 10 is hereby made liable for such tax and is hereby indemnified
 11 against the claims and demands of any individual, corpora-
 12 tion, or partnership for the amount of any payments made in
 13 accordance with the provisions of this section.

14 (f) Income upon which any tax is required to be with-
 15 held at the source under this section shall be included in the
 16 return of the recipient of such income, but any amount of
 17 tax so withheld shall be credited against the amount of
 18 income tax as computed in such return.

19 (g) If any tax required under this section to be deducted
 20 and withheld is paid by the recipient of the income, it shall
 21 not be re-collected from the withholding agent; nor in cases
 22 in which the tax is so paid shall any penalty be imposed upon
 23 or collected from the recipient of the income or the with-
 24 holding agent for failure to return or pay the same, unless
 25 such failure was fraudulent and for the purpose of evading
 26 payment.

CREDIT FOR TAXES.

73 1
2 SEC. 222. (a) That the tax computed under Part II of
3 this title shall be credited with:

4 (1) In the case of a citizen of the United States, the
5 amount of any income, war-profits and excess-profits taxes
6 paid during the taxable year to any foreign country, ~~upon~~
7 ~~income derived from sources therein,~~ or to any possession of
8 the United States; and

9 (2) In the case of a resident of the United States, the
10 amount of any such taxes paid during the taxable year to any
11 possession of the United States; and

12 (3) In the case of an alien resident of the United States
13 ~~who is a citizen or subject of a foreign country,~~ the amount
14 of any such taxes paid during the taxable year to ~~such country,~~
15 ~~upon income derived from sources therein, if such country,~~
16 *any foreign country, if the foreign country of which such*
17 *alien resident is a citizen or subject.* in imposing such taxes.
18 allows a similar credit to citizens of the United States resid-
19 ing in such country; and

20 (4) In the case of any such individual who is a member
21 of a partnership or a beneficiary of an estate or trust, his
22 proportionate share of such taxes of the partnership or the
23 estate or trust paid during the taxable year to a foreign
24 country or to any possession of the United States, as the case
25 may be.

1 (5) The above credits shall not be allowed in the case
 2 of a foreign trader; and in no other case shall the amount
 3 of credit taken under this subdivision exceed the same propor-
 4 tion of the tax ^{computed under Part II of this title.} which the taxpayer's net income (computed
 5 without deduction for any income, war-profits and excess-
 6 profits taxes imposed by any foreign country or possession
 7 of the United States) from sources without the United
 8 States bears to his entire net income (computed without
 9 such deduction) for the same taxable year.

10 (b) If accrued taxes when paid differ from the amounts
 11 claimed as credits by the taxpayer, or if any tax paid is refunded
 12 in whole or in part, the taxpayer shall notify the Commissioner
 13 who shall redetermine the amount of the tax due under Part
 14 II of this title for the year or years affected, and the amount
 15 of tax due upon such redetermination, if any, shall be paid by
 16 the taxpayer upon notice and demand by the Collector, or the
 17 amount of tax overpaid, if any, shall be credited or refunded
 18 to the taxpayer in accordance with the provisions of section
 19 252. In the case of such a tax accrued but not paid, the
 20 Commissioner as a condition precedent to the allowance of
 21 this credit may require the taxpayer to give a bond with
 22 sureties satisfactory to and to be approved by the Commis-
 23 sioner in such penal sum as the Commissioner may require,
 24 conditioned for the payment by the taxpayer of any amount of
 25 tax found due upon any such redetermination; and the bond

1 herein prescribed shall contain such further conditions as the
2 Commissioner may require.

74 3 (c) These credits shall be allowed only if the taxpayer
4 furnishes evidence satisfactory to the Commissioner showing
5 the amount of income derived from sources ~~within such foreign~~
247 6 ~~country or such possession of~~ without the United States, and
7 all other information necessary for the verification and com-
8 putation of such credits.

74 9 (d) If the taxpayer makes a return for a fiscal year
10 beginning in 1920 and ending in 1921, the credit for the
11 entire fiscal year shall, notwithstanding any provision of
12 this Act, be determined under the provisions of this sec-
13 tion; and the Commissioner is authorized to disallow, in
14 whole or part, any such credit which he finds has already
15 been taken by the taxpayer.

247 16 INDIVIDUAL RETURNS.

223 (A) (i)

74 17 SEC. 223. That every individual having a net income

18 for the taxable year of \$1,000 or over if single or if married

248 19 and not living with husband or wife, or ⁽²⁾ of \$2,000 or over if

20 married and living with husband or wife, shall make under

21 oath a return stating specifically the items of his gross income

74 22 and the deductions and credits allowed by this title. ^(b) If a

23 ~~husband and wife living together have an aggregate net~~

24 ~~income of \$2,000 or over, each shall make such a return~~

1 ~~unless the income of each is included in a single joint return~~
 2 *A husband and wife living together may make a single joint*
 3 *return, in which case the tax shall be computed on the com-*
 4 *bined ⁽¹⁾₍₂₎ income.*

5 (c) If the taxpayer is unable to make his own return, the
 6 return shall be made by a duly authorized agent or by the
 7 guardian or other person charged with the care of the person
 8 or property of such taxpayer.

9 **PARTNERSHIP RETURNS.**

10 ²²¹ SEC. 224. That every partnership shall make a return
 11 for each taxable year, stating specifically the items of its
 12 gross income and the deductions allowed by this title, and
 13 shall include in the return the names and addresses of the
 14 individuals who would be entitled to share in the net income
 15 if distributed and the amount of the distributive share of
 16 each individual. The return shall be sworn to by any one
 17 of the partners.

18 **FIDUCIARY RETURNS.**

19 ^{225 (a) (1) (2) (3) (4) (5) (b)} SEC. 225. That every fiduciary (except receivers ap-
 20 pointed by authority of law in possession of part only of the
 21 property of an individual) shall make under oath a return for
 22 the individual, estate or trust for which he acts (1) if the net
 23 income of such individual is \$1,000 or over if single or if
 24 married and not living with husband or wife, or \$2,000 or
 25 over if married and living with husband or wife, or (2) if the

1 net income of such estate or trust is \$1,000 or over or if any
 2 beneficiary of such estate or trust is a nonresident alien,
 3 stating specifically the items of the gross income and the
 4 deductions and credits allowed by this title. Under such
 5 regulations as the Commissioner with the approval of the
 6 Secretary may prescribe, a return made by one of two or more
 7 joint fiduciaries and filed in the office of the collector of the
 8 district where such fiduciary resides shall be a sufficient
 9 compliance with the above requirement. The fiduciary
 10 shall make oath that he has sufficient knowledge of the affairs
 11 of such individual, estate or trust to enable him to make the
 12 return, and that the same is, to the best of his knowledge and
 13 belief, true and correct.

14 Fiduciaries required to make returns under this Act
 15 shall be subject to all the provisions of this Act which apply
 16 to individuals.

17 RETURNS WHEN ACCOUNTING PERIOD CHANGED.

74 18 ^{276(a) (b) (c)} SEC. 226. That if a taxpayer, with the approval of
 19 the Commissioner, changes the basis of computing net income
 20 from fiscal year to calendar year a separate return shall be
 21 made for the period between the close of the last fiscal year
 22 for which return was made and the following December
 23 thirty-first. If the change is from calendar year to fiscal
 24 year, a separate return shall be made for the period between

1 the calendar year for which return was
2 made shall be designated as the close of the fiscal year.
3 If the taxpayer has made any fiscal year to another fiscal year a
4 separate return shall be made for the period between the close
5 of the former fiscal year and the date designated as the close
6 of the new fiscal year. If a taxpayer making his first return
7 for income tax keeps his accounts on the basis of a fiscal
8 year he shall make a separate return for the period be-
9 tween the beginning of the calendar year in which such
10 fiscal year ends and the end of such fiscal year.

11 In all of the above cases the net income shall be computed
12 on the basis of such period for which separate return is made,
13 and the tax shall be paid thereon at the rate for the calendar
14 year in which such period is included; and the credits pro-
15 vided in subdivisions (c), and (d), and (e) of section 216 shall
16 be reduced respectively to amounts which bear the same ratio
17 to the full credits provided in such subdivisions as the number
18 of months in such period bears to twelve months.

19 *In the case of a return for a period of less than one year*
20 *the net income shall be placed on an annual basis by multi-*
21 *plying the amount thereof by twelve and dividing by the*
22 *number of months included in such period; and the surtax*
23 *shall be such part of a surtax computed on such annual basis*
24 *as the number of months in such period is of twelve months.*

TIME AND PLACE FOR FILING RETURNS.

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 298-2 ^{227(a)}
 2 SEC. 227. (a) That returns shall be made on or before
 3 the fifteenth day of the third month following the close of the
 4 fiscal year, or, if the return is made on the basis of the calendar
 5 year, then the return shall be made on or before the fifteenth
 6 day of March. The Commissioner may grant a reasonable
 7 extension of time for filing returns whenever in his judgment
 8 good cause exists and shall keep a record of every such exten-
 9 sion and the reason therefor. Except in the case of taxpayers
 10 who are abroad, no such extension shall be for more than six
 11 months.

12 ^(b)
 (b) Returns shall be made to the collector for the district
 13 in which is located the legal residence or principal place of
 14 business of the person making the return, or, if he has no
 15 legal residence or principal place of business in the United
 16 States, then to the collector at Baltimore, Maryland.

UNDERSTATEMENT IN RETURNS.

17
²²⁸
 18 SEC. 228. That if the Collector or deputy collector has
 19 reason to believe that the amount of any income returned is
 20 understated, he shall give due notice to the taxpayer making
 21 the return to show cause why the amount of the return should
 22 not be increased, and upon proof of the amount understated,
 23 may increase the same accordingly. Such taxpayer may
 24 furnish sworn testimony to prove any relevant facts and if
 25 dissatisfied with the decision of the Collector may appeal to

1 the Commissioner for his decision, under such rules of pro-
 2 cedure as may be prescribed by the Commissioner with the
 3 approval of the Secretary.

4 PART III.—CORPORATIONS.

5 TAX ON CORPORATIONS

6 250 (a) (b)

7 SEC. 230. (a) That, in lieu of the taxes imposed by
 8 section 10 of the Revenue Act of 1916, as amended by the
 9 Revenue Act of 1917, and by section 4 of the Revenue Act
 10 of 1917, there shall be levied, collected, and paid for each
 11 taxable year upon the net income of every corporation a tax
 at the following rates:

12 (1) For the calendar year 1918, 12 per centum of the
 13 amount of the net income in excess of the credits provided
 14 in section 236; and

15 ~~(2) For each calendar year thereafter, 10 per centum~~
 16 ~~of such excess amount.~~

17 (2) For the calendar years 1919, 1920, and 1921, 10
 18 per centum of such excess amount, and for the calendar year
 19 1922 and each calendar year thereafter, 12½ per centum of
 20 such excess amount.

21 (b) For the purposes of the Act approved March 21,
 22 1918, entitled "An Act to provide for the operation of trans-
 23 portation systems while under Federal control, for the just
 24 compensation of their owners, and for other purposes,"
 25 five-sixths of the tax imposed by paragraph (1) of subdi-

1 vision (a) and four-fifths of the tax imposed by paragraph
 2 (2) of subdivision (a) shall be treated as levied by an Act
 3 in amendment of Title I of the Revenue Act of 1917.

4 **CONDITIONAL AND OTHER EXEMPTIONS.**

231

5 **SEC. 231.** That the following organizations shall be
 6 exempt from taxation under this title—

(1)

7 (1) Labor, agricultural, or horticultural organizations;

(2)

8 (2) Mutual savings banks not having a capital stock

9 represented by shares;

(3)

10 (3) Fraternal beneficiary societies, orders, or associa-

11 tions, ~~(a)~~ operating under the lodge system or for the exclusive

12 benefit of the members or beneficiaries of members of a fra-

13 ternity itself operating under the lodge system; ~~—and—(b)~~

14 ~~providing for the payment of life, sick, accident, or other~~

15 ~~benefits to the members of such society, order, or associa-~~

16 ~~tion or their dependents;~~

(4)

17 (4) Domestic building and loan associations operated

18 exclusively for the purpose of making loans to members; and,

19 cooperative banks without capital stock organized and oper-

20 ated for mutual purposes and without profit;

(5)

21 (5) Cemetery companies owned and operated exclusively

22 for the benefit of their members;

(6)

23 (6) Corporations, and any community chest, fund, or

24 foundation, organized and operated exclusively for religious,

25 charitable, scientific, literary, or educational purposes, or

1 for the prevention of cruelty to children; or and
2 of the net earnings of which inures to the benefit
3 vate stockholder or individual;

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✓

4 (7) Business leagues, chambers of commerce,
5 trade, not organized for profit and
6 of which inures to the benefit of
7 individual;

8 (8) Civic leagues or organizations
9 but operated exclusively for the

10 (9) Clubs organized and operated exclusively
11 recreation, and other non-profit

12 earnings of which inures to
13 holder or member;

14 (10) Farmers' or other
15 insurance companies, mutual ditch or irrigation
16 mutual or cooperative telephone companies,
17 tions of a purely local character

18 solely of assessments, dues, and fees

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19 for the sole purpose of

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20 (11) Farmers', fruit growers',
21 organized and operated as

22 marketing the products of
23 the proceeds of sales, less the necessary expenses

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24 the basis of the quantity of products produced

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25 or organized and operated as purchasing agents

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...and equipment for the use of members
...and supplies and equipment to such members
...the necessary purchasing expenses;

4 ... organized for the exclusive purpose of
5 ... to property, collecting income therefrom, and
6 ... the entire amount thereof, less expenses, to an
7 ... which itself is exempt from the tax imposed by
8 ...

9 (16) Federal land banks and national farm loan asso-
10 ciations as provided in section 26 of the Act approved July
11 17, 1916, entitled "An Act to provide capital for agricultural
12 development, to create standard forms of investment based
13 upon farm mortgage, to equalize rates of interest upon farm
14 loans, to furnish a market for United States bonds, to create
15 Government depositaries and financial agents for the United
16 States, and for other purposes";

17 [Section 237 of the proposed bill (H. R. 8245) provides:
18 Subdivision (14) of section 231 of the Revenue Act of
19 1918 is repealed, to take effect January 1, 1922.]

20 ~~(14) Personal service corporations.~~

21 NET INCOME DEFINED.

22 ²³² SEC. 232. That in the case of a corporation subject to the
23 tax imposed by section 230 the term "net income" means
24 the gross income as defined in section 233 less the deductions
25 allowed by section 234, and the net income shall be com-

puted on the same basis as is provided in subdivision (b) of section 219 or in section 226.

GROSS INCOME DEFINED.

^{277 (a)}
SEC. 238. (a) That in the case of a corporation subject to the tax imposed by section 230 the term "gross income" means the gross income as defined in sections 213 and 217, except that:

(1) In the case of life insurance companies there shall not be included in gross income such portion of any actual premium received from any individual policyholder as is paid back or credited to or treated as an abatement of premium of such policyholder within the taxable year.

(2) Mutual marine insurance companies shall include in gross income the gross premiums collected and received by them less amounts paid for reinsurance.

¹⁴⁹ (b) In the case of a foreign corporation or a foreign trade corporation, gross income includes means only gross income from sources within the United States, including the interest on bonds, notes, or other interest-bearing obligations of residents, corporate or otherwise, dividends from resident corporations, and including all amounts received (although paid under a contract for the sale of goods or otherwise) representing profits on the manufacture and disposition of goods within the United States, as determined under the provisions of section 217.

DEDUCTIONS ALLOWED.

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234 (1)
SEC. 234. (a) That in computing the net income of a corporation subject to the tax imposed by section 230 there shall be allowed as deductions:

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(1) All the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business, including a reasonable allowance for salaries or other compensation for personal services actually rendered, and including rentals or other payments required to be made as a condition to the continued use or possession of property to which the corporation has not taken or is not taking title, or in which it has no equity;

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(2)⁽²⁾ All interest paid or accrued within the taxable year on its indebtedness, except on indebtedness incurred or continued to purchase or carry obligations or securities ~~(other than obligations of the United States issued after September 94, 1917)~~ the interest upon which is wholly exempt from taxation under this title as income to the taxpayer; ~~or, in the case of a foreign corporation, the proportion of such interest which the amount of its gross income from sources within the United States bears to the amount of its gross income from all sources within and without the United States;~~

(3)⁽³⁾ Taxes paid or accrued within the taxable year imposed ~~(a) by the authority of the United States, except income, war profits and excess profits taxes; or (b) by the~~

~~1 authority of any of its possessions, except the amount of~~
~~2 income, war profits and excess profits taxes allowed as a~~
~~3 credit under section 238; or (c) by the authority of any State~~
~~4 or Territory, or any county, school district, municipality, or~~
~~5 other taxing subdivision of any State or Territory, not in-~~
~~6 cluding those assessed against local benefits of a kind tending~~
~~7 to increase the value of the property assessed; or (d) in the~~
~~8 case of a domestic corporation, by the authority of any foreign~~
~~9 country, except the amount of income, war profits and excess-~~
~~10 profits taxes allowed as a credit under section 238; or (e) in~~
~~11 the case of a foreign corporation, by the authority of any~~
~~12 foreign country (except income, war profits and excess profits~~
~~13 taxes, and taxes assessed against local benefits of a kind~~
~~14 tending to increase the value of the property assessed), upon~~
~~15 the property or business except (a) income, war profits, and~~
~~16 excess profits taxes imposed by the authority of the United~~
~~17 States or any of its possessions or of any foreign country and~~
~~18 allowed as a credit under section 238, and (b) taxes assessed~~
~~19 against local benefits of a kind tending to increase the value~~
20 of the property assessed: *Provided, That in the case of*
21 obligors specified in subdivision (b) of section 221 no deduc-
22 tion for the payment of the tax imposed by this title or any
23 other tax paid pursuant to the contract or provision referred
24 to in that subdivision, shall be allowed, *nor shall such tax*
⁶⁰ 25 *be included in the gross income of the obligee;*

(4) Losses sustained during the taxable year and not compensated for by insurance or otherwise; unless, in order to clearly reflect the income, the loss should in the opinion of the Commissioner be accounted for as of a different period. No deduction shall be allowed for any loss claimed or allowed to have been sustained in any sale or other disposition of property made after the passage of the Revenue Act of 1921 unless it appears that at or about the date of such sale or other disposition the taxpayer has acquired identical property in whole or substantially the same amount as the property sold or disposed of. If such new acquisition is to the extent of part only of identical property, then the amount of loss deduction shall be in proportion as the total amount of property sold or disposed of bears to the property acquired;

(5) Debts ascertained to be worthless and charged within the taxable year (or in the discretion of the Commissioner, a reasonable addition to a reserve fund) and when satisfied that a debt is recoverable only in part, the Commissioner may allow such debt to be charged off.

~~(6) Amounts received as dividends from a corporation which is taxable under this title upon its net income amounts received as dividends from a personal corporation out of earnings or profits upon which tax has been imposed by Act of Congress;~~

(6)

(6) The amount of dividends included in the

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income;

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(7)

(7) A reasonable allowance for the exhaustion, wear

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and tear of property used in the trade or business, including

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reasonable allowance for obsolescence;

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(8)

(8) In the case of buildings, machinery, equipment, and

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other facilities constructed, erected, installed, or acquired

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on or after April 6, 1917, for the production of articles con-

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tributing to the prosecution of the present war, and in the

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case of vessels constructed or acquired on or after such date

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for the transportation of articles or men contributing to the

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prosecution of the present war, there shall be allowed a

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reasonable deduction for the amortization of such part of the

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cost of such facilities or vessels as has been borne by the tax-

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payer, but not again including any amount otherwise allowed

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under this title or previous Acts of Congress as a deduction in

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computing net income. At any time within three years after

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the termination of the present war the Commissioner may, and

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at the request of the taxpayer shall, reexamine the return, and

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if he then finds as a result of an appraisal or from other evi-

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dence that the deduction originally allowed was incorrect,

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the taxes imposed by this title and by Title III income, war-

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profits, and excess-profits taxes for the year or years affected

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shall be redetermined and the amount of tax due upon such

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redetermination, if any, shall be paid upon notice and demand

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1 by the Collector, or the amount of tax overpaid, if any, shall
2 be credited or refunded to the taxpayer in accordance with
3 the provisions of section 252;

78 4 (9) In the case of mines, oil and gas wells, other natural
251 5 deposits, and timber, a reasonable allowance for depletion and
6 for depreciation of improvements, according to the peculiar
7 conditions in each case, based upon cost including cost of
8 development not otherwise deducted: *Provided*, That in the
9 case of such properties acquired prior to March 1, 1913, the
10 fair market value of the property (or the taxpayer's interest
11 therein) on that date shall be taken in lieu of cost up to that
12 date: *Provided further*, That in the case of mines, oil and
13 gas wells, discovered by the taxpayer, on or after March 1,
14 1913, and not acquired as the result of purchase of a proven
15 tract or lease, where the fair market value of the property is
16 materially disproportionate to the cost, the depletion allow-
17 ance shall be based upon the fair market value of the property
18 at the date of the discovery, or within thirty days thereafter;
19 such reasonable allowance in all the above cases to be made
20 under rules and regulations to be prescribed by the Commis-
21 sioner with the approval of the Secretary. In the case of
22 leases the deductions allowed by this paragraph shall be
23 equitably apportioned between the lessor and lessee.

24 [~~Section 241~~ of the proposed bill (H. R. 8245) provides:

- (10) Insurance Companies
- (11) Life, etc
- (12) Mutual Marine
- (13) Mutual Insurance

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1 ~~Paragraph (10) of subdivision (a) of section 234 of the~~
2 ~~Revenue Act of 1918 is repealed, to take effect January 1,~~
3 ~~1922.]~~

4 ~~(10) In the case of insurance companies, in addition to~~
5 ~~the above: (a) The net addition required by law to be made~~
6 ~~within the taxable year to reserve funds (including in the~~
7 ~~case of assessment insurance companies the actual deposit~~
8 ~~of sums with State or Territorial officers pursuant to law as~~
9 ~~additional to guarantee or reserve funds); and (b) the sums other~~
10 ~~than dividends paid within the taxable year on policy and~~
11 ~~annuity contracts;~~

78
12 [Section 922 of the proposed bill (H. R. 8245) provides:

13 ~~Paragraphs (11), (12), and (13) of subdivision (a) of~~
14 ~~section 234 of the Revenue Act of 1918 are repealed, to take~~
15 ~~effect January 1, 1922.]~~

16 ~~(11) In the case of corporations issuing policies covering~~
17 ~~life, health, and accident insurance combined in one policy~~
18 ~~issued on the weekly premium payment plan continuing for~~
19 ~~life and not subject to cancellation, in addition to the above,~~
20 ~~such portion of the net addition (not required by law) made~~
21 ~~within the taxable year to reserve funds as the Commissioner~~
22 ~~shall be required for the protection of the holders of such~~
23 ~~policies only;~~

78
24 ~~(12) In the case of mutual marine insurance companies,~~
25 ~~there shall be allowed, in addition to the deductions allowed~~

1 in paragraphs (1) to (10), inclusive, amounts repaid to policy-
 2 holders on account of premiums previously paid by them,
 3 and interest paid upon such amounts between the ascertain-
 4 ment and the payment thereof;

76 5 ⁽¹³⁾ (13) In the case of mutual insurance companies (other
 6 than mutual life or mutual marine insurance companies) re-
 7 quiring their members to make premium deposits to provide
 8 for losses and expenses, there shall be allowed, in addition
 9 to the deductions allowed in paragraphs (1) to (10), inclusive,
 10 (unless otherwise allowed under such paragraphs) the amount
 11 of premium deposits returned to their policyholders and the
 12 amount of premium deposits retained for the payment of
 13 losses, expenses, and reinsurance reserves;

203 14 ~~(14)~~ (14) At the time of filing return for the taxable
 15 year 1918 a taxpayer may file a claim in abatement based on
 16 the fact that he has sustained a substantial loss (whether or
 17 not actually realized by sale or other disposition) resulting
 18 from any material reduction (not due to temporary fluctuation)
 19 of the value of the inventory for such taxable year, or from the
 20 actual payment after the close of such taxable year of rebates
 21 in pursuance of contracts entered into during such year upon
 22 sales made during such year. In such case payment of the
 23 amount of the tax covered by such claim shall not be required
 24 until the claim is decided, but the taxpayer shall accompany

1 his claim with a bond in double the amount of the tax covered
 2 by the claim, with sureties satisfactory to the Commissioner,
 3 conditioned for the payment of any part of such tax found to
 4 be due, with interest. If any part of such claim is disallowed
 5 then the remainder of the tax due shall on notice and demand
 6 by the Collector be paid by the taxpayer with interest at the
 7 rate of 1 per centum per month from the time the tax would
 8 have been due had no such claim been filed. If it is shown
 9 to the satisfaction of the Commissioner that such substantial
 10 loss has been sustained, then in computing the taxes imposed
 11 by this title and by Title III the amount of such loss shall be
 12 deducted from the net income. (b) If no such claim is filed,
 13 but it is shown to the satisfaction of the Commissioner that dur-
 14 ing the taxable year 1919 the taxpayer has sustained a substan-
 15 tial loss of the character above described then the amount of
 16 such loss shall be deducted from the net income for the taxable
 17 year 1918 and the taxes imposed by this title and by Title III
 18 for such year shall be redetermined accordingly. Any amount
 19 found to be due to the taxpayer upon the basis of such rede-
 20 termination shall be credited or refunded to the taxpayer in
 21 accordance with the provisions of section 252.

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 22 *(15) Contributions or gifts made within the taxable*
 23 *year to or for the use of: (A) The United States, any State,*
 24 *Territory, or any political subdivision thereof, or the District*
 25 *of Columbia, for exclusively public purposes; (B) any corpora-*

1 tion or community chest, fund, or foundation, or
 2 operated exclusively for religious, charitable, edu-
 3 cary, or educational purposes, or for the
 4 to children or animals, no part of the net earnings
 5 inures to the benefit of any private stockholder or individual
 6 or (C) the special fund for vocational rehabilitation estab-
 7 lished by section 7 of the Vocational Rehabilitation Act; to an
 8 amount which in all of the above cases combined does not
 9 exceed 5 per centum of the taxpayer's net income as com-
 10 puted without the benefit of this paragraph. In case of a
 11 foreign corporation or foreign trade corporation this deduc-
 12 tion shall be allowed only as to contributions or gifts made to
 13 domestic corporations, or to community chests, funds, or
 14 foundations, created in the United States, or to such vocational
 15 rehabilitation fund. Such contributions or gifts shall be
 16 allowable as deductions only if verified under rules and
 17 regulations prescribed by the Commissioner, with the approval
 18 of the Secretary:

19 ⁽¹⁴⁾
~~(16)~~ If property is compulsorily or involuntarily con-
 20 verted into cash or its equivalent as a result of (A) its destruc-
 21 tion in whole or in part, (B) theft or seizure, or (C) an exercise
 22 of the power of requisition or condemnation, or the threat or
 23 imminence thereof; and if the taxpayer proceeds forthwith
 24 in good faith, under regulations prescribed by the Commis-
 25 sioner with the approval of the Secretary, to expend the

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1 proceeds of such conversion in the acquisition, directly or
 2 through the purchase of stock, of other property of a character
 3 similar or related in service or use to the property so con-
 4 verted, or in the establishment of a replacement fund, then
 5 there shall be allowed as a deduction so much of the gain
 6 derived as the portion of the proceeds so expended bears to
 7 the entire proceeds, and the property acquired shall be treated
 8 as taking the place of a like proportion of the property con-

9 ¹⁰ ~~verted.~~

10 (b) In the case of a foreign corporation the deductions
 11 allowed in subdivision (a) ~~except those allowed in paragraph~~
 12 ~~(2) and in clauses (a), (b), and (c) of paragraph (4),~~ shall be
 13 allowed only if and to the extent that they are connected
 14 with income arising from a sources within the United States;
 15 and the proper apportionment and allocation of the deduc-
 16 tions with respect to sources of income within and without
 17 the United States shall be determined as provided in section
 18 217 under rules and regulations prescribed by the Commis-
 19 sioner with the approval of the Secretary, which determina-
 20 tion shall be final.

21 ²³⁵ ITEMS NOT DEDUCTIBLE.

22 SEC. 235. That in computing net income no deduction
 23 shall in any case be allowed in respect of any of the items
 24 specified in section 215.

236 CREDITS ALLOWED.

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SEC. 236. That for the purpose only of the tax imposed

by section 230 there shall be allowed the following credits:

(a) The amount received as interest upon obligations of the United States and bonds issued by the War Finance Corporation, which is included in gross income under section 233;

(b) The amount of any taxes imposed by Title III for the same taxable year: *Provided*, That in the case of a corporation which makes return for a fiscal year beginning in 1917 and ending in 1918, in computing the tax as provided in subdivision (a) of section 205, the tax computed for the entire period under Title II of the Revenue Act of 1917 shall be credited against the net income computed for the entire period under Title I of the Revenue Act of 1916 as amended by the Revenue Act of 1917 and under Title I of the Revenue Act of 1917, and the tax computed for the entire period under Title III of this Act at the rates prescribed for the calendar year 1918 shall be credited against the net income computed for the entire period under this title; and

(c) In the case of a domestic corporation, \$2,000.

[Section 245 of the proposed bill (H. R. 8245) provides:

On and after January 1, 1922, section 237 of the Revenue Act of 1918 is amended by striking out the figures

"10" and inserting in lieu thereof the figures "12 1/2".]

(c) (1) (2)

PAYMENT OF TAX AT SOURCE.

79 ¹
 2 ²⁹⁷ Sec. 237. That in the case of foreign corporations sub-
 3 ject to taxation under this title, not engaged in trade or busi-
 4 ness within the United States and not having any office or
 5 place of business therein, there shall be deducted and with-
 6 held at the source in the same manner and upon the same
 7 items of income as is provided in section 221 a tax equal to 40
 8 ⁷⁹ 12 1/2 per centum thereof, and such tax shall be returned and
 9 paid in the same manner and subject to the same conditions as
 10 provided in that section: *Provided*, That in the case of
 11 interest described in subdivision (b) of that section the deduc-
 12 tion and withholdings shall be at the rate of 2 per centum

CREDIT FOR TAXES.

79 ^{238 (a)}
 14 Sec. 238. (a) That in the case of a domestic corporation
 15 the total taxes imposed for the taxable year by this title and
 16 by Title III, plus the war-profits and excess-profits taxes, if
 17 any, shall be credited with the amount of any income, war-
 18 profits and excess-profits taxes paid during the same taxable
 19 year to any foreign country, upon income derived from sources
 20 therein, or to any possession of the United States: *Provided*,
 21 That the amount of credit taken under this subdivision shall
 22 in no case exceed the same proportion of the tax which the
 23 taxpayer's net income (computed without deduction for any
 24 income, war-profits, and excess-profits taxes imposed by any
 25 foreign country or possession of the United States) from

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1 sources without the United States bears to its entire net
2 income (computed without such deduction) for the same
3 taxable year.

4 (b) If accrued taxes when paid differ from the amounts
5 claimed as credits by the corporation, or if any tax paid is
6 refunded in whole or in part, the corporation shall at once
7 notify the Commissioner who shall redetermine the amount
8 of the taxes due under this title and under Title III for the
9 year or years affected, and the amount of taxes due upon
10 such redetermination, if any, shall be paid by the corporation
11 upon notice and demand by the Collector, or the amount of
12 taxes overpaid, if any, shall be credited or refunded to the
13 corporation in accordance with the provisions of section 252.
14 In the case of such a tax accrued but not paid, the Commis-
15 sioner as a condition precedent to the allowance of this credit
16 may require the corporation to give a bond with sureties
17 satisfactory to and to be approved by him in such penal sum
18 as he may require, conditioned for the payment by the tax-
19 payer of any amount of taxes found due upon any such rede-
20 termination; and the bond herein prescribed shall contain
21 such further conditions as the Commissioner may require.

22 ^(c)
~~(b)~~ This These credits shall be allowed only if the tax-
23 payer furnishes evidence satisfactory to the Commissioner
24 showing the amount of income derived from sources within
25 ~~such foreign country or such possession of~~ without the United

1 ~~shall, as the case may be, and all other information neces-~~
2 ~~sary for the computation of such credit.~~

3 ^(A) If a domestic corporation makes a return for a fiscal
4 year beginning in 1917 1920 and ending in 1918 1921,
5 ~~only that proportion of this credit shall be allowed which~~
6 ~~the part of such period within the calendar year 1918 bears~~
7 ~~to the entire period; the credit for the entire fiscal year shall,~~
8 notwithstanding any provision of this Act, be determined
9 under the provisions of this section; and the Commissioner is
10 authorized to disallow, in whole or in part, any such credit
11 which he finds has already been taken by the taxpayer;

12 ⁽²⁾
13 ^(a) For the purposes of this section a foreign trade
14 corporation shall be treated as a foreign corporation.

14 ⁽⁺⁾ CORPORATION RETURNS.

15 ^{279(a)} SEC. 239. That every corporation subject to taxation
16 under this title and every personal service corporation shall
17 make a return, stating specifically the items of its gross income
18 and the deductions and credits allowed by this title. The
19 return shall be sworn to by the president, vice president, or
20 other principal officer and by the treasurer or assistant treasurer.
21 If any foreign corporation has no office or place of business in
22 the United States but has an agent in the United States, the
23 return shall be made by the agent. In cases where receivers,
24 trustees in bankruptcy, or assignees are operating the property
25 or business of corporations, such receivers, trustees, or assignees

1 shall make returns for such corporations in the same manner
 2 and form as corporations are required to make returns. Any
 3 tax due on the basis of such returns made by receivers,
 4 trustees, or assignees shall be collected in the same manner
 5 as if collected from the corporations of whose business or prop-
 6 erty they have custody and control.

7 (b) Returns made under this section shall be subject to the
 8 provisions of sections 226 and 228. When return is made
 9 under section 226 the credit provided in subdivision (c) of
 10 section 236 shall be reduced to an amount which bears the same
 11 ratio to the full credit therein provided as the number of
 12 months in the period for which such return is made bears to
 13 twelve months.

(c)

CONSOLIDATED RETURNS.

14
 15 No (a)
 SEC. 240. (a) That corporations which are affiliated

16 within the meaning of this section shall ~~may~~, for any taxable
 17 year beginning on or after January 1, 1922, make separate
 18 returns or, under regulations ~~to be~~ prescribed by the Com-
 19 missioner with the approval of the Secretary, make a con-
 20 solidated return of net income and invested capital for the
 21 purposes of this title ~~and Title III,~~ and in which case the
 22 taxes thereunder shall be computed and determined upon
 23 the basis of such returns: ~~Provided, That there shall be taken~~
 24 ~~out of such consolidated net income and invested capital, the~~
 25 ~~net income and invested capital of any such affiliated corpora-~~

1 tion organized after August 1, 1914, and not successor to a
 2 then-existing business, 50 per centum or more of whose gross
 3 income consists of gains, profits, commissions, or other in-
 4 come, derived from a Government contract or contracts made
 5 between April 6, 1917, and November 11, 1918, both dates
 6 inclusive. In such case the corporation so taken out shall
 7 be separately assessed on the basis of its own invested capital
 8 and net income and the remainder of such affiliated group
 9 shall be assessed on the basis of the remaining consolidated
 10 invested capital and net income. If return is made on either
 11 of such bases, all returns thereafter made shall be upon the
 12 same basis unless permission to change the basis is granted by
 13 the Commissioner.

14 (b) In any case in which a tax is assessed upon the basis of
 15 a consolidated return, the total tax shall be computed in the
 16 first instance as a unit and shall then be assessed upon the
 17 respective affiliated corporations in such proportions as may
 18 be agreed upon among them, or, in the absence of any such
 19 agreement, then on the basis of the net income properly
 20 assignable to each. There shall be allowed in computing the
 21 income tax only one specific credit of \$2,000 (as provided in
 22 section 236); ~~in computing the war profits credit (as pro-~~
 23 ~~vided in section 211) only one specific exemption of \$3,000;~~
 24 ~~and in computing the excess profits credit (as provided in~~
 25 ~~section 212) only one specific exemption of \$3,000.~~

(c)

1 ~~(b)~~ For the purpose of this section two or more domestic
 2 corporations shall be deemed to be affiliated (1) if one corpo-
 3 ration owns directly or controls through closely affiliated
 4 interests or by a nominee or nominees substantially all the
 5 stock of the other or others, or (2) if substantially all the
 6 stock of two or more corporations is owned or controlled by
 7 the same interests.

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~~(c) For the purposes of section 238 a domestic corpora-
 tion which owns a majority of the voting stock of a foreign
 corporation shall be deemed to have paid the same proportion
 of any income, war profits and excess profits taxes paid (but
 not including taxes accrued) by such foreign corporation during
 the taxable year to any foreign country or to any possession
 of the United States upon income derived from sources with-
 out the United States, which the amount of any dividends
 (not deductible under section 234) received by such domestic
 corporation from such foreign corporation during the tax-
 able year bears to the total taxable income of such foreign
 corporation upon or with respect to which such taxes were
 paid: Provided, That in no such case shall the amount of
 the credit for such taxes exceed the amount of such dividends
 (not deductible under section 234) received by such domestic
 corporation during the taxable year.~~

~~(d) For the purposes of this section a foreign-trade cor-
 poration shall be treated as a foreign corporation: Provided,~~

(d)

That in the case of two or more related trades or businesses
 of any one person (individual or incorporated and whether a citizen
 of the United States or not) owned or controlled directly
 or indirectly by the same interests, the Commissioner may
 consolidate the accounts of such related trades and businesses,
 in any proper case, for the purpose of making an accurate
 distribution or apportionment of gains, profits, income, de-
 ductions, or capital between or among such related trades
 or businesses.

⁽²⁾
 Corporations which are affiliated within the mean-
 ing of this section shall make consolidated returns for any
 taxable year beginning prior to January 1, 1922, in the
 same manner and subject to the same conditions as provided
 by this Act as in force prior to the passage of the Revenue
 Act of 1921.

TIME AND PLACE FOR FILING RETURNS.

^{74) (2)}
 SEC. 243. (a) That returns of corporations shall be made
 at the same time as is provided in subdivision (a) of section
 237. (b)

(b) Returns shall be made to the collector of the district
 in which is located the principal place of business or principal
 office or agency of the corporation, or, if it has no principal
 place of business or principal office or agency in the United
 States, then to the collector at Baltimore, Maryland.

1 ~~Section 260~~ of the proposed bill (H. R. 8245) provides:
 2 Part III of Title II of the Revenue Act of 1918 is
 3 amended by adding at the end thereof five new sections, to
 4 take effect January 1, 1922, to read as follows:}

315 5 **TAXES ON INSURANCE COMPANIES.**

95 6 *SEC. 242.* That when used in this title the term "life
 85 7 insurance company" means an insurance company engaged
 8 in the business of issuing life insurance and annuity contract
 9 (including contracts of combined life, health, and accident
 10 insurance), the reserve funds of which held for the fulfill-
 11 ment of such contracts comprise more than 50 per centum of
 12 its total reserve funds.

15 13 *SEC. 243.* That in lieu of the taxes imposed by sections
 14 230 and 1000 there shall be levied, collected, and paid for
 15 the calendar year 1922 and for each taxable year thereafter
 16 upon the net income of every insurance company a tax as
 17 follows:

18 (1) In the case of a domestic insurance company, 12½
 19 per centum of its net income;

20 (2) In the case of a foreign insurance company, 12½
 21 per centum of its net income from sources within the United
 22 States.

23 *SEC. 244.* (a) That in the case of an insurance com-
 24 pany the term "gross income" means the gross amount of

1 income received during the taxable year from interest, divi-
 2 dends, and rents.

3 (b) The term "reserve funds required by law" includes,
 4 in the case of assessment insurance, sums actually deposited
 5 by any company or association with State or Territorial
 6 officers pursuant to law as guaranty or reserve funds, and
 7 any funds maintained under the charter or articles of incor-
 8 poration of the company or association exclusively for the pay-
 9 ment of claims arising under certificates of membership or
 10 policies issued upon the assessment plan and not subject to
 11 any other use.

12 SEC. 245. (a) That in the case of an insurance com-
 13 pany the term "net income" means the gross income less—

14 (1) The amount of interest received during the taxable
 15 year which under paragraph (4) of subdivision (b) of section
 16 213 is exempt from taxation under this title;

17 (2) An amount equal to the excess, if any, over the
 18 deduction specified in paragraph (1) of this subdivision, of
 19 4 per centum of the mean of the reserve funds required by
 20 law and held at the beginning and end of the taxable year,
 21 plus (in case of life insurance companies issuing policies
 22 covering life, health, and accident insurance combined in
 23 one policy issued on the weekly premium payment plan, con-
 24 tinuing for life and not subject to cancellation) 4 per centum
 25 of the mean of such reserve funds (not required by law) held

1 at the beginning and end of the taxable year, as the commis-
 2 sioner finds to be necessary for the protection of the holders
 3 of such policies only;

4 ~~(3)~~ The amount of dividends included in the gross (3)
 5 income:

6 ~~(4)~~ In the case of life insurance companies, an (4)
 7 amount equal to 2 per centum of any sums held at the end
 8 of the taxable year as a reserve for dividends (other than
 9 dividends payable during the year following the taxable
 10 year) the payment of which is deferred for a period of not
 11 less than five years from the date of the policy contract;

12 ~~(5)~~ Investment expenses paid during the taxable year:

13 Provided, That if any general expenses are in part assigned
 14 to or included in the investment expenses, the total deduction
 15 under this paragraph shall not exceed one-fourth of 1 per
 16 centum of the book value of the mean of the invested assets
 17 held at the beginning and end of the taxable year;

18 ~~(6)~~ Taxes and other expenses paid during the taxable
 19 year exclusively upon or with respect to the real estate owned
 20 by the company, not including taxes assessed against local
 21 benefits of a kind tending to increase the value of the prop-
 22 erty assessed, and not including any amount paid out for
 23 new buildings, or for permanent improvements or betterments
 24 made to increase the value of any property;

(7)

90 1 (7) A reasonable allowance for the exhaustion, wear
 11 2 and tear of property, including a reasonable allowance for
 3 obsolescence;

(8)

4 (8) All interest paid within the taxable year on the
 5 indebtedness, except on indebtedness incurred or continued to
 6 purchase or carry obligations or securities, the interest upon
 7 which is wholly exempt from taxation under this title as to
 8 come to the taxpayer.

(b)

94 9 (b) No deduction shall be made under paragraphs
 10 (6) and (7) of subdivision (a) on account of any real estate
 11 owned and occupied in whole or in part by an insurance
 12 company unless there is included in the return of gross income
 13 the rental value of the space so occupied. Such rental value
 14 shall be not less than a sum which in addition to any rents
 15 received from other tenants shall provide a net income (after
 16 deducting taxes, depreciation, and all other expenses) at the
 17 rate of 4 per centum per annum of the book value at the end
 18 of the taxable year of the real estate so owned or occupied.

(c)

93 10 (c) In the case of a foreign insurance company
 95 20 amount of its net income for any taxable year from sources
 21 within the United States shall be the same proportion of its
 22 net income for the taxable year from sources within and
 23 without the United States, which the reserve funds required
 24 by law and held by it at the end of the taxable year upon
 25 business transacted within the United States, is of the reserves

at the end of the taxable year upon all business

Sec. 242. That every insurance company not exempt

under the provisions of section 231 shall make a return for

95 the purposes of this Act. Such returns shall be made, and

the taxes imposed by section 243 shall be paid, at the same

times and places, in the same manner, and subject to the

same conditions that pertain as provided in the case of

the payment of income tax by other corporations,

and the provisions of this title not inapplicable, including

the provisions herebefore made applicable to the assessment and

collection of such taxes.

Part IV.—ADMINISTRATIVE PROVISIONS.

157 PAYMENT OF TAXES.

96 Sec. 251. (a) That except as otherwise provided in this

167 title, on business 251 and 252 the tax shall be paid in four

17 installments, each consisting of one-fourth of the total

18 amount of the tax. The first installment shall be paid at

19 the time fixed by law for filing the return, and the second

20 installment shall be paid on the fifteenth day of the third

21 month, the third installment on the fifteenth day of the

22 sixth month, and the fourth installment on the fifteenth

23 day of the ninth month, after the time fixed by law for filing

24 the return. Where an extension of time for filing a return

the time for payment of the first installment shall be postponed until the date of the expiration of the period of the extension, but the time for payment of the other installments shall not be postponed unless the Commissioner so provides in granting the extension. In any case in which the time for the payment of any installment is at the request of the taxpayer thus postponed, there shall be added as part of each installment interest thereon at the rate of one-half of 1 per centum per month from the time it would have been due if no extension had been granted, until paid. If any installment is not paid when due, the whole amount of the tax unpaid shall become due and payable upon notice and demand by the collector.

The tax may at the option of the taxpayer be paid in a single payment instead of in installments, in which case the total amount shall be paid on or before the time fixed by law for filing the return, or, where an extension of time for filing the return has been granted, on or before the expiration of the period of such extension.

(b) As soon as practicable after the return is filed, the Commissioner shall examine it. If it then appears that the correct amount of the tax is greater or less than that shown in the return, the installments shall be recomputed. If the amount already paid exceeds that which should have been paid on the basis of the installments as recomputed, the excess

1 so paid shall be credited against the subsequent installments;
 2 and if the amount already paid exceeds the correct amount
 3 of the tax, the excess shall be credited or refunded to the
 4 taxpayer in accordance with the provisions of section 252.

5 If the amount already paid is less than that which should
 6 have been paid, the difference shall, to the extent not covered
 7 by any credits then due to the taxpayer under section 252
 8 (~~hereinafter called "deficiency"~~), together with interest there-
 9 ~~on at the rate of one half of 1 per centum per month from the~~
 10 ~~time the tax was due (or, if paid on the installment basis,~~
 11 ~~on the deficiency of each installment from the time the in-~~
 12 ~~stallment was due); shall be paid upon notice and demand by~~
 13 the collector. ~~In such case if the return is made in good~~
 14 ~~faith and the understatement of the amount in the return is~~
 15 ~~not due to any fault of the taxpayer, there shall be no penalty~~
 16 ~~because of such understatement. If the understatement is~~
 17 ~~due to negligence on the part of the taxpayer, but without~~
 18 ~~intent to defraud, there shall be added as part of the tax 5~~
 19 ~~per centum of the total amount of the deficiency, plus interest~~
 20 ~~at the rate of 1 per centum per month on the amount of the~~
 21 ~~deficiency of each installment from the time the installment~~
 22 ~~was due. If any part of the deficiency is due to negligence or~~
 23 ~~willful disregard of authorized rules and regulations with~~
 24 ~~knowledge thereof, but without intent to defraud, there shall~~
 25 ~~be added as part of the tax 5 per centum of the total amount~~

1 of the deficiency in the tax, and interest in such a case shall
 2 be collected at the rate of 1 per centum per month on the
 3 amount of such deficiency in the tax from the time it was
 4 due (or, if paid on the installment basis, on the amount of the
 5 deficiency in each installment from the time the installment
 6 was due), which penalty and interest shall become due and pay-
 7 able upon notice and demand by the collector. ~~If the under-~~
 8 ~~statement is false or fraudulent~~ If any part of the deficiency
 9 is due to fraud with intent to evade the tax, then, in lieu of
 10 the penalty provided by section 3176 of the Revised Statutes,
 11 as amended, for false or fraudulent returns willfully made,
 12 but in addition to other penalties provided by law for false
 13 or fraudulent returns, there shall be added as part of the tax
 14 50 per centum of the total amount of the deficiency in the tax.
 15 In such case the entire tax, including the penalty so added,
 16 shall become due and payable upon notice and demand by
 17 the collector.

18 (c) If the return is made pursuant to section 3176 of the
 19 Revised Statutes as amended, the amount of tax determined
 20 to be due under such return shall be paid upon notice and
 21 demand by the collector.

22 ~~(d) Except in the case of false or fraudulent returns with~~
 23 ~~intent to evade the tax, the amount of tax due under~~
 24 ~~any return shall be determined and assessed by the commis-~~
 25 ~~sioner within five years after the return was due or was~~

1 ~~made, and no suit or proceeding for the collection of any tax~~
 2 ~~shall be begun after the expiration of five years after the date~~
 3 ~~when the return was due or was made. In the case of such~~
 4 ~~false or fraudulent returns, the amount of tax due may be~~
 5 ~~determined at any time after the return is filed, and the tax~~
 6 ~~may be collected at any time after it becomes due.~~

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7 (d) The amount of tax due under any return made under
 8 this Act for the taxable year 1921 or succeeding taxable
 9 years shall be determined and assessed by the Commissioner
 10 within three years after the return was filed, and the amount of
 11 tax due under any return made under this Act for prior fiscal
 12 years or under prior income, excess-profits, or war-profits tax
 13 Acts, shall be determined and assessed within five years
 14 after the return was filed, unless both the Commissioner and
 15 the taxpayer consent in writing to a later determination,
 16 assessment, and collection of the tax; and no suit or pro-
 17 ceeding for the collection of any tax due under this Act or
 18 under prior income, excess-profits, or war-profits tax Acts
 19 shall be begun, after the expiration of five years after the
 20 date when such return was filed, but this shall not affect suits
 21 or proceedings begun at the time of the passage of the ~~Revenue~~
 22 ~~Act of 1921: Provided, That in the case of tax~~
 23 ~~received during the lifetime of a decedent, all taxes due~~
 24 ~~thereon shall be determined and assessed by the Commissioner~~
 25 ~~within one year after written request therefor by the executor.~~

1 administrator, or other fiduciary representing the estate of
2 such decedent: Provided further, That in the case of a false
3 or fraudulent return with intent to evade tax, or of a failure
4 to file a required return, the amount of tax due may be
5 terminated at any time after it becomes due: ~~Provided~~

6 That in cases coming within the scope of paragraph
7 subdivision (a) of section 314, or of ~~section~~
8 division (a) of section 234, or in cases of fraud
9 of losses and other deductions tentatively allowed by the
10 commissioner pending a determination of the exact amount
11 deductible, the amount of tax or deficiency is, tax due
12 determined, assessed, and collected at any time; but
13 the assessment thereof the taxpayer shall be notified within
14 a period of not less than thirty days in which to file an appeal
15 and be heard as hereinafter provided in ~~the~~

16 If, upon examination of a return, a deficiency
17 is discovered, the taxpayer shall be notified thereof and
18 a period of not less than thirty days in which to file an appeal
19 and show cause or reason why the deficiency should
20 not be paid. The appeal shall be promptly decided unless
21 a writ of certiorari is granted, and if a writ of certiorari
22 is granted, the amount of tax then determined to be due shall be assessed
23 together with the penalty and interest, if any, on the amount
24 thereof, within ten days after notice and demand therefor
25 by the collector as hereinafter provided, and to such amount as shall

of the amount so assessed shall be entertained:

That in cases where the Commissioner believes that the collection of the amount due will be jeopardized by not doing as may be the assessment without giving

such notice.

(c) If any tax remains unpaid after the date when it is

due, and for ten days after notice and demand by the collector,

then, except in the case of estates of insane, deceased, or in-

solvent persons, there shall be added as part of the tax the

sum of 5 per centum on the amount due but unpaid, plus

interest at the rate of 1 per centum per month upon such

amount from the time it became due: *Provided*, That as to

any such amount which is the subject of a bona fide claim for

abatement filed within ten days after notice and demand by

the collector, where the taxpayer has not had the benefit of

the notice and the thirty-day period for filing an appeal as

provided in subdivision (d), such sum of 5 per centum shall

not be added and the interest from the time the amount was

due until the claim is decided shall be at the rate of one-half

of 1 per centum per month on that part of the claim rejected.

In the case of the first installment provided for in sub-

division (a) the instructions printed on the return shall be

deemed sufficient notice of the date when the tax is due and

sufficient demand, and the taxpayer's computation of the tax

1 on the return shall be deemed sufficient notice of the amount
 2 due. ^(f)
 3 ~~(f) In any case in which in order to enforce payment of a~~
 104 4 ~~tax it is necessary for a collector to cause a warrant of distraint~~
 5 ~~to be served, there shall also be added as part of the tax the sum~~
 6 ~~of \$5.~~
 7 ^(g)
 106 8 (g) If the Commissioner finds that a taxpayer designs
 9 quickly to depart from the United States or to remove his
 106 10 property therefrom, or to conceal himself or his property
 11 therein, or to do any other act tending to prejudice or to
 12 render wholly or partly ineffectual proceedings to collect the
 13 tax for the taxable year then last past or the taxable year
 14 then current unless such proceedings be brought without
 15 delay, the Commissioner shall declare the taxable period for
 16 such taxpayer terminated at the end of the calendar month
 17 then last past and shall cause notice of such finding and
 18 declaration to be given the taxpayer, together with a demand
 19 for immediate payment of the tax for the taxable period so
 20 declared terminated and of the tax for the preceding taxable
 21 year or so much of said tax as is unpaid, whether or not the
 22 time otherwise allowed by law for filing return and paying
 23 the tax has expired; and such taxes shall thereupon become
 24 immediately due and payable. In any action or suit brought
 25 of the provisions of this subdivision the finding of the Com-

1 missioner, made as herein provided, whether made after
2 notice to the taxpayer or not, shall be for all purposes pre-
3 sumptive evidence of the taxpayer's design. A taxpayer
4 who is not in default in making any return or paying income,
5 war-profits, or excess-profits tax under any Act of Congress
6 may furnish to the United States, under regulations to be
7 prescribed by the Commissioner with the approval of the
8 Secretary, security approved by the Commissioner that he will
9 duly make the return next thereafter required to be filed
10 and pay the tax next thereafter required to be paid. The
11 Commissioner may approve and accept in like manner secur-
12 ity for return and payment of taxes made due and payable
13 by virtue of the provisions of this subdivision, provided the
14 taxpayer has paid in full all other income, war-profits, or
15 excess-profits taxes due from him under any Act of Congress.
16 If security is approved and accepted pursuant to the pro-
17 visions of this subdivision and such further or other security
18 with respect to the tax or taxes covered thereby is given as
19 the Commissioner shall from time to time find necessary and
20 require, payment of such taxes shall not be enforced by any
21 proceedings under the provisions of this subdivision prior
22 to the expiration of the time otherwise allowed for paying
23 such respective taxes. *In the case of a citizen of the United*
24 *States about to depart from the United States the Commis-*
25 *sioner may, at his discretion, waive any or all of the require-*

1 ments placed on the taxpayer by this subdivision. No alien
 2 shall depart from the United States unless he first secures
 3 from the collector or agent in charge a certificate that he has
 4 complied with all the obligations imposed upon him by the
 5 income, war-profits, and excess-profits tax laws. If a tax-
 6 payer violates or attempts to violate this subdivision there shall,
 7 in addition to all other penalties, be added as part of the tax
 8 25 per centum of the total amount of the deficiency in the tax,
 9 together with interest at the rate provided by this section in
 10 the case of the filing of a false or fraudulent return.

(h)

RECEIPTS FOR TAXES.

11
 12 ²⁵¹ SEC. 251. That every collector to whom any payment of
 13 any tax is made under the provisions of this title shall upon
 14 request give to the person making such payment a full written
 15 or printed receipt, stating the amount paid and the particular
 16 account for which such payment was made; and whenever
 17 any debtor pays taxes on account of payments made or to be
 18 made by him, to separate creditors the collector shall, if
 19 requested by such debtor, give a separate receipt for the tax
 20 paid on account of each creditor in such form that the debtor
 21 can conveniently produce such receipts separately to his
 22 several creditors in satisfaction of their respective demands
 23 up to the amounts stated in the receipts; and such receipt
 24 shall be sufficient evidence in favor of such debtor to justify
 25 him in withholding from his next payment to his creditor

1 the amount therein stated and

2 to his debtor a full and complete

3 receipt to him of any and all

4 amount of tax with interest

5 and penalties thereon

6 and to certify to the

7 collector of the district

8 in which the tax is

9 levied that the same has

10 been paid in full

11 and to file a copy of

12 such certificate with

13 the collector of the

14 district in which the

15 tax is levied

16 and to retain a copy

17 of such certificate

18 for his files

19 and to forward a copy

20 of such certificate

21 to the collector of the

22 district in which the

23 tax is levied

24 and to file a copy

25 of such certificate

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is due to the person or persons
designated in the regulations
of income tax in effect on the
previous year or years, then, upon the
provision of this and regardless of whether
any period, the amount of such amount shall
of any such charge, be credited or deducted from
this section.

355 PENALTIES.

106

SEC. 355. That any individual,

ship required under this title to pay or collect
make a return or to supply information, who fails to
collect such tax, to make such return, or to supply such in-
formation at the time or times required under this title, shall
be liable to a penalty of not more than \$1,000.
vidual, corporation, or partnership, or any officer or employee
of any corporation or member or employee of a partnership
who willfully refuses to pay or collect such tax, to make
such return, or to supply such information at the time or
times required under this title, or who willfully attempts
in any manner to defeat or evade the tax imposed by this

shall be fined not
more than one year,
or imprisoned for a term of not more than one year,
or both, at the discretion of the court.

106

Section 106. Reports of payments of dividends.

That every corporation subject to the tax
imposed by this title and every personal service corporation
subject to the tax imposed by the Commissioner, render a correct
statement, under oath, of the payments of dividends,
including the names of each stockholder, the num-
ber of shares owned by him, and the amount of dividends
paid to him during the year.

107

Section 107. Penalties for failure to file returns.

That any individual, corporation, or part-
nership, or any officer or partner thereof, who is required by
this title to file a return, shall be liable for a penalty of not
more than one hundred dollars for each day that the return is
not filed, and the Commissioner or the Collector, or the Com-
missioner or the Collector, may prescribe, by regulation, the
manner in which such individual, corporation, or partnership, or
any officer or partner thereof, shall be held liable for such
penalty, and the Commissioner or the Collector, or the Com-
missioner or the Collector, may prescribe, by regulation, the
manner in which such individual, corporation, or partnership, or
any officer or partner thereof, shall be held liable for such
penalty, and the Commissioner or the Collector, or the Com-
missioner or the Collector, may prescribe, by regulation, the
manner in which such individual, corporation, or partnership, or
any officer or partner thereof, shall be held liable for such
penalty.

106 [1] ⁷⁵⁶ INFORMATION AT SOURCE.

2 SEC. 256. That all individuals, corporations, and part-
 3 nerships, in whatever capacity acting, including lessees or
 4 mortgagors of real or personal property, fiduciaries, and em-
 5 ployers, making payment to another individual, corporation,
 6 or partnership, of interest, rent, salaries, wages, premiums,
 7 annuities, compensations, remunerations, emoluments, or
 8 other fixed or determinable gains, profits, and income (other
 9 than payments described in sections 254 and 255), at the rate
 10 of \$1,000 or more in any taxable year, or, in the case of such
 11 payments made by the United States, the officers or employees
 12 of the United States having information as to such payments
 13 and required to make returns in regard thereto by the regula-
 14 tions hereinafter provided for, shall render a true and accurate
 15 return to the Commissioner, under such regulations and in
 16 such form and manner and to such extent as may be prescribed
 17 by him with the approval of the Secretary, setting forth the
 18 amount of such gains, profits, and income, and the name and
 19 address of the recipient of such payment.

20 Such returns may be required, regardless of amounts,
 21 (1) in the case of payments of interest upon bonds, mortgages,
 22 deeds of trust, or other similar obligations of corporations,
 23 and (2) in the case of collections of items (not payable in the
 24 United States) of interest upon the bonds of foreign countries
 25 and interest upon the bonds of and dividends from foreign cor-

1 porations by individuals, corporations, or partnerships, under-
 2 taking as a matter of business or for profit the collection of
 3 foreign payments of such interest or dividends by means of
 4 coupons, checks, or bills of exchange.

5 When necessary to make effective the provisions of this
 6 section the name and address of the recipient of income shall
 7 be furnished upon demand of the individual, corporation, or
 8 partnership paying the income.

9 The provisions of this section shall apply to the calendar
 10 year 1918 and each calendar year thereafter, but shall not
 11 apply to the payment of interest on obligations of the United
 12 States.

18

RETURNS TO BE PUBLIC RECORDS.

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15 ²⁵⁷ Sec. 257. That returns upon which the tax has been
 16 determined by the Commissioner shall constitute public
 17 records; but they shall be open to inspection only upon
 18 order of the President and under rules and regulations pre-
 19 scribed by the Secretary and approved by the President:
 20 *Provided*, That the proper officers of any State imposing an
 21 income tax may, upon the request of the governor thereof,
 22 have access to the returns of any corporation, or to an abstract
 23 thereof showing the name and income of the corporation, at
 24 such times and in such manner as the Secretary may prescribe:
 25 *Provided further*, That all bona fide stockholders of record
 owning 1 per centum or more of the outstanding stock of any

1 corporation shall, upon making request of the Commissioner,
 2 be allowed to examine the annual income returns of such cor-
 3 poration and of its subsidiaries. Any stockholder who pur-
 4 suant to the provisions of this section is allowed to examine
 5 the return of any corporation, and who makes known in any
 6 manner whatever not provided by law the amount or source of
 7 income, profits, losses, expenditures, or any particular thereof,
 8 set forth or disclosed in any such return, shall be guilty of a
 9 misdemeanor and be punished by a fine not exceeding \$1,000,
 10 or by imprisonment not exceeding one year, or both.

11 The Commissioner shall as soon as practicable in each
 12 year cause to be prepared and made available to public inspec-
 13 tion in such manner as he may determine, in the office of the
 14 collector in each internal-revenue district and in such
 15 places as he may determine, lists containing the names and
 16 the post-office addresses of all individuals making ~~income~~
 17 tax returns in such district.

18 **PUBLICATION OF STATEMENTS.**

19 **Sec. 205.** That the Commissioner, with the approval
 20 of the Secretary, shall prepare and publish annually
 21 reasonably available with respect to the general
 22 income, net-profit and ~~income~~
 23 classifications of taxpayers and of income, the
 24 allowed deductions, ~~exemptions~~ and ~~credits~~ and
 25 facts deemed pertinent and available.

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of the United States
States, shall be
to, Service of
and in such cases
one of other parties
from such returns.

J. CROSS—6

PORTO RICO AND PHILIPPINE ISLANDS.

1
2 ⁷⁶¹ SEC. 261. That in Porto Rico and the Philippine Islands
3 the income tax shall be levied, assessed, collected, and paid
4 in accordance with the provisions of the Revenue Act of
5 1916 as amended.

6 Returns shall be . . . and taxes shall be paid under
7 Title I of such Act in Porto Rico or the Philippine Islands,
8 as the case may be, by (1) every individual who is a citizen
9 or resident of Porto Rico or the Philippine Islands or derives
10 income from sources therein, and (2) every corporation created
11 or organized in Porto Rico or the Philippine Islands or deriv-
12 ing income from sources therein. An individual who is
13 neither a citizen nor a resident of Porto Rico or the Philippine
14 Islands but derives income from sources therein shall be
15 taxed in Porto Rico or the Philippine Islands as
16 a nonresident alien individual, and a corporation
17 created or organized outside Porto Rico or the Philippine
18 Islands and deriving income from sources therein shall be
19 taxed in Porto Rico or the Philippine Islands as a foreign
20 corporation. For the purposes of section 216 and of paragraph
21 (6) of subdivision (a) of section 234 a tax imposed in Porto
22 Rico or the Philippine Islands upon the net income of a
23 corporation shall not be deemed to be a tax under this title.
24 The Porto Rican or Philippine Legislature shall have
25 power by due enactment to amend, alter, modify, or repeal

1 the income tax laws in force in Porto Rico or the Philippine
2 Islands, respectively.

3 [Section 301 of the proposed bill (H. R. 8245) provides:

107-4 ~~(a)~~ *Title III of the Revenue Act of 1918 is repealed, to
4 take effect January 1, 1922.]*

(108-4) ~~(b)~~ *If a corporation (other than a personal service
7 corporation) makes return for a fiscal year beginning in 1920
8 and ending in 1921, the war-profits and excess-profits tax
9 for the taxable year 1921 shall be the sum of: (1) the same
10 proportion of a tax for the entire period computed under the
11 Revenue Act of 1918 (as in force prior to the passage of this
12 Act) which the portion of such period falling within the
13 calendar year 1920 is of the entire period, and (2) the same
14 proportion of a tax for the entire period computed under
15 the Revenue Act of 1918 (as in force on December 31, 1921)
16 which the portion of such period falling within the calendar
17 year 1921 is of the entire period. Any amount heretofore
18 or hereafter paid on account of the tax imposed for such
19 taxable year by the Revenue Act of 1918 (as in force prior
20 to the passage of this Act) shall be credited toward the pay-
21 ment of the tax as above computed, and if the amount so
22 paid exceeds the amount of such tax, the excess shall be
23 credited or refunded to the corporation in accordance with
24 the provisions of section 252 of the Revenue Act of 1918.*

-25 ~~(c)~~ *If a corporation (other than a personal service
26 corporation) makes a return for a fiscal year beginning in*

1 1921 and ending in 1922, the war-profits and excess-profits
 2 tax for the portion of the year falling within the calendar
 3 year 1921 shall be an amount equivalent to the same propor-
 4 tion of a tax for the entire period computed under the Revenue
 5 Act of 1918 (as in force on December 31, 1921) which the
 6 portion of such period falling within the calendar year 1921

7 is of ~~the entire period.~~ (b)

8 [Section 201 of the proposed bill (H. R. 8245) provides:

108 — 9 This title shall take effect as of January 1, 1921, except
 10 sections 206, 207, 224, 237, 241, 242, 245, 250, and 903, and
 11 subdivision (b) of section 202 all of which shall take effect
 12 January 1, 1922.]

13 ~~TITLE III. WAR PROFITS AND EXCESS PROFITS~~

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 14 300, 301, 302, ^{TAX} 303, 304

15 ~~PART I. GENERAL DEFINITIONS.~~

16 ~~SEC. 200. That when used in this title the terms "tax-~~
 17 ~~able year," "fiscal year," "personal service corporation,"~~
 18 ~~"paid or accrued," and "dividends" shall have the same~~
 19 ~~meaning as provided for the purposes of income tax in sec-~~
 20 ~~tions 200 and 201. The first taxable year for the purposes of~~
 21 ~~this title shall be the same as the first taxable year for the~~
 22 ~~purposes of the income tax under Title II.~~

23 ~~PART II. IMPOSITION OF TAX.~~

24 ~~SEC. 201. (a) That in lieu of the tax imposed by Title II~~
 25 ~~of the Revenue Act of 1917, but in addition to the other~~

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1 taxes imposed by this Act, there shall be levied, collected,
 2 and paid for the taxable year 1918 upon the net income of
 3 every corporation a tax equal to the sum of the following:

4 ~~FIRST BRACKET.~~

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5 ²⁶⁸ 30 per centum of the amount of the net income in excess
 6 of the excess profits credit (determined under section 311) and
 7 not in excess of 30 per centum of the invested capital;

8 ~~SECOND BRACKET.~~

9 65 per centum of the amount of the net income in excess
 10 of 20 per centum of the invested capital;

11 ~~THIRD BRACKET.~~

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12 The sum, if any, by which 30 per centum of the amount
 13 of the net income in excess of the war profits credit (deter-
 14 mined under section 311) exceeds the amount of the tax com-
 15 puted under the first and second brackets.

16 (b) For the taxable year 1919 and each taxable year
 17 thereafter there shall be levied, collected, and paid upon the
 18 net income of every corporation (except corporations exempt
 19 under subdivision (c) of this section) a tax equal to the sum
 20 of the following:

21 ~~FIRST BRACKET.~~

22 30 per centum of the amount of the net income in excess
 23 of the excess profits credit (determined under section 311)
 24 and not in excess of 30 per centum of the invested capital;

~~SECOND BRACKET.~~

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2 ~~40 per centum of the amount of the net income in excess~~
3 ~~of 90 per centum of the invested capital.~~

4 ~~(c) For the taxable year 1919 and each taxable year~~
5 ~~thereafter there shall be levied, collected, and paid upon the~~
6 ~~net income of every corporation which derives in each year a~~
7 ~~net income of more than \$10,000 from any Government con-~~
8 ~~tract or contracts made between April 6, 1917, and Novem-~~
9 ~~ber 11, 1918, both dates inclusive, a tax equal to the sum of~~
10 ~~the following:~~

11 ~~(1) Such a portion of a tax computed at the rates speci-~~
12 ~~fied in subdivision (a) as the part of the net income attrib-~~
13 ~~utable to such Government contract or contracts bears to~~
14 ~~the entire net income. In computing such tax the excess~~
15 ~~profits credit and the war profits credit applicable to the~~
16 ~~taxable year shall be used;~~

17 ~~(2) Such a portion of a tax computed at the rates speci-~~
18 ~~fied in subdivision (b) as the part of the net income not~~
19 ~~attributable to such Government contract or contracts bears~~
20 ~~to the entire net income.~~

21 ~~For the purpose of determining the part of the net~~
22 ~~income attributable to such Government contract or con-~~
23 ~~tracts, the proper apportionment and allocation of the de-~~
24 ~~ductions with respect to gross income derived from such~~
25 ~~Government contract or contracts and from other sources,~~

1 respectively, shall be determined under rules and regulations
 2 prescribed by the Commissioner with the approval of the
 3 Secretary.

4 (d) In any case where the full amount of the excess
 5 profit credit is not allowed under the first bracket of all
 6 division (a) or (b), by reason of the fact that such credit is
 7 in excess of 90 per centum of the invested capital, the part
 8 not so allowed shall be deducted from the amount in the
 9 second bracket.

10 (e) For the purposes of the Act approved March 21, 1912,
 11 entitled "An Act to provide for the operation of transporta-
 12 tion systems while under Federal control, for the just
 13 compensation of their owners, and for other purposes," the
 14 tax imposed by this title shall be treated as levied by a
 15 Act in amendment of Title II of the Revenue Act of 1918.

16 Sec. 309. That the tax imposed by subdivision (a) of
 17 section 301 shall in no case be more than 90 per centum of the
 18 amount of the net income in excess of \$2,000 and not in excess
 19 of \$20,000, plus 90 per centum of the amount of the net income
 20 in excess of \$20,000; the tax imposed by subdivision (b)
 21 section 301 shall in no case be more than 90 per centum of the
 22 amount of the net income in excess of \$2,000 and not in excess
 23 of \$20,000, plus 40 per centum of the amount of the net income
 24 in excess of \$20,000; and the above limitations shall apply
 25 to the taxes computed under subdivisions (a) and (b) of section

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 1 ~~§41, respectively, when used in subdivision (c) of that sec-~~
 2 ~~tion. Nothing in this section shall be construed in such~~
 3 ~~manner as to increase the tax imposed by section 301,~~

4 ~~Sec. 303. That if part of the net income of a corporation~~
 5 ~~is derived (1) from a trade or business (or a branch of a~~
 6 ~~or business) in which the employment of capital is usual~~
 7 ~~and (2) a part (constituting not less than 50 per centum of a~~
 8 ~~total net income) is derived from a separate trade or business~~
 9 ~~(or a distinctly separate branch of the trade or business) which~~
 10 ~~if constituting the sole trade or business would bring it within~~
 11 ~~the class of "personal service corporations," then (in~~
 12 ~~regulations prescribed by the Commissioner with the approval~~
 13 ~~of the Secretary) the tax upon the first part of such net income~~
 14 ~~shall be separately computed (allowing in such computation~~
 15 ~~only the same proportionate part of the credits authorized in~~
 16 ~~sections 311 and 312), and the tax upon the second part shall~~
 17 ~~be the same percentage thereof as the tax so computed upon~~
 18 ~~the first part is of such first part: Provided, That the tax upon~~
 19 ~~such second part shall in no case be less than 50 per centum~~
 20 ~~thereof, unless the tax upon the entire net income, if com-~~
 21 ~~puted without benefit of this section, would constitute less~~
 22 ~~than 50 per centum of such entire net income, in which event~~
 23 ~~the tax shall be determined upon the entire net income,~~
 24 ~~without reference to this section, as other taxes are determined~~
 25 ~~under this title. The total tax computed under this section~~
 26 ~~shall be subject to the limitations provided in section 302.~~

1 ~~Sec. 304. (a) That the corporations enumerated in~~
2 ~~section 221 shall, to the extent that they are exempt from~~
3 ~~income tax under Title II, be exempt from taxation under this~~
4 ~~title.~~

5 ~~(b) Any corporation whose net income for the taxable~~
6 ~~year is less than \$3,000 shall be exempt from taxation under~~
7 ~~this title.~~

8 ~~(c) In the case of any corporation engaged in the mining~~
9 ~~of gold, the portion of the net income derived from the mining~~
10 ~~of gold shall be exempt from the tax imposed by this title;~~
11 ~~and the tax on the remaining portion of the net income shall~~
12 ~~be the proportion of a tax computed without the benefit of~~
13 ~~this subdivision which such remaining portion of the net~~
14 ~~income bears to the entire net income.~~

15 ~~Sec. 305. That if a tax is computed under this title for~~
16 ~~a period of less than twelve months, the specific exemption~~
17 ~~of \$3,000, wherever referred to in this title, shall be reduced~~
18 ~~to an amount which is the same proportion of \$3,000 as the~~
19 ~~number of months in the period is of twelve months.~~

20 ~~31 ✓~~ ~~Part III. — General.~~

21 ~~Sec. 310. That as used in this title the term "prewar~~
22 ~~period" means the calendar years 1911, 1912, and 1913, or,~~
23 ~~if a corporation was not in existence during the whole of such~~
24 ~~period, then as many of such years during the whole of which~~
25 ~~the corporation was in existence.~~

✓✓

1 ~~Sec. 811. (a) That the war profits credit shall consist~~
2 ~~of the sum of:~~

3 ~~(1) A specific exemption of \$3,000; and~~

4 ~~(2) An amount equal to the average net income of the~~
5 ~~corporation for the prewar period, plus or minus, as the case~~
6 ~~may be, 10 per centum of the difference between the average~~
7 ~~invested capital for the prewar period and the invested capital~~
8 ~~for the taxable year. If the tax is computed for a period of~~
9 ~~less than twelve months such amount shall be reduced to the~~
10 ~~same proportion thereof as the number of months in the period~~
11 ~~is of twelve months.~~

12 ~~(b) If the corporation had no net income for the prewar~~
13 ~~period, the amount computed under paragraph (2)~~
14 ~~shall not be less than 10 per centum of the invested~~
15 ~~capital for the taxable year, then the war profits credit shall~~
16 ~~be the amount~~

17 ~~(c) The amount of the credit shall not exceed \$3,000 per~~

18 ~~share of the common stock owned by the shareholder at the time~~

19 ~~of the taxable year.~~

20 ~~(d) The amount of the credit shall not exceed the amount~~

21 ~~of the credit available to the shareholder under this section~~

22 ~~for the taxable year.~~

23 ~~(e) The amount of the credit shall not exceed the amount~~

24 ~~of the credit available to the shareholder under this section~~

~~for the taxable year.~~

~~(f) The amount of the credit shall not exceed the amount~~

~~of the credit available to the shareholder under this section~~

~~for the taxable year.~~

~~(g) The amount of the credit shall not exceed the amount~~

~~of the credit available to the shareholder under this section~~

1 ~~The amount equal to the same percentage of the in-~~
2 ~~vested capital of the taxpayer for the taxable year or the aver-~~
3 ~~age percentage of net income to invested capital, for the prewar~~
4 ~~period, of corporations engaged in a trade or business of the~~
5 ~~same general class as that conducted by the taxpayer; but~~
6 ~~such amount shall in no case be less than 10 per centum of~~
7 ~~the invested capital of the taxpayer for the taxable year;~~
8 ~~Such average percentage shall be determined by the Com-~~
9 ~~missioner on the basis of data contained in returns made~~
10 ~~under Title II of the Revenue Act of 1917, and the average~~
11 ~~known as the median shall be used. If such average per-~~
12 ~~centage has not been determined and published at least~~
13 ~~days prior to the time when the return of the taxpayer is~~
14 ~~due, then for purposes of such return 10 per centum shall be~~
15 ~~used in lieu thereof; but such average percentage when~~
16 ~~determined shall be used for the purposes of section 250 in~~
17 ~~determining the correct amount of the tax.~~

18 (d) ~~The war profits credit shall be determined in the~~
19 ~~manner provided in subdivision (b) instead of in the manner~~
20 ~~provided in subdivision (c), in the case of any corporation~~
21 ~~which was not in existence during the whole of at least one~~
22 ~~calendar year during the prewar period, if (1) a majority of~~
23 ~~its stock at any time during the taxable year is owned or~~
24 ~~controlled, directly or indirectly, by a corporation which~~
25 ~~was in existence during the whole of at least one calendar~~

1 ~~year during the prewar period, or if (2) 50 per centum or~~
 2 ~~more of its gross income (as computed under section 232 for~~
 3 ~~income tax purposes) consists of gains, profits, commissions,~~
 4 ~~or other income, derived from a Government contract or con-~~
 5 ~~tracts made between April 6, 1917, and November 11, 1918,~~
 6 ~~both dates inclusive.~~

7 ~~(c) A foreign corporation shall not be entitled to a~~
 8 ~~specific exemption of \$3,000.~~

9 ~~Sec. 312. That the excess profits credit shall consist of a~~
 10 ~~specific exemption of \$3,000 plus an amount equal to 8 per~~
 11 ~~centum of the invested capital for the taxable year.~~

12 ~~A foreign corporation shall not be entitled to the specific~~
 13 ~~exemption of \$3,000.~~

14 ~~PART IV. NET INCOME.~~

15 ~~Sec. 320. (a) That for the purpose of this title the net~~
 16 ~~income of a corporation shall be ascertained and returned—~~

17 ~~(1) For the calendar years 1911 and 1912 upon the same~~
 18 ~~basis and in the same manner as provided in section 28 of the~~
 19 ~~Act entitled "An Act to provide revenue, equalize duties,~~
 20 ~~and encourage the industries of the United States, and for~~
 21 ~~other purposes," approved August 5, 1900, except that taxes~~
 22 ~~imposed by such section and paid by the corporation within~~
 23 ~~the year shall be included;~~

24 ~~(2) For the calendar year 1913 upon the same basis and~~
 25 ~~in the same manner as provided in Section II of the Act~~

1 entitled "~~An Act to reduce tariff duties and to provide revenue~~
 2 ~~for the Government, and for other purposes,~~" approved
 3 October 3, 1913, except that taxes imposed by section 80 of
 4 such Act of August 5, 1909, and paid by the corporation
 5 within the year shall be included, and except that the amounts
 6 received by it as dividends upon the stock or from the net
 7 earnings of other corporations subject to the tax imposed by
 8 Section II of such Act of October 3, 1913, shall be deducted;
 9 and

10 (8) ~~For the taxable year upon the same basis and in the~~
 11 ~~same manner as provided for income tax purposes in Title II~~
 12 ~~of this Act.~~

13 (b) ~~The average net income for the prowar period shall~~
 14 ~~be determined by dividing the number of years within that~~
 15 ~~period during the whole of which the corporation was in ex-~~
 16 ~~istence into the sum of the net income for such years, even~~
 17 ~~though there may have been no net income for one or more~~
 18 ~~of such years.~~

19 ~~Part V. Income Taxes.~~
 20 ~~Sec. 205. (a) The term "intangible property" means patents, copyrights,~~
 21 ~~rights, secret processes and formulas, good will, trade marks,~~
 22 ~~trade brands, franchises, and other like property;~~
 23 ~~The term "tangible property" means stocks, bonds,~~
 24 ~~notes, and other evidences of indebtedness, bills and accounts~~
 25

1 ~~receivable, leaseholds, and other property other than in-~~
2 ~~tangible property;~~

3 ~~The term "borrowed capital" means money or other~~
4 ~~property borrowed, whether represented by bonds, notes,~~
5 ~~open accounts, or otherwise;~~

6 ~~The term "inadmissible assets" means stocks, bonds,~~
7 ~~and other obligations (other than obligations of the United~~
8 ~~States), the dividends or interest from which is not included~~
9 ~~in computing net income, but where the income derived from~~
10 ~~such assets consists in part of gain or profit derived from the~~
11 ~~sale or other disposition thereof, or where all or part of the~~
12 ~~interest derived from such assets is in effect included in the~~
13 ~~net income because of the limitation on the deduction of~~
14 ~~interest under paragraph (9) of subdivision (a) of section 206,~~
15 ~~a corresponding part of the capital invested in such assets~~
16 ~~shall not be deemed to be inadmissible assets;~~

17 ~~The term "admissible assets" means all assets other than~~
18 ~~inadmissible assets, valued in accordance with the provisions~~
19 ~~of subdivision (a) of section 206, section 209, and section 210.~~

20 ~~(b) For the purposes of this title, the par value of,~~
21 ~~or shares shall, in the case of stock or shares issued at a~~
22 ~~value or having no par value, be deemed to be the fair~~
23 ~~value as of the date or dates of issue of such stock or shares.~~

24 ~~Sec. 206. (a) That as used in this title the term~~
25 ~~"vested capital" for any year means (except as provided in~~
26 ~~subdivisions (b) and (c) of this section):~~

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

...paid in for stock or
...not exceed
...at the time
...issued thereby
...of the par value of the
...outstanding at the
...of the taxable year, whichever is lowest. Pro-
15 vide, that in no case shall the total amount included under
16 paragraph (4) and (5) exceed in the aggregate 25 per centum
17 of the par value of the total stock or shares of the corporation
18 outstanding at the beginning of the taxable year, but

19 (b) As used in this title the term "invested capital"
20 does not include borrowed capital.

21 (c) There shall be deducted from invested capital as
22 above defined a percentage thereof equal to the percentage
23 which the amount of inadmissible assets is of the amount
24 of admissible and inadmissible assets held during the taxable
25 year.

2 20
 1 ~~(d) The invested capital for any period shall be the~~
 2 ~~average invested capital for such period, but in the case of a~~
 3 ~~corporation making a return for a fractional part of a year,~~
 4 ~~it shall (except for the purpose of paragraph (2) of subdivi-~~
 5 ~~vision (a) of section 311) be the same fractional part of such~~
 6 ~~average invested capital.~~

7 The average invested capital for the prewar period shall
 8 be determined by dividing the number of years within that
 9 period during the whole of which the corporation was in
 10 existence into the sum of the average invested capital for such
 11 years.

12 ~~Sec. 327. That in the following cases the tax shall be~~
 13 ~~determined as provided in section 328:~~

14 ~~(a) Where the Commissioner is unable to determine the~~
 15 ~~invested capital as provided in section 326;~~

16 ~~(b) In the case of a foreign corporation;~~

17 ~~(c) Where a mixed aggregate of tangible property and~~
 18 ~~intangible property has been paid in for stock or for stock~~
 19 ~~and bonds and the Commissioner is unable satisfactorily to~~
 20 ~~determine the respective values of the several classes of prop-~~
 21 ~~erty at the time of payment, or to distinguish the classes of~~
 22 ~~property paid in for stock and for bonds, respectively;~~

23 ~~(d) Where upon application by the corporation the Com-~~
 24 ~~missioner finds and so declares of record that the tax if deter-~~

1 ~~mined without benefit of this section would, owing to abnor-~~
2 ~~mal conditions affecting the capital or income of the corpora-~~
3 ~~tion, work upon the corporation an exceptional hardship~~
4 ~~evidenced by gross disproportion between the tax computed~~
5 ~~without benefit of this section and the tax computed by refer-~~
6 ~~ence to the representative corporations specified in section~~
7 ~~828. This subdivision shall not apply to any case (1) in~~
8 ~~which the tax (computed without benefit of this section) is~~
9 ~~high merely because the corporation earned within the~~
10 ~~taxable year a high rate of profit upon a normal invested~~
11 ~~capital, nor (2) in which 50 per centum or more of the gross~~
12 ~~income of the corporation for the taxable year (computed~~
13 ~~under section 223 of Title 11) consists of gains, profits, com-~~
14 ~~missions, or other income, derived on a cost plus basis from a~~
15 ~~Government contract or contracts made between April 6,~~
16 ~~1917, and November 11, 1918, both dates inclusive.~~

17 ~~Sec. 828. (a) In the cases specified in section 827 the~~
18 ~~tax shall be the amount which bears the same ratio to the~~
19 ~~net income of the taxpayer (in excess of the specific exemption~~
20 ~~of \$3,000) for the taxable year, as the average tax of repre-~~
21 ~~sentative corporations engaged in a like or similar trade or~~
22 ~~business, bears to their average net income (in excess of the~~
23 ~~specific exemption of \$3,000) for such year. In the case of a~~
24 ~~foreign corporation the tax shall be computed without de-~~

~~ducting the specific exemption of \$3,000 either for the taxpayer or the representative corporations.~~

~~In computing the tax under this section the Commissioner shall compare the taxpayer only with representative corporations whose invested capital can be satisfactorily determined under section 326 and which are, as nearly as may be, similarly circumstanced with respect to gross income, net income, profits per unit of business transacted and capital employed, the amount and rate of war profits or excess profits, and all other relevant facts and circumstances.~~

~~(b) For the purposes of subdivision (a) the ratios between the average tax and the average net income of representative corporations shall be determined by the Commissioner in accordance with regulations prescribed by him with the approval of the Secretary.~~

~~In cases in which the tax is to be computed under this section, if the tax as computed without the benefit of this section is less than 50 per centum of the net income of the taxpayer, the installments shall in the first instance be computed upon the basis of such tax; but if the tax as computed is 50 per centum or more of the net income, the installments shall in the first instance be computed upon the basis of a tax equal to 50 per centum of the net income. In any case, the actual ratio when ascertained shall be used in determining the correct amount of the tax. If the correct~~

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1 amount of the tax when determined
2 of the net income, any amount of the tax
3 over the amounts actually paid shall
4 be paid together with interest at the
5 centum per month on such excess
6 ment was due.

7 (c) The Commissioner shall keep a record
8 which the tax is determined in the amount
9 subdivision (a), containing the name and
10 taxpayer, the business in which engaged,
11 invested capital and net income during
12 the amount of invested capital in
13 subdivision. The Commissioner shall maintain
14 record and other detailed information in
15 cases when required by resolution of the
16 gross, without regard to the statute
17 957.

18 ~~PART VI. PARTIAL CONSOLIDATION~~

19 ~~Sec. 880. That in the case of~~

20 consolidation, or change of ownership of
21 a trade or business now carried on by a corporation
22 portion shall for the purposes of this title
23 been in existence prior to that date, and
24 invested capital of such predecessor trade or business
25 or any part of the prewar period prior to the

~~any trade or business shall be deemed to be carried on by a partnership or individual the net income for the prowar period shall, under regulations prescribed by the Commis-~~

~~sioner with the approval of the Secretary, be ascertained and returned as nearly as may be upon the same basis and in the same manner as provided for corporations in Title II, including a reasonable deduction for salary or compensation to each partner or the individual for personal services actually rendered.~~

18 In the case of the organization as a corporation before
14 July 1, 1918, of any trade or business in which capital is a
15 material income producing factor and which was previously
16 owned by a partnership or individual, the net income of
17 such trade or business from January 1, 1918, to the date of
18 such reorganization may at the option of the individual or
19 partnership be taxed as the net income of a corporation in
20 taxed under Titles II and III, in which event the net income
21 and invested capital of such trade or business shall be com-
22 puted as if such corporation had been in existence on and
23 after January 1, 1918, and the undistributed profits or earn-
24 ings of such trade or business shall not be subject to the surtax
25 imposed in section 211, but amounts distributed on or after

1 ~~January 1, 1918, from the earnings of such trade or business~~
2 ~~shall be taxed to the recipients as dividends, and all the provi-~~
3 ~~sions of Titles II and III relating to corporations shall so far~~
4 ~~as practicable apply to such trade or business: *Provided,*~~
5 ~~That this paragraph shall not apply to any trade or business~~
6 ~~the net income of which for the taxable year 1918 was less~~
7 ~~than 20 per centum of its invested capital for such year:~~
9 ~~*Provided further,* That any taxpayer who takes advantage~~
8 ~~of this paragraph shall pay the tax imposed by section 1600~~
10 ~~of this Act and by the first subdivision of section 407 of the~~
11 ~~Revenue Act of 1916, as if such taxpayer had been a corpora-~~
12 ~~tion on and after January 1, 1918, with a capital stock having~~
13 ~~no par value.~~

14 ~~If any asset of the trade or business in existence both~~
15 ~~during the taxable year and any prewar year is included in~~
16 ~~the invested capital for the taxable year but is not included~~
17 ~~in the invested capital for such prewar year, or is valued on~~
18 ~~a different basis in computing the invested capital for the~~
19 ~~taxable year and such prewar year, respectively, then under~~
20 ~~rules and regulations to be prescribed by the Commissioner~~
21 ~~with the approval of the Secretary such readjustments shall~~
22 ~~be made as are necessary to place the computation of the~~
23 ~~invested capital for such prewar year on the basis employed~~
24 ~~in determining the invested capital for the taxable year.~~

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 1 ~~Sec. 334. In the case of the reorganization, consolida-~~
 2 ~~tion, or change of ownership of a trade or business, or change~~
 3 ~~of ownership of property, after March 3, 1917, if an interest~~
 4 ~~or control in such trade or business or property of 50 per~~
 5 ~~centum or more remains in the same persons, or any of them,~~
 6 ~~then no asset transferred or received from the previous owner~~
 7 ~~shall, for the purpose of determining invested capital, be~~
 8 ~~allowed a greater value than would have been allowed under~~
 9 ~~this title in computing the invested capital of such previous~~
 10 ~~owner if such asset had not been so transferred or received:~~
 11 ~~Provided, That if such previous owner was not a corporation,~~
 12 ~~then the value of any asset so transferred or received shall be~~
 13 ~~taken at its cost of acquisition (at the date when acquired by~~
 14 ~~such previous owner) with proper allowance for depreciation,~~
 15 ~~impairment, betterment or development, but no addition to~~
 16 ~~the original cost shall be made for any charge or expenditure~~
 17 ~~deducted as expense or otherwise on or after March 1, 1918, in~~
 18 ~~computing the net income of such previous owner for purposes~~
 19 ~~of taxation.~~

20 ~~335(a)(6) PART VII. MISCELLANEOUS: 336, 337, 338~~
 21 ~~Sec. 335. (a) That if a corporation (other than a per-~~
 22 ~~sonal service corporation) makes return for a fiscal year be-~~
 23 ~~ginning in 1917 and ending in 1918, the tax for the first~~
 24 ~~taxable year under this title shall be the sum of: (1) the~~
 25 ~~same proportion of a tax for the entire period computed under~~

1 ~~Title II of the Revenue Act of 1917 which the portion of~~
2 ~~such period falling within the calendar year 1917 is of the~~
3 ~~entire period, and (2) the same proportion of a tax for the~~
4 ~~entire period computed under this title at the rates specified~~
5 ~~in subdivision (a) of section 301 which the portion of such~~
6 ~~period falling within the calendar year 1918 is of the entire~~
7 ~~period. Any amount heretofore or hereafter paid on ac-~~
8 ~~count of the tax imposed for such fiscal year by Title II of~~
9 ~~the Revenue Act of 1917 shall be credited toward the pay-~~
10 ~~ment of the tax imposed for such fiscal year by this title, and~~
11 ~~if the amount so paid exceeds the amount of the tax imposed~~
12 ~~by this title, the excess shall be credited or refunded to the~~
13 ~~corporation in accordance with the provisions of section 252.~~

14 ~~(b) If a corporation makes return for a fiscal year begin-~~
15 ~~ning in 1918 and ending in 1919, the tax for such fiscal year~~
16 ~~under this title shall be the sum of: (1) the same proportion~~
17 ~~of a tax for the entire period computed under subdivision (a)~~
18 ~~of section 301 which the portion of such period falling within~~
19 ~~the calendar year 1918 is of the entire period, and (2) the same~~
20 ~~proportion of a tax for the entire period computed under sub-~~
21 ~~division (b) or (c) of section 301 which the portion of such~~
22 ~~period falling within the calendar year 1919 is of the entire~~
23 ~~period.~~

24 ~~(c) If a partnership or a personal service corporation~~
25 ~~makes return for a fiscal year beginning in 1917 and ending~~

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1 in 1918, it shall pay the same proportion of a tax for any
2 period computed under Title II of the Revenue Act of 1918
3 which the portion of such period falling within the tax
4 year 1917 is of the entire period.

5 Any tax paid by a partnership or person or cor-
6 poration for any period beginning on or after January 1, 1918,
7 shall be immediately refunded to the partnership or person or cor-
8 poration as a tax erroneously or illegally collected.

9 ~~Sec. 286.~~ That every corporation, not an
10 section 804, shall make a return for the purpose of
11 such returns shall be made, and the taxes imposed by
12 title shall be paid, at the same times and places, in the
13 manner, and subject to the same conditions, as in
14 in the case of returns and payment of income tax
15 tions for the purpose of Title II, and all the provisions
16 that title not inapplicable, including provisions made
17 made applicable to the taxes imposed by this title.

18 ~~Sec. 287.~~ That in the case of a lease of
19 oil or gas wells, or any interest therein, the value of the
20 value of the property has been determined by the
21 or exploration and discovery work done by the
22 portion of the tax imposed by this title shall not
23 rate shall not exceed 50 per centum of the value of
24 such property or interest.

TITLE IV.—ESTATE TAX.

400
SEC. 400. That when used in this title—

The term "executor" means the executor or administrator of the decedent, or, if there is no executor or administrator, any person who takes possession of any property of the decedent; and

The term "collector" means the collector of internal revenue of the district in which was the domicile of the decedent at the time of his death, or, if there was no such domicile in the United States, then the collector of the district in which is situated the part of the gross estate of the decedent in the United States, or, if such part of the gross estate is situated in more than one district, then the collector of internal revenue of such district as may be designated by the Commissioner.

401
SEC. 401. That (in lieu of the tax imposed by Title II of the Revenue Act of 1916, as amended, and in lieu of the tax imposed by Title IX of the Revenue Act of 1917) a tax equal to the sum of the following percentages of the value of the net estate (determined as provided in section 403) is hereby imposed upon the transfer of the net estate of every decedent dying after the passage of this Act, whether a resident or nonresident of the United States:

1 per centum of the amount of the net estate not in excess of \$50,000;

1 2 per centum of the amount by which the net estate
2 exceeds \$50,000 and does not exceed \$150,000;

3 3 per centum of the amount by which the net estate
4 exceeds \$150,000 and does not exceed \$250,000;

5 4 per centum of the amount by which the net estate
6 exceeds \$250,000 and does not exceed \$450,000;

7 6 per centum of the amount by which the net estate
8 exceeds \$450,000 and does not exceed \$750,000;

9 8 per centum of the amount by which the net estate
10 exceeds \$750,000 and does not exceed \$1,000,000;

11 10 per centum of the amount by which the net estate
12 exceeds \$1,000,000 and does not exceed \$1,500,000;

13 12 per centum of the amount by which the net estate
14 exceeds \$1,500,000 and does not exceed \$2,000,000;

15 14 per centum of the amount by which the net estate
16 exceeds \$2,000,000 and does not exceed \$3,000,000;

17 16 per centum of the amount by which the net estate
18 exceeds \$3,000,000 and does not exceed \$4,000,000;

19 18 per centum of the amount by which the net estate
20 exceeds \$4,000,000 and does not exceed \$5,000,000;

21 20 per centum of the amount by which the net estate
22 exceeds \$5,000,000 and does not exceed \$8,000,000;

23 22 per centum of the amount by which the net estate
24 exceeds \$8,000,000 and does not exceed \$10,000,000; and

1 25 per centum of the amount by which the net estate
2 exceeds \$10,000,000.

3 The taxes imposed by this title or by Title II of the
4 Revenue Act of 1916 (as amended by the Act entitled "An
5 Act to provide increased revenue to defray the expenses of
6 the increased appropriations for the Army, Navy and the
7 extensions of fortifications, and for other purposes," approved
8 March 3, 1917) or by Title IX of the Revenue Act of 1917,
9 shall not apply to the transfer of the net estate of any dece-
10 dent who has died or may die while serving in the military
11 or naval forces of the United States in the present war or
12 from injuries received or disease contracted while in such
13 service, and any such tax collected upon such transfer shall
14 be refunded to the executor.

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15 ⁴⁰² SEC. 402. That the value of the gross estate of the de-
16 cedent shall be determined by including the value at the
17 time of his death of all property, real or personal, tangible or
18 intangible, wherever situated--

(a)
19 (a) To the extent of the interest therein of the decedent
20 at the time of his death which after his death is subject to
21 the payment of the charges against his estate and the expenses
22 of its administration and is subject to distribution as part of
23 his estate;

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24 (b) To the extent of any interest therein of the surviving
25 spouse, existing at the time of the decedent's death as dower.

1 courtesy, or by virtue of a statute creating an estate in lieu
2 of dower or courtesy:

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3 (c) To the extent of any interest therein of which the
4 decedent has at any time made a transfer, or with respect to
5 which he has at any time created a trust, in contemplation
6 of or intended to take effect in possession or enjoyment at or
7 after his death (whether such transfer or trust is made or
8 created before or after the passage of this Act), except in case
9 of a bona fide sale for a fair consideration in money or money's
10 worth. Any transfer of a material part of his property in
11 the nature of a final disposition or distribution thereof, made
12 by the decedent within two years prior to his death without
13 such a consideration, shall, unless shown to the contrary, be
14 deemed to have been made in contemplation of death within
15 the meaning of this title:

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16 ~~(d) To the extent of the interest therein held jointly or~~
17 ~~as tenants in the entirety by the decedent and any other per-~~
18 ~~son, or deposited in banks or other institutions in their joint~~
19 ~~names and payable to either or the survivor, except such part~~
20 ~~thereof as may be shown to have originally belonged to such~~
21 ~~other person and never to have belonged to the decedent;~~

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22 (d) To the extent of the interest therein held jointly
23 or as tenants in the entirety by the decedent and any other
24 person, or deposited in banks or other institutions in their
25 joint names and payable to either or the survivor, except such

1 part thereof as may be shown to have originally belonged to
 2 such other person and never to have been received or acquired
 3 by the latter from the decedent for less than a fair considera-
 4 tion in money or money's worth: Provided, That where such
 5 property or any part thereof, or part of the consideration with
 6 which such property was acquired, is shown to have been at
 7 any time acquired by such other person from the decedent for
 8 less than a fair consideration in money or money's worth,
 9 there shall be excepted only such part of the value of such
 10 property as is proportionate to the consideration furnished by
 11 such other person: Provided further, That where any property
 12 has been acquired by gift, bequest, devise, or inheritance, as
 13 a tenancy in the entirety by the decedent and spouse, or
 14 where so acquired by the decedent and any other person as
 15 joint tenants and their interests are not otherwise specified
 16 or fixed by law, then to the extent of one-half of the value
 17 thereof.

27 18 (e) To the extent of any property passing under a general
 28 19 power of appointment exercised by the decedent (1) by will,
 20 or (2) by deed executed in contemplation of, or intended to
 21 take effect in possession or enjoyment at or after, his death,
 22 except in case of a bona fide sale for a fair consideration in
 23 money or money's worth; and

24 (f) To the extent of the amount receivable by the execu-
 25 tor as insurance under policies taken out by the decedent upon

1 the estate shall be the
2 the amount received by
3 under policies, annuities, or

4 Sec. 2057. That the value of
109 5 the net estate shall be determined

6 (a) In the case of a resident, the value of
7 value of the gross estate—

8 (1) Such amounts for funeral expenses, as

287 9 expenses, claims against the estate, legal fees
10 incurred during the settlement of the estate resulting from
11 storms, shipwreck, or other casualty, or from theft, where
12 such losses are not compensated for by insurance or otherwise,
13 and such amounts reasonably required and actually
14 expended for the support during the settlement of the estate
15 of those dependent upon the decedent, as are allowed by the
16 laws of the jurisdiction, whether within or without the
17 United States, under which the estate is being administered,
18 but not including any income taxes upon income received
19 after the death of the decedent, or any estate, succession,
20 legacy, or inheritance taxes;

109 21 ~~(b) An amount equal to the value at the time of the~~
22 ~~decedent's death of any property, real, personal, or mixed,~~
23 ~~which can be identified as having been received by the~~
24 ~~decedent or a share in the estate of any person who died~~
25 ~~within five years prior to the death of the decedent, or which~~

1 ~~can be identified as having been acquired by the decedent~~
 2 ~~in exchange for property so received, if an estate tax under~~
 3 ~~the Revenue Act of 1917 or under this Act was collected~~
 4 ~~from such estate, and if such property is included in the~~
 5 ~~decedent's gross estate;~~

109 6 ⁽²⁾
 (2) An amount equal to the value of any property form-
 7 ing a part of the gross estate of any person who died within
 8 five years prior to the death of the decedent where such prop-
 9 erty can be identified as having been received by the decedent
 10 from such prior decedent by gift, bequest, devise, or inherit-
 11 ance, or which can be identified as having been acquired in
 12 exchange for property so received: Provided, That this deduc-
 13 tion shall be allowed only where an estate tax under the Rev-
 14 enue Act of 1917 or this Act was paid by or on behalf of the
 15 estate of such prior decedent, and only in the amount of the
 16 value placed by the Commissioner on such property in deter-
 17 mining the value of the gross estate of such prior decedent, and
 18 only to the extent that the value of such property is included
 19 in the decedent's gross estate and not deducted under para-
 20 graphs (1) or (3) of subdivision (a) of this section;

7 21 ⁽³⁾
 (3) The amount of all bequests, legacies, devises, or gifts,
 22 to or for the use of the United States, any State, Territory, any
 23 political subdivision thereof, or the District of Columbia, for
 24 exclusively public purposes or to or for the use of any corpora-
 25 tion organized and operated exclusively for religious, char-

for religious, scientific, literary, or educational purposes, including the preservation of art and the prevention of cruelty to children or animals, no part of the net earnings of which are to be paid to the benefit of any private stockholder or individual, and which are owned or trustees exclusively for such religious, charitable, scientific, literary, or educational purposes. This deduction shall be made in case of the estates of all decedents

who died since December 31, 1917: and

the amount of the exemption of \$50,000:

in the case of a nonresident, by deducting from the gross estate that part of his gross estate which at the time of his death was situated in the United States—

the proportion of the deductions specified in paragraph (c) of this section which the value of the property situated in the United States bears to the value of his entire gross estate, wherever situated; and if the amount so deducted exceed the value of that part of his gross estate which was situated in the United States;

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 the amount of the deductions specified in paragraph (c) of this section which the value of the property, such as personal, or mixed, or real estate, having been received by the decedent, or the estate of any person who died before the death of the decedent, or which had been received by the decedent in

1. ~~the value of the property so received, if an estate tax under the~~
2. ~~Act of 1917 or under this Act was collected from~~
3. ~~such estate, and if such property is included in that part of the~~
4. ~~gross estate which at the time of his death is~~
5. ~~located in the United States, and~~

6. ~~the value of such property shall be equal to the value of any property form-~~
7. ~~ed by such estate of any person who died within~~
8. ~~the United States, the death of the decedent where such prop-~~
9. ~~erty was so received having been received by the decedent~~
10. ~~from a prior decedent by gift, bequest, devise, or inher-~~
11. ~~itance, or which can be identified as having been acquired in~~
12. ~~exchange for property so received: Provided, That this de-~~
13. ~~duction shall be allowed only where an estate tax under the~~
14. ~~Act of 1917 or this Act was paid by or on behalf~~
15. ~~of such prior decedent, and only in the amount~~
16. ~~allowed by the Commissioner on such property~~
17. ~~in the estate of such prior decedent of the gross estate of such prior~~
18. ~~decedent, but only to the extent that the value of such prop-~~
19. ~~erty was included in that part of the decedent's gross estate~~
20. ~~located in the United States, the District of Columbia, or any~~
21. ~~possession, territory, or subdivision of the United States,~~
22. ~~and that such property was received by the decedent by gift,~~
23. ~~bequest, devise, or inheritance, or which can be identified as~~
24. ~~having been acquired in exchange for property so received, and~~
25. ~~that such property was located in the United States, the District of~~
26. ~~Columbia, or any possession, territory, or subdivision of the~~

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1 for exclusively public purposes, or to or for the use of any
 2 domestic corporation organized and operated exclusively for
 3 religious, charitable, scientific, literary, or educational pur-
 4 poses, including the encouragement of art and the preven-
 5 tion of cruelty to children or animals, no part of the net
 6 earnings of which inures to the benefit of any private stock-
 7 holder or individual, or to a trustee or trustees exclusively
 8 for such religious, charitable, scientific, literary, or educa-
 9 tional purposes within the United States. This deduction
 10 shall be made in case of the estates of all decedents who have
 11 died since December 31, 1917, and.

12 No deduction shall be allowed in the case of a
 13 resident unless the executor includes in the return required
 14 to be filed under section 406 the value at the time of the
 15 death of that part of the gross estate of the decedent
 16 situated in the United States.

17 For the purpose of this title, stock in a domestic cor-
 18 poration owned and held by a nonresident alien decedent, the
 19 amount receivable on the death of such decedent, whether or not
 20 such decedent was the owner of such stock at the time of his
 21 death, shall be deemed property within the United States, if such
 22 property of which the decedent has died is a part of the gross
 23 estate of such decedent, and if such decedent, in respect to
 24 such stock, has created a trust, within the meaning of
 25 subdivision (c) of section 401, which is deemed to be situated
 in the United States, if or when the same is situated in the

1 the transfer or the creation of the trust, or at the time of the
2 decedent's death.

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3 The amount receivable as insurance upon the life of
4 a nonresident decedent, and any moneys deposited in any
5 bank, banking institution or trust company in the United
6 States, by or for a nonresident decedent who was not en-
7 gaged in business in the United States at the time of his
8 death, shall, for the purpose of this title, be deemed prop-
9 erty in the United States.

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10 [redacted] commissioned and serving under
11 boards of [redacted] of the various religious denomina-
12 tions [redacted] States, dying while in the foreign mis-
13 sionary service of such boards, shall not, by reason merely
14 of their intention to permanently remain in such foreign
15 service, be deemed nonresidents of the United States, but
16 shall be presumed to be residents of the State, the District of
17 Columbia, or the Territories of Alaska or Hawaii wherein
18 they respectively resided at the time of their commission and
19 their departure for such foreign service.

20 In the case of any estate in respect to which the tax
21 under existing law has been paid, if necessary to allow the
22 benefit of the deduction under paragraph (3) of subdivision
23 (a) or (b) the tax shall be redetermined and any excess of tax
24 paid shall be refunded to the executor.

1 Sec. 404. That the executor, within sixty days after
2 qualifying as such, or after coming into possession of any
3 property of the decedent, whichever event first occurs, shall
4 give written notice thereof to the collector. The executor
5 shall also, at such times and in such manner as may be re-
6 quired by regulations made pursuant to law, file with the
7 collector a return under oath in duplicate, setting forth
8 (a) the value of the gross estate of the decedent at the time
9 of his death, or, in case of a nonresident, of that part of his
10 gross estate situated in the United States; (b) the deductions
11 allowed under section 403; (c) the value of the net estate
12 of the decedent as defined in section 403; and (d) the tax
13 paid or payable thereon; or such part of such information as
14 may at the time be ascertainable and such supplemental data
15 as may be necessary to establish the correct tax.

16 Return shall be made in all cases where the gross estate
17 at the death of the decedent exceeds \$50,000, and in the case
18 of the estate of every nonresident any part of whose gross
19 estate is situated in the United States. If the executor is
20 unable to make a complete return as to any part of the
21 estate of the decedent, he shall include in his return
22 a description of such part and the name of every person
23 a legal or beneficial interest therein, and give to
24 the collector such person shall in the manner and
25 as to such part of the gross estate. The collector

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... shall be
... such part of the gross estate of the
... in excess of \$20,000 of such
... If there is no such
... the executor shall be entitled to recover
... in the same ratio.

... That unless the tax is actually paid in full, it
shall be a lien for ten years upon the gross estate of the de-
cedent, except that such part of the gross estate as is used for
the payment of charges against the estate and expenses of its
administration, allowed by any court having jurisdiction
thereof, shall be divested of such lien. If the Commissioner
is satisfied that the tax liability of an estate has been fully
discharged or provided for, he may, under regulations pro-

1 scribed by him with the approval of the Secretary, issue his
2 certificate releasing any or all property of such estate from
3 the lien herein imposed.

4 If (a) the decedent makes a transfer, or creates a trust
5 with respect to, any property in contemplation of or intended
6 to take effect in possession or enjoyment at or after his death
7 (except in the case of a bona fide sale for a fair consideration in
8 money or money's worth) or (b) if insurance passes under a
9 contract executed by the decedent in favor of a specific bene-
10 ficiary, and if in either case the tax in respect thereto is not
11 paid when due, then the transferee, trustee, or beneficiary
12 shall be personally liable for such tax, and such property, to
13 the extent of the decedent's interest therein at the time of
14 such transfer, to the extent of such beneficiary's interest
15 under such contract of insurance, shall be subject to a like lien
16 equal to the amount of such tax. Any part of such property
17 sold by such transferee or trustee to a bona fide purchaser for a
18 fair consideration in money or money's worth shall be divested
19 of the lien and a like lien shall then attach to all the property
20 of such transferee or trustee, except any part sold to a bona fide
21 purchaser for a fair consideration in money or money's worth

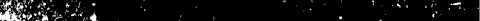
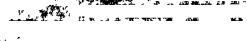
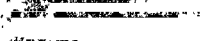
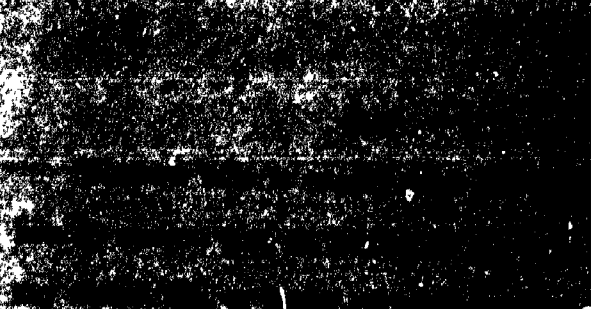
22 **SEC. 510.** That whoever knowingly makes any false
23 statement in any notice or return required to be filed under
24 this title shall be liable to a penalty of not exceeding \$5,000,
25 or imprisonment not exceeding one year, or both.

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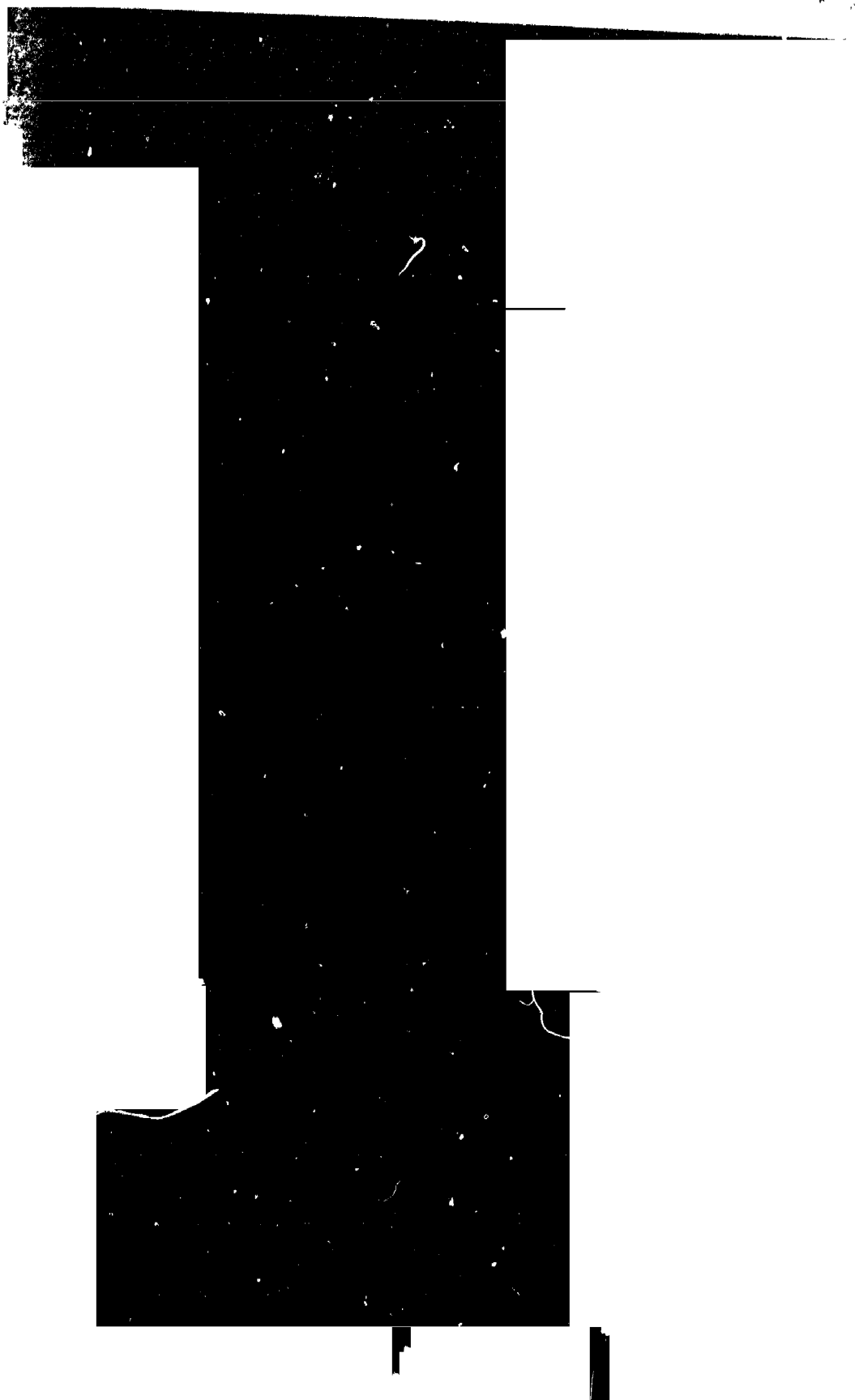
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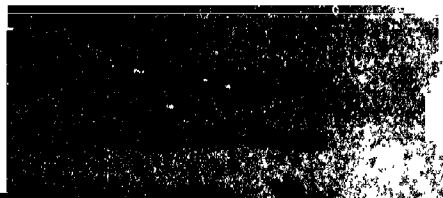
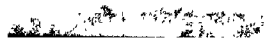
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1 water or by any form of transportation
2 competition with the service of
3 freight transportation by
4 another mode of transportation
5 provided such transportation
6 from any point in the State
7 the United States
8
9 of the State
10 or after the expiration of
11 charter of such transportation
12 or water transportation
13 transportation by
14 and a line of transportation
15 with a line of transportation
16 points in the State
17 States
18 (c) such transportation
19 for the transportation of
20 or water transportation
21 regular transportation
22 by rail or water transportation
23 another mode of transportation
24 ticket for such transportation
25 not included in such transportation





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any amount of tax shall be paid in advance of the amount of the tax imposed by this section. If the tax is paid in advance, it shall not be refundable until the tax has been paid and such payment evidenced on the ticket in such manner as the Commissioner, with the approval of the Secretary, may by regulation prescribe.

10 [Repeal of above subdivision (b) to take effect January
11 1, 1932.]

12 [Section 501 (b) of the proposed bill (H. R. 2245) pro-
13 vides:

14 Under regulations prescribed by the Commissioner, with
15 the approval of the Secretary, there shall be such of the pro-
16 portionate part of tax collected on tickets or exchange books
17 purchased and only partially used before January 1, 1932.]

18 (c) The term imposed by section 501 shall apply to all
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any tax imposed by section 41 of section 245 shall apply to such services or facilities only as are actually rendered by it for hire. Nothing in this or the preceding section shall be construed as imposing a tax (1) upon the transportation of any commodity which is necessary for the use of the carrier in the conduct of its business as such and is intended to be so used or has been so used; or (2) upon the transportation of company material transported by one carrier, which is not a part of a railroad system, for another carrier which is also a part of the same system.

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(3) The tax imposed by section 41 of section 245 shall apply to such transportation of company material as is not company material as defined in section 245 of the Internal Revenue Code, or to any other material transported by a carrier which is not a part of a railroad system, or to any other material transported by a carrier which is not a part of a railroad system.

1 computed (b) (5) - (D) - (i) - (i) - (i)

2 computed (b) (5) - (D) - (i) - (i) - (i)

3 lines for the purpose of this section

4 (B) if no such return is filed

5 charge for such return

6 minimum

7 [Report of this section]

8 effect January 1, 1983

9 Sec. 607. This section

10 referred to in section 607

11 if any, however, the amount

12 payments and the amount

13 duplicate, and pay the amount

14 upon it under section 607

15 collector of the amount

16 of banking

17 (a) on the amount

18 of such amount

19 referred to in section 607

20 transferred

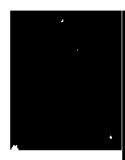
21 (b) on the amount

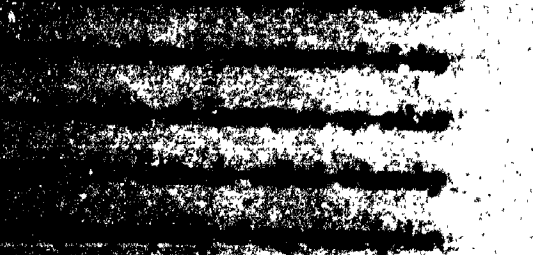
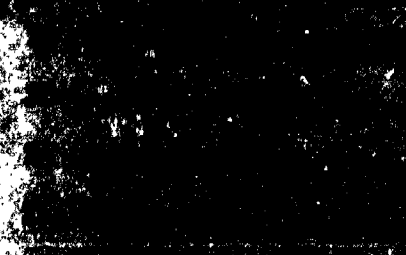
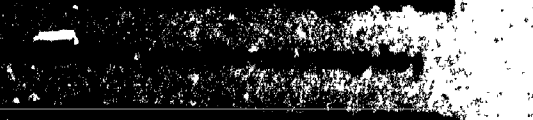
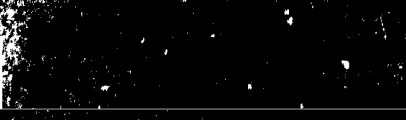
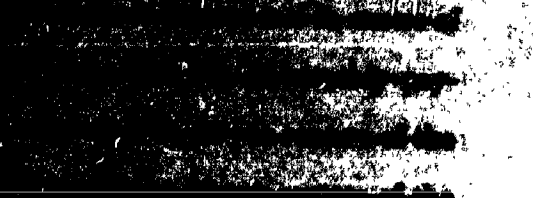
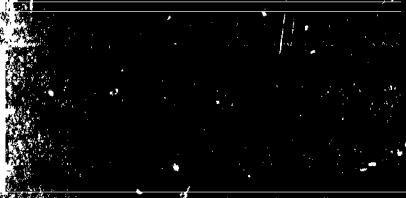
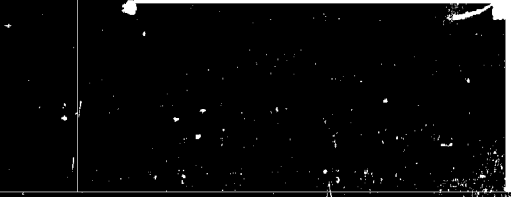
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1. ... by one or
 2. ... other party;
 3. ... 12 1/2 cent on
 4. ... premium charged
 5. ... of the nature
 6. ... liability (except bonds and
 7. ... of Schedule A of Title
 8. ... by any person transacting
 9. ... liability, workmen's compensation,
 10. ... boiler, elevator,
 11. ... automobile, or other branch
 12. ... and insurances described
 13. ... (preceding subdivision); Provided, That
 14. ... issued on the industrial or
 15. ... the tax shall be 40 per
 16. ... of the first weekly premium or 50 per
 17. ... of the first monthly premium, or the
 18. ...
 19. ... operation enumerated in
 20. ... shall be exempt from
 21. ...
 22. ...
 23. ...
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 25. ...

1 principal office or place of business of such person is located.
 2 Such returns shall contain such information and be made
 3 at such times and in such manner as the Commissioner, with
 4 the approval of the Secretary, may by regulation prescribe.

5 ~~The tax shall, without assessment by the Commissioner~~
 6 ~~or notice from the collector, be due and payable to the collector~~
 7 ~~at the time so fixed for filing the return. If the tax is not~~
 8 ~~paid when due, there shall be added as part of the tax a~~
 9 ~~penalty of 5 per centum, together with interest at the rate~~
 10 ~~of 1 per centum for each full month, from the time when the~~
 11 ~~tax became due.~~

12 [Repeal of above sections 503 and 504 to take effect
 13 January 1, 1922.]

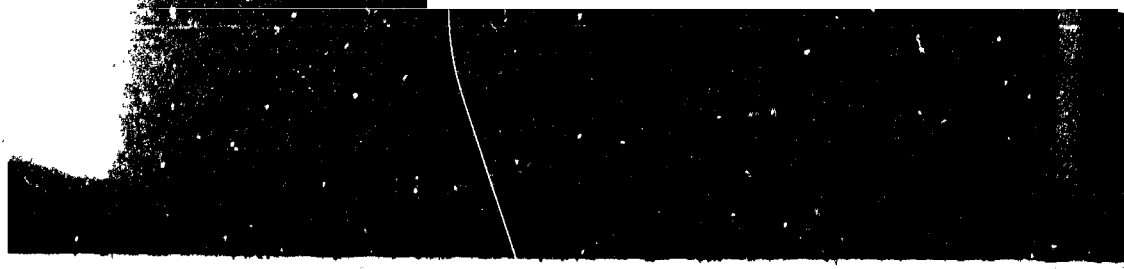
14 **TITLE VI.—TAX ON BEVERAGES.**
 15 *600, 601, 602-610 (610) 609*

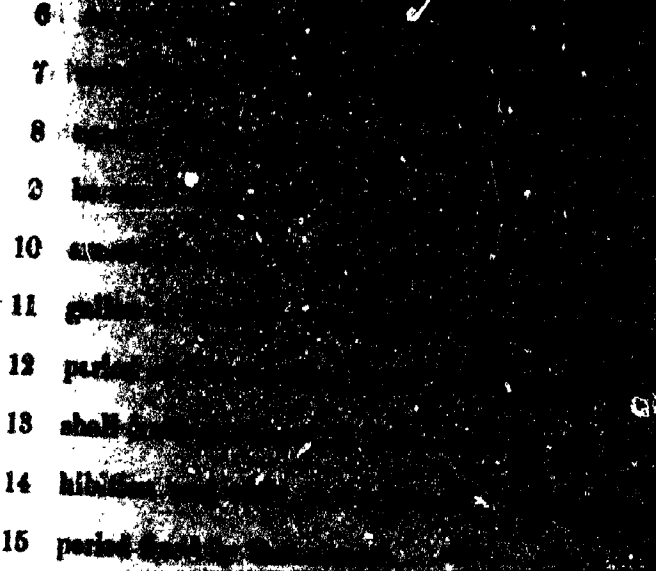
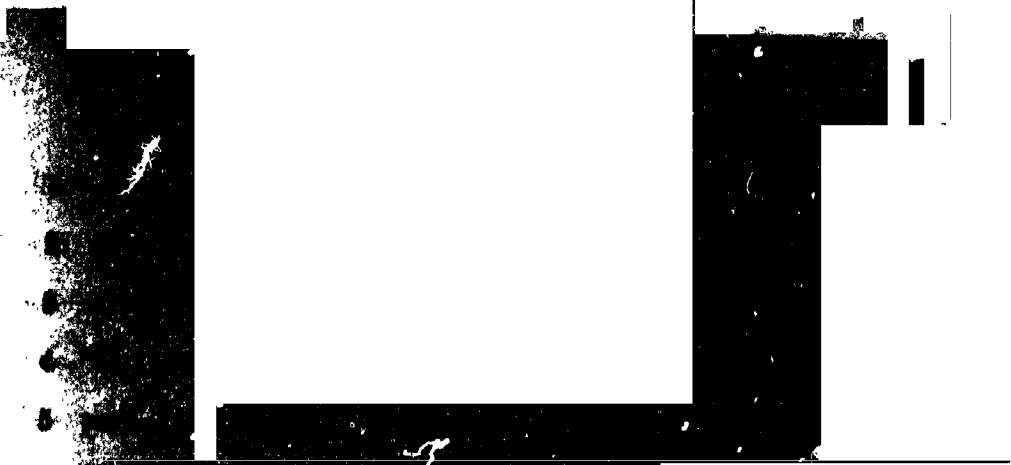
16 **SEC. 600.** ~~That there shall be levied and collected~~
 17 on all distilled spirits now in bond or that have been or that
 18 may be hereafter produced in or imported into the United
 19 States, except such distilled spirits as are subject to the tax
 20 provided in section 604, in lieu of the internal-revenue taxes
 21 now imposed thereon by law, a tax of \$2.20 (or, if with-
 22 drawn for beverage purposes or for use in the manufacture
 23 or production of any article used or intended for use as a
 24 beverage, a tax of \$6.40) on each proof gallon, or wine gallon
 25 when below proof, and a proportionate tax at a like rate on
 all fractional parts of such proof or wine gallon, to be paid

1 by the distiller or importer when withdrawn, and collected
2 under the provisions of existing law: *Provided, That on all*
3 *distilled spirits on which tax is paid at the nonbeverage rate*
4 *of \$2.20 per proof gallon and which are diverted to beverage*
5 *purposes or for use in the manufacture or production of any*
6 *article used or intended for use as a beverage, there shall be*
7 *levied and collected an additional tax of \$1.20 on each proof*
8 *gallon, and a proportionate tax at a like rate on all fractional*
9 *parts of such proof gallon, to be paid by the person responsi-*
10 *ble for such diversion.*

11 *(b) That the tax imposed by subdivision (a) on distilled*
12 *spirits intended for beverage purposes shall not be due or pay-*
13 *able on such spirits while stored in any distillery, bonded*
14 *warehouse, or special or general bonded warehouse, and*
15 *which, pursuant to any Act of Congress or proclamation of the*
16 *President of the United States, can not be lawfully sold or*
17 *removed from any such warehouse during the period of pro-*
18 *hibition fixed by such Act or proclamation; and all ware-*
19 *housing bonds or transportation and warehousing bonds*
20 *conditioned for the payment of tax on any such spirits so*
21 *stored on the date such prohibition takes effect shall as to all*
22 *such spirits actually so stored be canceled and discharged,*
23 *provided the distiller of such spirits shall in lieu of such bonds*
24 *and prior to their cancellation execute a bond in a penal sum*
25 *of not less than \$10,000, with sureties satisfactory to the*

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 16 Under the
 17 imported
 18 be in any
 19 on the date
 20 to remain
 21 thereon,
 22 2971 of the
 23 tion; and
 24 period. Any
 25 which the

2. The prohibition shall not apply to the date such prohibition
 3. The prohibition shall not apply to the date such prohibition
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at registered distilleries producing alco-
 holic spirits, packages may be filled with
 spirits of not less than one hundred proof from
 such distilleries and tax paid without being entered
 in the warehouse. Such spirits may be also transferred
 from the receiving cisterns of such distilleries, by means of
 pipes, to storage tanks in the bonded warehouse
 and may be transferred to such storage tanks. Such spirits
 may also be transferred in tanks or tank cars to general bonded
 warehouses for storage therein, either in storage tanks in such
 warehouses or in the tanks in which they were transferred.
 Such spirits may also be transferred from receiving cisterns
 to general bonded storage tanks to barrels, drums, tanks, tank
 cars, or other conveyances, and may be transported in
 such conveyances for exportation or other lawful purposes.
 The Secretary, with the approval of the Secretary, is
 authorized to prescribe all necessary regulations relat-
 ing to the receiving, transferring, gauging, storing, and
 transporting of such spirits; the records to be kept and
 the manner of keeping the same; the size and kind of packages and tanks
 to be used; the marking, branding, numbering, and stamp-
 ing of such packages and tanks; the kind of stamps, if any,
 to be used; the manner of paying the tax; the
 manner of enforcing the same. The tax prescribed
 shall be paid from the

1 distillery premises, or from general bonded warehouse in the
2 case of spirits transferred thereto, except as otherwise pro-
3 vided by law.

4 Under such regulations as the Commissioner, with the
5 approval of the Secretary, may prescribe, distilled spirits
6 may hereafter be drawn from receiving cisterns and deposited
7 in distillery warehouses without having affixed to the pack-
8 ages containing the same, distillery warehouse stamps, and
9 such packages, when so deposited in warehouse, may be
10 withdrawn therefrom on the original gauge where the same
11 have remained in such warehouse for a period not exceeding
12 thirty days from the date of deposit.

13 Under such regulations as the Commissioner, with the
14 approval of the Secretary, may prescribe, the manufacture,
15 warehousing, withdrawal, and shipment, under the provi-
16 sions of existing law, of ethyl alcohol for other than (1) bever-
17 age purposes or (2) use in the manufacture or production of
18 any article used or intended for use as a beverage, and dena-
19 tured alcohol, may be exempted from the provisions of section
20 3283 of the Revised Statutes.

21 The Commissioner, with the approval of the Secretary,
22 may by regulations exempt distillers of ethyl alcohol, for use
23 in the production of munitions of war, or for other non-
24 beverage purposes, from so much of the provisions of sections
25 3284, 3365, or 3309 of the Revised Statutes, and Acts

1 amendatory thereof, respecting the carrying out of
 2 the period of fermentation, the filling and
 3 mending tubs, and accessories, so far as may
 4 be expedient: *Provided*, That the bond provided for
 5 §260 of the Revised Statutes shall, in all respects
 6 *provided*, be in such sum and contain such conditions
 7 as the Commissioner may require.

8 SEC. 608. That under such regulations as the
 9 sioner, with the approval of the Board of
 10 ethyl alcohol of not less than 95 per cent
 11 at any central distilling plant approved
 12 under the provisions of section 607 of the
 13 IV of the Act entitled "An Act to provide
 14 to provide revenue for the support of the
 15 ports," approved December 21, 1917, and
 16 such plant to any other plant approved
 17 denaturation, to be done at the plant
 18 moved from such plant to any other
 19 warehouse, and to be subject to the
 20 shipment of such alcohol to any other
 21 Government warehouse, or to any other
 22 authorized warehouse, or to any other
 23 drum, or to any other container, or to any
 24 Commission warehouse, or to any other
 25 warehouse, or to any other place, or to any other

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1 so rectifying, purifying, refining, or mixing the same in a
 2 rectifier within the meaning of section 2344 of the Revised
 3 Statutes, as amended: *Provided*, That this tax shall not apply
 4 to gin produced by the redistillation of a pure spirit from
 5 juniper berries and other aromatics.

6 Upon all such articles heretofore produced, and which
 7 on the day after the passage of this Act are held by any per-
 8 son and intended for sale, there shall be levied, assessed,
 9 collected, and paid a floor tax of 15 cents on each proof gallon,
 10 and a proportionate tax at a like rate on all fractional parts
 11 of each proof gallon; and all such distilled spirits
 12 and not contained in the distiller's original stamped
 13 casks, or in bottles or other containers bearing the distiller's
 14 original labels, shall for the purpose of this section be re-
 15 garded as rectified spirits.

16 When the process of rectification is completed and the
 17 taxes prescribed by this section have been paid, it shall be
 18 unlawful for the rectifier or other dealer to reduce the volume
 19 or increase in volume such spirits with any amount of
 20 water or other substances; nothing herein contained shall
 21 however, prevent a rectifier from mixing spirits
 22 of rectification spirits already rectified and upon which
 23 taxes have theretofore been paid.

24 The taxes imposed by this section shall apply to
 25 cordials or liquors on which a tax is imposed.

1 section 611 or 612, nor to the mixing and blending of wines,
 2 unless such blending is for the sole purpose of perfecting
 3 such wines according to commercial standards, nor to blends
 4 made exclusively of two or more pure straight whiskies aged
 5 in wood for a period not less than four years and without the
 6 addition of coloring or flavoring matter or any other sub-
 7 stance than pure water and if not reduced below ninety
 8 parts. Provided, That such blended whiskies shall be ex-
 9 cepted from tax under this section only when compounded
 10 under the immediate supervision of a revenue officer, in such
 11 lots and under such conditions and supervision as the
 12 Commission, with the approval of the Secretary, may
 13 prescribe.

14 All distilled spirits or wines taxable under this section
 15 shall be subject to uniform regulations concerning the use
 16 thereof in the manufacture, blending, compounding, mixing,
 17 marking, branding, and sale of whisky and rectified spirits,
 18 and to distribution whatsoever shall be made by reason
 19 of a difference in the character of the material from which
 20 such spirits are produced.

21 The business of a rectifier of spirits shall be carried on,
 22 and the tax on rectified spirits shall be paid, under such rules,
 23 regulations and laws as may be prescribed by the Commis-
 24 sion, with the approval of the Secretary.

1 Whoever violates any of the provisions of this section
2 shall be deemed to be guilty of a misdemeanor and, upon
3 conviction, shall be fined not more than \$1,000 or impris-
4 oned not more than two years, and shall, in addition, be liable
5 to double the tax evaded, together with the tax, to be col-
6 lected by assessment or on any bond given.

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7 *The process of extraction of water from high-proof spirits*
8 *for the production of absolute alcohol shall not be deemed to*
9 *be rectification within the meaning of section 3244 of the*
10 *Revised Statutes, and absolute alcohol shall not be subject to*
11 *the tax imposed by this section, but the production of such*
12 *absolute alcohol shall be under such regulations as the Com-*
13 *missioner, with the approval of the Secretary, may prescribe.*

14 **SEC. 905.** That hereafter collectors shall not furnish
15 wholesale liquor dealer's stamps in lieu of and in exchange
16 for stamps for rectified spirits unless the package covered by
17 stamp for rectified spirits is to be broken into smaller packages.

18 The Commissioner, with the approval of the Secretary,
19 is authorized to discontinue the use of the following stamps
20 whenever in his judgment the interests of the Government
21 will be subserved thereby:

22 Distillery warehouse, special bonded warehouse, special
23 bonded rewarehouse, general bonded warehouse, general
24 bonded retransfer, transfer brandy, export tobacco, export

1 cigars, export cigarettes, and export stamps.
2 stamps.

3 ~~Sec. 507.~~ That the Comptroller
4 the Secretary, in having with him
5 breweries, rectifying houses, and
6 ment such action may be deemed

7 of meters, tanks, pipes, at any
8 of protecting the persons, and
9 and all necessary labor in
10 of the persons on which
11 Any such person refusing
12 permits when so required
13 permitted to

14 ~~Sec. 508.~~
15 beer, ~~liquor,~~
16 liquor, ~~and~~

17 alcohol, ~~and~~
18 moved from
19 whatever
20 termal
21 \$6.00 for every
22 gallon, and at a
23 fractional
24 be collected

J. 509

1 That any wine made under the provisions of this Act
2 taxable hereunder may be managed without payment
3 of tax when the same is produced in a dis-
4 tillery premises or other premises established under
5 the Act and is intended to return to the States and to pro-
6 vide revenue for the Government; and for other purposes,"
7 approved October 3, 1913, to be used as distilling material,
8 and the residue from such distillation, containing less than
9 one-half of 1 per centum of alcohol by volume, which is to be
10 used in making beverages, may be manipulated by cooling,
11 flavoring, carbonating, settling, and filtering on the dis-
12 tillery premises or elsewhere.

13 The removal of the taxable fermented liquor from the
14 brewery to the distillery and the operation of the distillery
15 and removal of the residue therefrom shall be under the
16 supervision of such officer or officers as the Commissioner shall
17 deem proper, and the Commissioner, with the approval of the
18 Secretary, is hereby authorized to make such regulations from
19 time to time as may be necessary to give force and effect to
20 this section and to safeguard the revenue.

21 ~~SEC. 610.~~ That natural wine within the meaning of
22 this Act shall be deemed to be the product made from the
23 normal alcoholic fermentation of the juice of sound, ripe
24 grapes, without addition or abstraction, except such as may
25 occur in the usual cellar treatment of clarifying and aging:

1 *Provided, however, That the product*
 2 *sound, ripe grapes by complete fermentation*
 3 *under proper cellar treatment and conditions*
 4 *(under the supervision of a person to be named*
 5 *the capacity of a gauger) of a suitable quantity*
 6 *beet, or dextrose sugar (containing, respectively, not less than*
 7 *95 per centum of actual sugar, calculated on a dry basis,*
 8 *the must or to the wine, to correct natural deficiencies, when*
 9 *such addition shall not increase the volume of the resultant*
 10 *product more than 35 per centum, and the resultant product*
 11 *does not contain less than five parts per thousand of salt*
 12 *before fermentation and not more than 15 per centum*
 13 *alcohol after complete fermentation, shall be deemed to*
 14 *wine within the meaning of this Act, and may be*
 15 *transported, and sold as "wine," qualified by the name of*
 16 *the locality where produced, and may be further qualified by*
 17 *the name of its own particular type or variety, and may be*
 18 *provided further, That wine as defined in this section, or wine*
 19 *sweetened with cane sugar or beet sugar or pure cane sugar,*
 20 *grape must and fortified under the provisions of this Act,*
 21 *wines so sweetened or fortified shall be considered*
 22 *within the meaning of this Act.*

23 ~~Sec. 511.~~ *That upon all still wines, and*
 24 *and all artificial or imitation wines or wine-like*
 25 *wine, which are hereafter produced in or imported into*

1 United States, or which on the day after the date
 2 Act are on any winery premises or other land
 3 in transit thereon or in any vessel, and which
 4 collected, and paid, in full, of the tax
 5 now imposed thereon by law, being at the time
 6 sold, or prepared for consumption or sale:

7 On wines containing not more than 21 per centum
 8 absolute alcohol, 16 cents per wine gallon, the per centum
 9 alcohol taxable under this section to be reckoned
 10 and not by weight;

11 On wines containing more than 21 per centum
 12 exceeding 21 per centum of absolute alcohol, 20 cents
 13 wine gallon;

14 On wines containing more than 21 per centum
 15 exceeding 24 per centum of absolute alcohol, 24 cents
 16 gallon;

17 All such wines containing more than 24 per centum of
 18 absolute alcohol by volume shall be deemed to be spirits
 19 and shall pay tax accordingly.

20 **SEC. 612.** That under such regulations and
 21 supervision and upon the giving of such security, bonds,
 22 bonds, and other security as the Commissioner may, in
 23 approval of the Secretary, may prescribe, any person
 24 wines defined under the provisions of this Act may
 25 draw from any fruit distillery or special bonded distillery

1 grape brandy, or wine spirits, for the fortification of such
 2 wines at the place where actually made: *Provided,*
 3 no tax shall be levied and assessed against the producer
 4 of such wine a tax (in lieu of the internal-revenue tax now
 5 imposed thereon by law) of 60 cents per proof gallon of grape
 6 brandy or wine spirits whenever withdrawn and hereafter
 7 so used by him in the fortification of such wines during the
 8 preceding month, which assessment shall be paid by him
 9 within ten months from the date of notice thereof: *Pro-*
 10 *vided further,* That nothing contained in this section shall
 11 be construed as exempting any wines, cordials, liquors, or
 12 similar beverages from the payment of any tax provided for
 13 in this Act.

14 *Sec. 20.* That upon the following articles which are
 15 imported or brought in or reported into the United States, or
 16 which are produced in any part of this Act are on any
 17 vessel, or in any place, or in transit thereto
 18 or on any vessel, or in any place, or in transit thereto
 19 shall be levied, collected, and
 20 paid, in addition to the tax hereinbefore when sold, or removed for
 21 use in any other container of champagne or
 22 sparkling wine, or when sold or removed for
 23 use in any other container of artificially carbon-
 24 ated wine, or when sold or removed for
 25 use in any other container of artificially carbon-

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... the amount for the section, and the
article upon which a corresponding interest
now imposed by law, in the case of such tax.

Sec. 612. That upon all articles specified in
or 613 upon which the interest

has been paid and which are
of it is not held by any person
able to make payment of the
difference between the tax imposed
so paid.

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and, subject to the approval of the Secretary, may from time to time prescribe; and the premises described in such notice shall, for the purposes of this Act, be regarded as bonded premises. But the provisions of this section, except as to payment of tax and the affixing of the required stamps or labels, shall not apply to wines held by retail dealers, as defined in section 8344 of the Revised Statutes, nor, subject to regulations prescribed by the Commissioner, with the approval of the Secretary, shall the tax imposed by section 611 apply to wines produced for the family use of the duly registered producer thereof and not sold or otherwise removed from the place of manufacture and not exceeding in any case two hundred gallons per year.

SEC. 617. That sections 42, 43, and 45 of the Act entitled "An Act to reduce the revenue and equalize duties on imports, and for other purposes," approved October 1, 1890, as amended by section 68 of the Act entitled "An Act to reduce taxation, to provide revenue for the Government, and for other purposes," approved August 27, 1894, are further amended to read as follows:

1 “~~SEC. 42.~~ That any producer of pure sweet wines may
2 use in the preparation of such sweet wines, under such regu-
3 lations and after the filing of such notices and bonds, together
4 with the keeping of such records and the rendition of
5 such reports as to materials and products as the Commissioner
6 of Internal Revenue, with the approval of the Secretary of
7 the Treasury, may prescribe, wine spirits produced by an
8 duly authorized distiller, and the Commissioner of Internal
9 Revenue, in determining the liability of any distiller of wine
10 spirits to assessment under section 3309 of the Revised
11 Statutes, is authorized to allow such distiller credit in his
12 computations for the wine spirits withdrawn to be used in
13 fortifying sweet wines under this Act.

14 “~~SEC. 43.~~ That the wine spirits mentioned in section
15 42 is the product resulting from the distillation of fermented
16 grape juice, to which water may have been added prior to,
17 during, or after fermentation, for the sole purpose of facili-
18 tating the fermentation and economical distillation thereof,
19 and shall be held to include the product from grapes or their
20 residues commonly known as grape brandy, and shall include
21 commercial grape brandy which may have been colored with
22 burnt sugar or caramel; and the pure sweet wine which may
23 be fortified with wine spirits under the provisions of this
24 Act is fermented or partially fermented grape juice only,
25 with the usual cellar treatment, and shall contain no other

1 substance whatever introduced before, at the time of, or
 2 after fermentation, except as herein expressly provided:
 3 *Provided*, That the addition of pure boiled or condensed
 4 grape must or pure crystallized cane or beet sugar, or pure
 5 dextrose sugar containing, respectively, not less than 95 per
 6 centum of actual sugar, calculated on a dry basis, or water,
 7 or any or all of them, to the pure grape juice before fermenta-
 8 tion, or to the fermented product of such grape juice; or to
 9 both, prior to the fortification herein provided for, either for
 10 the purpose of perfecting sweet wines according to commercial
 11 standards or for mechanical purposes, shall not be excluded
 12 by the definition of pure sweet wine aforesaid: *Provided*,
 13 *however*, That the cane or beet sugar, or pure dextrose sugar
 14 added for sweetening purposes shall not be in excess of 11
 15 per centum of the weight of the wine to be fortified: *And*
 16 *provided further*, That the addition of water herein author-
 17 ized shall be under such regulations as the Commissioner of
 18 Internal Revenue, with the approval of the Secretary of the
 19 Treasury, may from time to time prescribe: *Provided, however*,
 20 That records kept in accordance with such regulations as to
 21 the percentage of saccharine, acid, alcoholic, and ~~water~~
 22 water content of the wine offered for fortification shall be open
 23 to inspection by any official of the Department of Agriculture
 24 thereto duly authorized by the Secretary of Agriculture; and
 25 in no case shall such wines to which water has been added

1 eligible for fortification under the provisions of this Act,
2 where the same, after fermentation and before fortification,
3 have an alcoholic strength of less than 5 per centum of their
4 volume.

5 “~~SEC. 45.~~ That under such regulations and official super-
6 vision, and upon the execution of such entries and the giving
7 of such bonds, bills of lading, and other security as the Com-
8 missioner of Internal Revenue, with the approval of the Sec-
9 retary of the Treasury, shall prescribe, any producer of pure
10 sweet wines as defined by this Act may withdraw wine spirits
11 from any special bonded warehouse in original packages or
12 from any registered distillery in any quantity not less than
13 eighty wine gallons, and may use so much of the same as may
14 be required by him under such regulations, and after the filing
15 of such notices and bonds and the keeping of such records and
16 the rendition of such reports as to materials and products
17 and the disposition of the same as the Commissioner of Inter-
18 nal Revenue, with the approval of the Secretary of the Treas-
19 ury, shall prescribe, in fortifying the pure sweet wines made
20 by him, and for no other purpose, in accordance with the fol-
21 lowing limitations and provisions; and the Commissioner of
22 Internal Revenue, with the approval of the Secretary of the
23 Treasury, is authorized whenever he shall deem it to be neces-
24 sary for the prevention of violations of this law to prescribe
25 that wine spirits withdrawn under this section shall not be

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19 [REDACTED]

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21 [REDACTED]

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24 [REDACTED]

25 [REDACTED]

with the approval of the Secretary, may
be removed from the tax imposed by
this section from the winery where pro-
duced, or from the bonded premises or
from other bonded premises (but not more
than one removal shall be allowed), or for
exportation from the United States or for use as distilling
material at any regularly registered distillery: *Provided*,
however, that the distiller using any such wine as material
shall, subject to the provisions of section 8309 of the Revised
Statutes, as amended, be held to pay the tax on the product
of such wines as will include both the alcoholic strength
therein produced by fermentation and that obtained from the
brandy or wine spirits added to such wines at the time of
fortification.

(b) Under regulations prescribed by the Commissioner,
with the approval of the Secretary, it shall be lawful to pro-
duce grape wines on bonded winery premises by the usual
method, and to transport and use the same, and like wines
heretofore produced and now stored on bonded winery premi-
ses, as distilling material for the production of nonbeverage
spirits in the production of nonalcoholic wines, containing
less than one-half of 1 per centum of alcohol by volume, in
any fruit brandy or industrial distillery: *Provided*, That all
alcoholic spirits so obtained at any industrial distillery shall

1 be denatured, and all spirits so obtained at any fruit distil-
2 lery shall be removed and used only for nonbeverage pur-
3 poses or for denaturation.

4 ~~SEC. 619.~~ That the collection of the tax on imported
5 still wines, including vermouth, and sparkling wines, includ-
6 ing champagne, and on imported liqueurs, cordials, and
7 similar compounds, may be made within the discretion of the
8 Commissioner, with the approval of the Secretary, by assess-
9 ment instead of by stamps.

10 ~~SEC. 620.~~ That whoever evades or attempts to evade
11 any tax imposed by sections 611 to 615, both inclusive, or any
12 requirement of sections 610 to 621, both inclusive, or regu-
13 lation issued pursuant thereto, or whoever, otherwise than
14 as provided in such sections, recovers or attempts to recover
15 any spirits from domestic or imported wine, or whoever
16 rectifies, mixes, or compounds with distilled spirits any
17 domestic wines, other than in the manufacture of liqueurs,
18 cordials, or similar compounds, shall, on conviction, be pun-
19 ished for each such offense by a fine of not exceeding \$5,000,
20 or imprisonment for not more than five years, or both, and in
21 addition thereto by a penalty of double the tax evaded, or
22 attempted to be evaded, to be assessed and collected in the
23 same manner as taxes are assessed and collected, and all
24 wines, spirits, liqueurs, cordials, or similar compounds as to
25 which such violation occurs shall be forfeited to the United

1 States. But the provisions of this section and the provisions
2 of section 3244 of the Revised Statutes, as amended, relating
3 to rectification, or other internal-revenue laws of the United
4 States, shall not be held to apply to or prohibit the mixing
5 or blending of wines subject to tax under the provisions of
6 sections 611 to 615, both inclusive, with each other or with
7 other wines for the sole purpose of perfecting such wines
8 according to commercial standards: *Provided*, That nothing
9 herein contained shall be construed as prohibiting the use
10 of tax-paid grain or other ethyl alcohol in the fortification of
11 sweet wines as defined in section 610 of this Act and section
12 43 of the Act entitled "An Act to reduce the revenue and
13 equalize duties on imports, and for other purposes," approved
14 October 1, 1890, as amended by this Act.

15 ~~SEC. 627.~~ That the Commissioner, by regulations to be
16 approved by the Secretary, may require the use at each fruit
17 distillery of such spirit meters, and such locks and seals to be
18 affixed to fermenters, tanks, or other vessels and to such pipe
19 connections as may in his judgment be necessary or expedient,
20 and is hereby authorized to assign to any such distillery and
21 to each winery where wines are to be fortified such number of
22 gaugers or storekeeper-gaugers in the capacity of gaugers as
23 may be necessary for the proper supervision of the manufac-
24 ture of brandy or the making or fortifying of wines subject to
25 tax imposed by this section; and the compensation of such

1 officers shall not exceed \$5 per diem while so assigned, to-
 2 gether with their actual and necessary traveling expenses,
 3 and also a reasonable allowance for their board bills, as determined
 4 by the Commissioner, with the approval of the Secretary, shall
 5 not to exceed \$2.50 per diem for each board bill.

6 ~~SEC. 628.~~ That the Commissioner, with the approval of
 7 the Secretary, is hereby authorized to make such regulations
 8 for unavoidable loss of wines while in storage, and for
 9 treatment as in his judgment may be just and proper.

10 ~~SEC. 629.~~ That the second paragraph of section 629
 11 of the Revised Statutes, as amended by section 1102 of
 12 of March 1, 1879, and as further amended by section 1102
 13 June 22, 1910, be amended so as to read as follows:

14 "In all surveys forty-five gallons of mash or
 15 or fermented from grain shall represent one bushel
 16 bushel of grain, and seven gallons of mash or
 17 fermented from molasses shall represent one
 18 gallon of molasses, except in
 19 mash principle, in which distillation
 20 brewed or fermented from grain shall represent one bushel
 21 one bushel of grain, and except that in distillation when the
 22 filtration-aeration process is used, with the approval of the
 23 Commissioner of Internal Revenue; that is, when the mash
 24 after it leaves the mash tub is passed through a
 25 chine before it is run into the fermenting tub, and only

1 filtered liquor passed through the

2 after he no longer

3 which may be

4 fermentation; and

5 with the app

6 to protect the revenue, shall be

7 regulation, to be made

8 he may find

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10 aeration process

11 **Sec. 200**

12 sioner, with the

13 alcohol or other distilled

14 than one hundred

15 free of tax

16 distilling

17 for tax

18 States, and

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20 apply to

21 this Act

22 **Sec. 201**

23 amended

24 by the

25 as follows:

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1 ~~SEC. 320.~~ That distilled spirits known commercially
 2 as gin or not less than 90 per centum proof may at any time
 3 within eight years after entry in bond at any distillery be
 4 bottled in bond at such distillery for export without the
 5 payment of tax, under such rules and regulations as the Com-
 6 missioner, with the approval of the Secretary, may prescribe.

7 ~~SEC. 321.~~ That section 3254 of the Revised Statutes as
 8 amended by the Act approved June 18, 1890, be, and is
 9 hereby, amended to read as follows:

10 ~~SEC. 3254.~~ Every person who withdraws any fer-
 11 mented liquor from any hoghead, barrel, keg, or other vessel
 12 upon which the proper stamp has not been affixed for the
 13 purpose of bottling the same, or who carries on or attempts to
 14 carry on the business of bottling fermented liquor in any
 15 brewery or other place in which fermented liquor is made, or
 16 upon any premises having communication with such brewery,
 17 or any warehouse, shall be liable to a fine of \$500, and the
 18 property used in such bottling or business shall be liable to
 19 forfeiture, in addition, however, that this section shall not be
 20 construed to prevent the withdrawal and transfer of unfer-
 21 mented spirits, or fermented or fermented liquors from any
 22 of the premises, or by way of a pipe line or other con-
 23 duct, to any other place for the sole purpose of bot-
 24 tling the same, and also for an conduit to be constructed
 25 and operated in such manner and with such cisterns, vats,

1 tanks, valves, cocks, faucets, and gauges, or other utensils or
2 apparatus, either on the premises of the brewery or the bot-
3 tling house, and with such changes of or additions thereto,
4 and such locks, seals, or other fastenings, and under such
5 rules and regulations as shall be from time to time prescribed
6 by the Commissioner of Internal Revenue, subject to the
7 approval of the Secretary of the Treasury, and all locks and
8 seals prescribed shall be provided by the Commissioner of
9 Internal Revenue at the expense of the United States: *Pro-*
10 *vided further,* That the tax imposed in section 3389 of the
11 Revised Statutes shall be paid on all fermented liquor removed
12 from a brewery to a bottling house by means of a pipe or con-
13 duit, at the time of such removal, by the cancellation and
14 defacement, by the collector of the district or his deputy, in
15 the presence of the brewer, of the number of stamps denoting
16 the tax on the fermented liquor thus removed. The stamps
17 thus canceled and defaced shall be disposed of and accounted
18 for in the manner directed by the Commissioner of Internal
19 Revenue, with the approval of the Secretary of the Treasury.
20 And any violation of the rules and regulations hereafter pre-
21 scribed by the Commissioner of Internal Revenue, with the
22 approval of the Secretary of the Treasury, in pursuance of
23 these provisions, shall be subject to the penalties above pro-
24 vided by this section. Every owner, agent, or superintend-
25 ent of any brewery or bottling house who removes, or con-

1 nives at the removal of, any fermented liquor through a pipe
 2 line or conduit, without payment of the tax thereon, or who
 3 attempts in any manner to defraud the revenue as above,
 4 shall forfeit all the liquors made by and for him, and all the
 5 vessels, utensils, and apparatus used in making the same."

6 ~~SEC. 928.~~ That there shall be levied, assessed, collected,
 7 and paid in lieu of the taxes imposed by sections 213 and 215
 8 of the Revenue Act of 1917—

9 ~~(a)~~ Upon all beverages derived wholly or in part from
 10 cereals or substitutes therefor, and containing less than one-
 11 half of 1 per centum of alcohol *by volume*, sold by the man-
 12 ufacturer, producer, or importer, in ~~bottles or other closed~~
 13 ~~containers, a tax equivalent to 15 per centum of the price for~~
 14 ~~which so sold; and upon all unfermented grape juice, ginger~~
 15 ~~ale, root beer, sarsaparilla, pop, artificial mineral waters (car-~~
 16 ~~bonated or not carbonated), other carbonated waters or bever-~~
 17 ~~ages, and other soft drinks, sold by the manufacturer, pro-~~
 18 ~~ducer, or importer, in bottles or other closed containers, a~~
 19 ~~tax equivalent to 10 per centum of the price for which so sold;~~
 20 and a tax of 4 cents per gallon.

21 ~~(b)~~ Upon all natural mineral waters or table waters,
 22 sold by the producer, bottler, or importer thereof, in bottles
 23 or other closed containers, at over 10 cents per gallon, a tax
 24 of 2 cents per gallon.

1 *By* Upon all the

2 slightly concentrated form

3 has been added (as shown

4 sirups), intended for

5 addition of water

6 of any such form

7 commonly known

8 subdivision

9 the use of

10 inhaled or for

11 impurities, etc.

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13 of 1 per

14 tion of

15 or

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1 collection of the tax on
2 the preparation of carbonated
3 and except that the same, however, shall
4 not apply to the manufacture of
5 manufacture of carbonated

16 (a) or (b) shall be

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17 (c) Upon all carbonated soft drinks sold by the manufacturer,
8 producer, or importer of a manufacturer of any carbonated
9 beverages, or to any person conducting a soda fountain, ice
10 cream parlor, or other similar place of business, and upon all
11 carbonic acid gas used by the manufacturer, producer, or
12 importer thereof in the preparation of soft drinks, a tax of
13 cents per pound.

14 ~~Sec. 420.~~ That each manufacturer, producer, or

15 or importer of any of the articles enumerated in this section
16 and each person who sells carbonic acid gas to a person
17 of carbonated beverage or to a person conducting a
18 fountain, ice cream parlor, or other similar place of business,
19 shall make monthly returns under oath in duplicate,
20 pay the taxes due in respect to each of the articles
21 enumerated in by such section 420 to the collector of the
22 district in which is located the principal place of business.
23 Such returns shall contain containing such information
24 necessary for the assessment of the tax, and be made at such
25 times and in such manner as the Commissioner, with the

1 ~~approval of the Secretary; may by regulations~~ regulations pro-
 2 ~~vided that the tax shall, without assessment by the Commis-~~
 3 ~~sioner, be levied from the collector, be due and payable to the~~
 4 ~~collector, and that as fixed for filing the return. If the tax~~
 5 ~~is not paid when due, there shall be added as part of the tax~~
 6 ~~a penalty of 2 per centum, together with interest at the rate~~
 7 ~~of 1 per centum for each full month, from the time when the~~
 8 ~~tax becomes due.~~

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9 ~~Each person required to pay any tax imposed by~~
 10 ~~section 639 shall procure and keep posted a certificate of~~
 11 ~~registry in accordance with regulations to be prescribed by~~
 12 ~~the Commissioner, with the approval of the Secretary. Any~~
 13 ~~person who fails to register or keep posted any certificate of~~
 14 ~~registry in accordance with such regulations, shall be subject~~
 15 ~~to a penalty of not more than \$1,000 for each such offense.~~

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16 ~~Sec. 639. That on and after May 1, 1910, there shall be~~
 17 ~~levied, assessed, collected, and paid a tax of 1 cent for each~~
 18 ~~10 cents collection thereof of the amount paid to any person~~
 19 ~~conducting a soda fountain, ice-cream parlor, or other similar~~
 20 ~~place of business for drinks commonly known as soft drinks,~~
 21 ~~except that a tax of 1 cent shall be levied on each place of business, or for ice cream,~~
 22 ~~ice cream cones, sandwiches, or other similar articles of food or~~
 23 ~~drink, when any of the above are sold on or after such date~~
 24 ~~for consumption in or in proximity to such place of business.~~
 25 ~~Such tax shall be paid by the purchaser to the vendor at the~~

1 ~~share of the sale and shall be collected, returned, and paid to~~
 2 ~~the United States by each vendor in the same manner as~~
 3 ~~provided in section 509.~~

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 4 **TABLE VII.—TAX ON CIGARS, TOBACCO, AND**
 5 **MANUFACTURES THEREOF.**

6 **Sec. 700. (a)** That upon cigars and cigarettes manu-
 7 factured in or imported into the United States, and hereafter
 8 sold by the manufacturer or importer, or removed for con-
 9 sumption or sale, there shall be levied, collected, and paid
 10 under the provisions of existing law, in lieu of the internal-
 11 revenue taxes now imposed thereon by law, the following
 12 taxes, to be paid by the manufacturer or importer thereof—

13 On cigars of all descriptions made of tobacco, or any sub-
 14 stitute therefor, and weighing not more than three pounds per
 15 thousand, \$1.50 per thousand ;

16 On cigars made of tobacco, or any substitute therefor, and
 17 weighing more than three pounds per thousand, if manu-
 18 factured or imported to retail at not more than 5 cents each,
 19 \$4 per thousand ;

20 If manufactured or imported to retail at more than 5
 21 cents each and not more than 8 cents each, \$6 per thousand ;

22 If manufactured or imported to retail at more than 8
 23 cents each and not more than 15 cents each, \$9 per thousand ;

24 If manufactured or imported to retail at more than 15
 25 cents each and not more than 20 cents each, \$12 per thousand ;

1 If manufactured or imported to retail at more than 20
2 cents each, \$15 per thousand ;

3 On cigarettes made of tobacco, or any substitute therefor,
4 and weighing not more than three pounds per thousand, \$3
5 per thousand ;

6 Weighing more than three pounds per thousand, \$7.20
7 per thousand.

8 ^(b) Whenever in this section reference is made to cigars
9 manufactured or imported to retail at not over a certain price
10 each, then in determining the tax to be paid regard shall be
11 had to the ordinary retail price of a single cigar.

12 ^(c) The Commissioner may, by regulation, require the
13 manufacturer or importer to affix to each box, package, or
14 container a conspicuous label indicating the clause of this
15 section under which the cigars therein contained have been
16 tax-paid, which must correspond with the tax-paid stamp on
17 such box or container.

18 ^(d) Every manufacturer of cigarettes (including small
19 cigars weighing not more than three pounds per thousand)
20 shall put up all the cigarettes and such small cigars that he
21 manufactures or has manufactured for him, and sells or removes
22 for consumption or sale, in packages or parcels containing
23 five, eight, ten, twelve, fifteen, sixteen, twenty, twenty-
24 four, forty, fifty, eighty, or one hundred cigarettes each, and
25 shall securely affix to each of such packages or parcels a suit-

1 able stamp denoting the tax thereon and shall properly
2 cancel the same prior to such sale or removal for consumption
3 or sale under such regulations as the Comptroller, with the
4 approval of the Secretary, shall prescribe; and all cigarettes
5 imported from a foreign country shall be packed, stamped,
6 and the stamps canceled in a like manner. In addition a
7 import stamp indicating importation of the cigarettes in
8 they are withdrawn therefrom.

9 ^{10/16} Sec. 791. (a) That upon all cigarettes and cigars manu-

10 tured in or imported into the United States, and
11 sold by the manufacturer at importation, or consumed
12 in consumption or sale, there shall be levied and collected
13 in lieu of the Federal excise tax imposed by law,
14 by law, a tax of 15 cents per hundred weight of
15 factory or imported weight.

16 (b) Section 792 of the Internal Revenue Code

17 is hereby amended to read as follows:

18 "Sec. 792. (a) That upon all cigarettes and cigars man-

19 and prepared by the manufacturer at importation, or
20 or consumption, in no other manner than in which they
21 in no other manner than in which they are consumed or

22 "All smoking tobacco, whether in the form of

23 all out and granulated tobacco, or in the form of
24 cut chewing, or in the form of cigars, shall be
25 meshes to the weight of one hundred weight.

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each package

tions of packages

ported in bank for

provided further, The

shorts, the value of

clippings, cuttings, and

1 bulk as material, and without the payment of tax, by one
 2 manufacturer directly to another manufacturer, or for export,
 3 under such restrictions, rules, and regulations as the Com-
 4 missioner of Internal Revenue may prescribe: And provided
 5 further, That wood, metal, paper, or other materials may be
 6 used separately or in combination for packing tobacco, snuff,
 7 and cigars, under such regulations as the Commissioner of
 8 Internal Revenue may establish."

32 ✓ 9 ~~Sec. 702.~~ That upon all the articles enumerated in sec-
 10 tion 700 or 701, which were manufactured or imported, and
 11 removed from factory or customhouse on or prior to the date
 12 of the passage of this Act, and upon which the tax imposed by
 13 existing law has been paid, and which are, on the day after
 14 the passage of this Act, held by any person and intended for
 15 sale, there shall be levied, assessed, collected, and paid a
 16 floor tax equal to the difference between (a) the tax im-
 17 posed by this Act upon such articles according to the class
 18 in which they are placed by this title, and (b) the tax imposed
 19 upon such articles by existing law other than section 406 of
 20 the Revenue Act of 1917.

21 ~~Sec. 703.~~ ⁷⁰² That there shall be levied, collected, and
 22 paid, in lieu of the taxes imposed by section 406 of the Revenue
 23 Act of 1917, upon cigarette paper made up into packages,
 24 books, sets, or tubes, made up in or imported into the United
 25 States and hereafter sold by the manufacturer or importer

1 to any person (other than to a manufacturer of cigarettes for
 2 use by him in the manufacture of cigarettes) the following
 3 taxes, to be paid by the manufacturer or importer: On each
 4 package, book, or set, containing more than twenty-five but
 5 not more than fifty papers, $\frac{1}{2}$ cent; containing more than
 6 fifty but not more than one hundred papers, 1 cent; con-
 7 taining more than one hundred papers, $\frac{1}{2}$ cent for each fifty
 8 papers or fractional part thereof; and upon tubes, 1 cent for
 9 each fifty tubes or fractional part thereof.

10 Every manufacturer of cigarettes purchasing any cigar-
 11 ette paper made up into tubes (a) shall give bond in an amount
 12 and with sureties satisfactory to the Commissioner that he
 13 will use such tubes in the manufacture of cigarettes or pay
 14 thereon a tax equivalent to the tax imposed by this section,
 15 and (b) shall keep such records and render under oath such
 16 returns as the Commissioner finds necessary to show the dis-
 17 position of all tubes purchased or imported by such manu-
 18 facturer of cigarettes.

19 ⁷⁰⁴ **SEC. 704.** That section 85 of the Act entitled "An Act
 20 to provide revenues, equalize duties and encourage the indus-
 21 tries of the United States, and for other purposes," approved
 22 August 2, 1900, be, and is hereby, repealed, to take effect
 23 April 1, 1913.

24 That section 5909 of the Revised Statutes be, and is
 25 hereby, amended to read as follows:

1 “Sec. 3360. (a) Every dealer in leaf tobacco shall file
2 with the collector of the district in which his business is car-
3 ried on, a statement in duplicate, subscribed under oath, set-
4 ting forth the place, and, if in a city, the street and number
5 of the street, where his business is to be carried on, and the
6 exact location of each place where leaf tobacco is held by him
7 on storage, and, whenever he adds to or discontinues any of
8 his leaf tobacco storage places, he shall give immediate notice
9 to the collector of the district in which he is registered.

10 “Every such dealer shall give a bond with surety, satis-
11 factory to, and to be approved by, the collector of the district,
12 in such penal sum as the collector may require, not less than
13 \$500; and a new bond may be required in the discretion of
14 the collector or under instructions of the Commissioner.

15 “Every such dealer shall be assigned a number by the
16 collector of the district, which number shall appear in every
17 inventory, invoice and report rendered by the dealer, who
18 shall also obtain certificates from the collector of the district
19 setting forth the place where his business is carried on and
20 the places designated by the dealer as the places of storage of
21 his tobacco, which certificates shall be posted conspicuously
22 within the dealer's registered place of business, and within
23 each designated place of storage.

24 “(b) Every dealer in leaf tobacco shall make and deliver
25 to the collector of the district a true inventory of the quantity

1 of the different kinds of tobacco held or owned, and where
 2 stored by him, on the first day of January of each year, or at
 3 the time of commencing and at the time of concluding business,
 4 if before or after the first day of January, such inventories
 5 be made under oath and rendered in such form as may be pre-
 6 scribed by the Commissioner.

7 "Every dealer in leaf tobacco shall
 8 and keep such records as shall be
 9 sioner, and shall enter therein, day by day
 10 day on which the circumstance, thing or act to be recorded
 11 is done or occurs, an accurate account of the number of
 12 heads, tierces, cases and hales, and quantity of leaf tobacco
 13 contained therein, purchased or received by him, or by
 14 ment, consignment for storage, by receipt, or otherwise,
 15 of whom purchased or received, and the number of
 16 tierces, cases and hales,
 17 contained therein, and
 18 in each instance of the name
 19 to whom shipped, and to whom
 20 kept at his place of business,
 21 period of time, and
 22 for the inspection of
 23 "Every dealer in
 24 of each month, and
 25 true and correct

1 shipments of leaf tobacco made by him during the month
2 next preceding, which report shall be verified and returned
3 in such form as the Commissioner, with the approval of the
4 Secretary, shall prescribe.

5 " (c) Sales or shipments of leaf tobacco by a dealer in
6 leaf tobacco shall be in quantities of not less than a hoghead,
7 tierce, case, or bale, except loose leaf tobacco comprising the
8 breaks on warehouse floors, and except to a duly registered
9 manufacturer of cigars for use in his own manufactory ex-
10 clusively.

11 " Dealers in leaf tobacco shall make shipments of leaf
12 tobacco only to other dealers in leaf tobacco, to registered
13 manufacturers of tobacco, snuff, cigars or cigarettes, or for
14 export.

15 " (d) Upon all leaf tobacco sold, removed or shipped by
16 any dealer in leaf tobacco in violation of the provisions of
17 subdivision (c), or in respect to which no report has been
18 made by such dealer in accordance with the provisions of
19 subdivision (b), there shall be levied, assessed, collected and
20 paid a tax equal to the tax then in force upon manufactured
21 tobacco, such tax to be assessed and collected in the same
22 manner as the tax on manufactured tobacco.

23 " (e) Every dealer in leaf tobacco

24 " (1) who neglects or refuses to furnish the statement,
25 to give bond, to keep books, to file inventory or to render

1 the invoices, returns or reports required by the Commissioner,
 2 or to notify the collector of the district of additions to his
 3 places of storage; or

4 " (2) who ships or delivers leaf tobacco, except as
 5 herein provided; or

6 " (3) who fraudulently omits to account for tobacco pur-
 7 chased, received, sold, or shipped;

8 shall be fined not less than \$100 or more than \$500, or im-
 9 prisoned not more than one year, or both.

10 " (f) For the purposes of this section a farmer or grower
 11 of tobacco shall not be regarded as a dealer in leaf tobacco
 12 in respect to the leaf tobacco produced by him."

13 **TITLE VIII.—TAX ON ADMISSIONS AND TAXES**

14 **SEC. 800.** (a) That from and after April 1, 1913, there

15 shall be levied, assessed, collected, and paid, in lieu of the
 16 taxes imposed by section 700 of the Revenue Act of 1913,

17 (1) A tax of 1 cent for each 10 cents or fraction

18 of the amount paid for admission to any place of
 19 date, including admission by season, ticket or
 20 to be paid by the person paying for such admission

21 (b) In the case of persons (except those in

22 municipal offices on official business, persons in

23 or naval forces of the United States, persons in

24 children under twelve years of age, and

1 reduced rates to any place at a time when and under circum-
 2 stances under which an admission charge is made to other
 3 persons, a tax of 1 cent for each 10 cents or fraction thereof
 4 of the price so charged to such other persons for the same or
 5 similar accommodations, to be paid by the person so admitted;
 6 [Repealed by section 701 of the proposed bill (H. R. 8245).]

7 ⁽²⁾
 (3) Upon tickets or cards of admission to theaters, op-
 8 ras, and other places of amusement, sold at news stands, hotels,
 9 and places other than the ticket offices of such theaters,
 10 operas, or other places of amusement, at not to exceed 50
 11 cents in excess of the sum of the established price therefor at
 12 such ticket offices plus the amount of any tax imposed under
 13 paragraph (1), a tax equivalent to 5 per centum of the amount
 14 of such excess; and if sold for more than 50 cents in excess of
 15 the sum of such established price plus the amount of any tax
 16 imposed under paragraph (1), a tax equivalent to 50 per centum
 17 of the whole amount of such excess, such taxes to be returned
 18 and paid, in the manner and subject to the penalties and interest
 19 provided in section 908, by the persons selling such tickets;
 20 ⁽²⁾
 (4) A tax equivalent to 50 per centum of the amount for
 21 which the proprietors, managers, or employees of any opera
 22 house, theater, or other place of amusement sell or dispose of
 23 tickets or cards of admission in excess of the regular or estab-
 24 lished price or charge therefor, such tax to be returned and

- 121 1 paid, in the manner and subject to the penalties and interest
 273 2 provided in section 908, by the person selling such tickets;
- 3 ~~(4)~~
 4 In the case of persons having the permanent use of
 5 boxes or seats in an opera house or any place of amusement or
 6 a lease for the use of such box or seat in such opera house or
 7 place of amusement (in lieu of the tax imposed by paragraph
 8 (1)), a tax equivalent to 10 per centum of the amount for
 9 which a similar box or seat is sold for each performance or
 10 exhibition at which the box or seat is used or reserved by or
 11 for the lessee or holder, such tax to be paid by the lessee or
 12 holder; and
- 13 ~~(5)~~
 14 (5) A tax of 1 $\frac{1}{2}$ cents for each 10 cents or fraction thereof
 15 of the amount paid for admission to any public performance for
 16 profit at any roof garden, cabaret, or other similar entertain-
 17 ment, to which the charge for admission is wholly or in part
 18 included in the price paid for refreshment, service, or merchan-
 19 dise; the amount paid for such admission to be deemed to be
 20 20 per centum of the amount paid for refreshment, service,
 21 and merchandise; such tax to be paid by the person paying
 22 for such refreshment, service, or merchandise.
- 121 ~~(6)~~
 23 (6) No tax shall be levied under this title in respect to
 24 (1) any admissions, all the proceeds of which inure (A) exclu-
 25 sively to the benefit of religious, educational, or charitable
 26 institutions, societies, or organizations, societies for the
 27 prevention of cruelty to children or animals, or societies

273 **(1)** or exclusively to the benefit of organizations conducted for
 2 the sole purpose of maintaining symphony orchestras and
 3 receiving substantial support from voluntary contributions,
 121 **(4)** ~~none of the profits of which are distributed to members~~
 5 ~~of such organizations, or exclusively to the benefit of~~
 6 ~~persons in the military or naval forces of the United~~
 7 ~~States, or admissions to agricultural fairs none of the profits~~
 13 ~~of which are distributed to stockholders or members of the~~
 9 ~~association conducting the same, or of improving any~~
 10 ~~city, town, village, or other municipality,--if no part of the~~
 11 ~~net earnings thereof inures to the benefit of any private stock-~~
 12 ~~holder or individual; or (B) exclusively to the benefit of per-~~
 13 ~~sons in the military or naval forces of the United States; or~~
 14 ~~(C) exclusively to the benefit of persons who have served in~~
 15 ~~such forces and are in need; or (D) any admissions to agricul-~~
 16 ~~tural fairs none of the profits of which are distributed to stock-~~
 17 ~~holders or members of the association conducting the same, or~~
 18 ~~admissions to any exhibit, entertainment, or other pay feature~~
 19 ~~conducted by such association as part of any such fair,--if~~
 20 ~~the proceeds therefrom are used exclusively for the mainte-~~
 21 ~~nance and operation of such agricultural fairs.~~

22 **(c)** The term "admission" as used in this title includes
 23 seats and tables, reserved or otherwise, and other similar in-
 24 cumbinations, and the charges made therefor.

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1 The price (inclusive of the tax, to be paid by the
2 person paying for admission) at which every admission ticket
3 or card is sold shall be conspicuously and indelibly printed,
4 stamped, or written on the face or back thereof; of that part
5 of the ticket which is to be taken up by the management of the
6 theater, opera, or other place of amusement, together with
7 the name of the vendor if sold other than at the ticket office
8 of the theater, opera, or other place of amusement. Whoever
9 sells an admission ticket or card on which the name of the ven-
10 dor and price is not so printed, stamped, or written, or at
11 a price in excess of the price so printed, stamped, or written
12 thereon, is guilty of a misdemeanor, and upon conviction
13 thereof shall be fined not more than \$100.

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14 ⁸⁰¹ Sec. 801. That from and after April 1, 1919, there shall
15 be levied, assessed, collected, and paid, in lieu of the taxes
16 imposed by section 701 of the Revenue Act of 1917, a tax
17 equivalent to 10 per centum of any amount paid on or after
18 such date, for any period after such date, (a) as dues or member-
19 ship fees (where the dues or fees of an active resident annual
20 member are in excess of \$10 per year) to any social, athletic,
21 or sporting club or organization; or (b) as initiation fees to
22 such a club or organization, if such fees amount to more than
23 \$10, or if the dues or membership fees (not including initia-
24 tion fees) of an active resident annual member are in excess
25 of \$10 per year; such taxes to be paid by the person paying

1 such dues or fees: *Provided*, That there shall be exempted
 2 from the provisions of this section all amounts paid as dues
 3 or fees to a fraternal society, order, or association, operating
 4 under the lodge system. In the case of life memberships a
 5 life member shall pay annually, at the time for the payment of
 6 dues by active resident annual members, a tax equivalent to
 7 the tax upon the amount paid by such a member, but shall pay
 8 no tax upon the amount paid for life membership.

9 ^{Sec} Sec. 802. That every person (a) receiving any payments
 10 for such admission, dues, or fees shall collect the amount of
 11 the tax imposed by section 800 or 801 from the person making
 12 such payments, or (b) ~~admitting any person free to any place~~
 13 ~~for admission to which a charge is made, shall collect the~~
 14 ~~amount of the tax imposed by section 800 from the person so~~
 15 ~~admitted.~~ Every club or organization having life members,
 16 shall collect from such members the amount of the tax im-
 17 posed by section 801. In all the above cases returns and
 18 payments of the amount so collected shall be made at the
 19 same time and in the same manner and subject to the same
 20 penalties and interest as provided in section 502.

21 TITLE IX.—EXCISE TAXES.

22 ⁹⁰⁰ Sec. 900. That there shall be levied, assessed, collected,
 23 and paid upon the following articles sold or leased by the
 24 manufacturer, producer, or importer, a tax equivalent to the

1 following percentages of the price for which an article
2 leased

3 (1) Automobile trucks and automobiles, including
4 timing tires, inner tubes, parts, and accessories, when
5 sold on or in connection therewith or with the sale thereof, 5
6 per centum;

7 (2) Other automobiles and motorcycles, including their
8 inner tubes, parts, and accessories therein, when sold in
9 connection therewith or with the sale thereof, 5 per
10 centum;

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11 (3) Tires, inner tubes, parts, and accessories, when
12 the articles enumerated in subdivisions (1) and (2) of this section,
13 like trucks, automobile wagons, other motor vehicles, and
14 cycles sold to any person other than a lessee of any of the
15 items of any of the articles enumerated in subdivisions
16 or (2), or in this subdivision, 5 per centum.

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17 (4) Pianos, organs (other than pipe organs), gram-
18 mophones, player pianos, graphophones, phonographs, talking
19 machines, music boxes, and records used in connection with
20 any musical instrument, gramophone, player piano, gram-
21 mophone, phonograph, or talking machine, 5 per centum.

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22 (5) Tennis rackets, bats, tennis shoes, tennis
23 clothes, sweaters, caps, toboggans, and golf clubs,
24 bats, polo mallets, baseball bats, and baseball
25 gloves and uniforms, football helmets, and football

1 basket-ball goals and uniforms, golf bags and clubs, tennis
 2 sticks, balls of all kinds, including baseballs, footballs, hockey
 3 golf, lacrosse, billiard and pool balls, fishing rods and reels,
 4 billiard and pool tables, chess and checkers boards, domino
 5 dice, games and parts of games (except playing cards), and
 6 children's toys and games), and all similar articles, whether
 7 or commercially known as sporting goods, except skis, toboggans,
 8 shoes, skis, toboggans, baseball bats, gloves, mitts, caps,
 9 shoes and uniforms, football helmets, harness, and
 10 goals, basket-ball goals and uniforms, tennis rackets,
 11 and footballs, 10 5 per centum;

12 (5) Chewing gum or substitute therefor, 5 per centum;
 13 (6) Cameras, weighing not more than 10
 14 and lenses for such cameras, 10 per centum;

15 (7) Photographic film and plates, other than
 16 picture film, 5 per centum;

17 (8) Candy, 5 5 per centum;

18 (9) Firearms, shells, and cartridges, manufactured
 19 for the use of the United States Army, Navy, or Marine
 20 possession of the United States, and for the use of
 21 thereof, the District of Columbia, or any territory or
 22 while engaged against the German Government during
 23 present war, 10 per centum;

24 (10) Hunting and bowie knives, 10 per centum;

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... or ...
... and ...
... the component

... not designed for trade,
... and pleasure boats and pleasure
... on \$15, 10 5 per centum.

... toilet soaps and toilet soap powders, 8 per
... Carpets and rugs, including fiber, if sold for
... more than \$2.50 a square yard, 5 per centum;

(27) Trunks, if sold for more than \$30, 5 per centum;

(28) Valises, traveling bags, suitcases, hat boxes used
by travelers, and fitted toilet cases, if sold for more than \$15,
5 per centum;

(29) Purses, pocketbooks, shopping and hand bags, if
sold for more than \$4, 5 per centum;

(30) Portable light fixtures, including lamps of all
kinds and lamp shades, if sold for more than \$10, 5 per
centum;

(31) Umbrellas, parasols, sunshades, if sold for more
than \$2.50, 5 per centum;

(32) Fans, if sold for more than \$1, 5 per centum;

(33) House or smoking coats or jackets, and bath or
lounging robes, if sold for more than \$3, 5 per centum.

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 1 If any manufacturer, producer, or importer of any of the
 2 articles enumerated in this section customarily sells such
 3 articles both at wholesale and at retail, the tax in the case
 4 of any article sold by him at retail shall be computed on the
 5 price for which like articles are sold by him at wholesale.

6 The taxes imposed by this section shall, in the case of
 7 any article in respect to which a corresponding tax is imposed
 8 by section 600 of the Revenue Act of 1917, be in lieu of
 9 such tax.

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 10 ~~Sec. 901. That if any person manufactures, produces~~
 11 ~~or imports any article enumerated in section 600, or leases~~
 12 ~~or licenses for exhibition any positive motion picture film~~
 13 ~~containing a picture ready for projection, and, whether~~
 14 ~~through any agreement, arrangement, or understanding, or~~
 15 ~~otherwise, sells, lease or licenses such article at less than~~
 16 ~~the fair market price obtainable therefor, either (a) in such~~
 17 ~~manner as directly or indirectly to benefit such person or~~
 18 ~~any person directly or indirectly interested in the business~~
 19 ~~of such person, or (b) with intent to cause such benefit, the~~
 20 ~~amount for which such article is sold, leased or licensed~~
 21 ~~shall be taken to be the amount which would have been~~
 22 ~~received from the sale, lease or license of such article if~~
 23 ~~sold, leased or licensed at the fair market price.~~

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 24 ~~Sec. 902. That if any person who manufactures, pro-~~
 25 ~~duces or imports any article enumerated in section 600, or~~
 3

1 *leases or licenses for exhibition any positive motion-picture*
 2 *film containing a picture ready for projection, (a) sells,*
 3 *leases, or licenses such article to a corporation affiliated with*
 4 *such person within the meaning of section 240 of this Act,*
 5 *the tax thereon shall be computed on the basis of the price at*
 6 *which such article is sold, leased or licensed by such affiliated*
 7 *corporation; and (b) if any such person sells, leases, or*
 8 *licenses such article whether through any agreement, arrange-*
 9 *ment, or understanding, or otherwise, at less than the fair*
 10 *market price obtainable therefor, either (1) in such manner as*
 11 *directly or indirectly to benefit such person or any person*
 12 *directly or indirectly interested in the business of such person,*
 13 *or (2) with intent to cause such benefit, the amount for which*
 14 *such article is sold, leased or licensed shall be taken to be the*
 15 *amount which would have been received from the sale, lease*
 16 *or license of such article if sold, leased or licensed at the fair*
 17 *market price.*

18 SEC. ⁹⁰²902. That there shall be levied, assessed, collected,
 19 and paid upon sculpture, paintings, statuary, art porcelains,
 20 and bronzes, sold by any person other than the artist, a tax
 21 equivalent to ~~40~~ 5 per centum of the price for which so sold.
 22 This section shall not apply to the sale of any such article to
 23 an educational institution or public art museum.

24 SEC. ⁹⁰³903. That every person liable for any tax imposed
 25 by section 900, 902, or 906, shall make monthly returns

1 under oath in duplicate and pay the taxes imposed by such
 2 sections to the collector for the district in which is located
 3 the principal place of business. Such returns shall contain
 4 such information and be made at such times and in such man-
 5 ner as the Commissioner, with the approval of the Secretary,
 6 may by regulations prescribe.

7 The tax shall, without assessment by the Commissioner
 8 or notice from the collector, be due and payable to the collector
 9 at the time so fixed for filing the return. If the tax is not
 10 paid when due, there shall be added as part of the tax a penalty
 11 of 5 per centum, together with interest at the rate of 1 per
 12 centum for each full month, from the time when the tax
 13 became due.

14 ~~Sec. 904. (a) That on and after May 1, 1910, there~~
 15 ~~shall be levied, assessed, collected, and paid a tax equivalent~~
 16 ~~to 10 per centum of so much of the amount paid for any of~~
 17 ~~the following articles as is in excess of the price hereinafter~~
 18 ~~specified as to each such article, when such article is sold by~~
 19 ~~or for a dealer or his estate on or after such date for consump-~~
 20 ~~tion or use—~~

21 ~~(1) Carpets and rugs, including fiber, except imported~~
 22 ~~and American rugs made principally of wool, on the amount~~
 23 ~~in excess of \$5 per square yard:~~

24 ~~(2) Picture frames, on the amount in excess of \$10 each;~~

25 ~~(3) Trunks, on the amount in excess of \$50 each;~~

1 ~~(4) Valises, traveling bags, suitcases,~~
2 ~~by travelers, and fitted toilet cases, on the amount in excess of \$25 each;~~
3 ~~of \$25 each;~~

4 ~~(5) Purse, pocketbooks, shopping bags,~~
5 ~~the amount in excess of \$1.00 each;~~

6 ~~(6) Portable lighting apparatus, lanterns,~~
7 ~~kinds and lamp shades, on the amount in excess of \$1.00 each;~~

8 ~~(7) Umbrellas, parasols, and sun umbrellas,~~
9 ~~in excess of \$1 each;~~

10 ~~(8) Fans, on the amount in excess of \$1.00 each;~~

11 ~~(9) Hoses or smoking coats, and~~
12 ~~lounging robes, on the amount in excess of \$1.00 each;~~

13 ~~(10) Men's waistcoats, on the amount in excess of \$1.00 each;~~
14 ~~the amount in excess of \$1.00 each;~~

15 ~~(11) Women's and girls' dresses, on the amount in excess of \$1.00 each;~~
16 ~~the amount in excess of \$1.00 each;~~

17 ~~(12) Men's and boys' shirts, on the amount in excess of \$1.00 each;~~
18 ~~\$5 each;~~

19 ~~(13) Men's and boys' trousers, on the amount in excess of \$1.00 each;~~
20 ~~\$2 each;~~

21 ~~(14) Men's, women's, and children's shoes,~~
22 ~~pumps, and slippers, on the amount in excess of \$1.00 each;~~
23 ~~to order for any purpose, on the amount in excess of \$1.00 each;~~
24 ~~or ankle, on the amount in excess of \$1.00 each;~~

...of 25 each;
...of 25 each;

...of 25 each;

...shall not apply (1)
to any article enumerated in paragraphs (2) to (8), both
including, of subdivision (a), if such article is made of, or
ornamented, mounted, or fitted with, precious metals or imita-
tions thereof or ivory, or (2) to any article made of fur or the
skin of any animal, or of which any such fur is the component
material of chief value, or to (3) any article enumerated in
subdivision (b) or (c) of section 500.

(4) The taxes imposed by this section shall be paid by
the purchaser to the vendor at the time of the sale and shall
be collected, returned, and paid to the United States by such
vendor in the same manner as provided in section 500.

905(a)

1 Sec. 905. That on and after April 1, 1919, there shall
2 be levied, assessed, collected, and paid (in lieu of the tax
3 imposed by subdivision (e) of section 600 of the Revenue
4 Act of 1917) upon all articles commonly or commercially
5 known as jewelry, whether real or imitation: pearls, precious
6 and semiprecious stones, and imitations thereof; articles made
7 of, or ornamented, mounted or fitted with, precious metals
8 or imitations thereof or ivory (not including surgical instru-
9 ments, *eyeglasses*, and *spectacles*): watches: clocks: opera
10 glasses; lorgnettes; marine glasses; field glasses; and binocu-
11 lars; upon any of the above when sold by or for a dealer or
12 his estate for consumption or use, a tax equivalent to 5 per
13 centum of the price for which so sold.

14 (b) Every person selling any of the articles enumerated in
15 this section shall make returns under oath in duplicate
16 (monthly or quarterly as the Commissioner, with the approval
17 of the Secretary, may prescribe) and pay the taxes imposed
18 in respect to such articles by this section to the collector for
19 the district in which is located the principal place of business.
20 Such returns shall contain such information and be made at
21 such times and in such manner as the Commissioner, with the
22 approval of the Secretary, may by regulations prescribe.

23 (c) The tax shall, without assessment by the Commissioner
24 or notice from the collector, be due and payable to the col-
25 lector at the time so fixed for filing the return. If the tax is

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1 not paid when due, there shall be added as part of the tax a
2 penalty of 5 per centum, together with interest at the rate
3 of 1 per centum for each full month, from the time when the
4 tax became due.

5 ~~Sec. 906.~~ That on and after the 1st day of May, 1919,
6 any person engaged in the business of leasing or licensing for
7 exhibition positive motion-picture films containing pictures
8 ready for projection shall pay monthly an excise tax in
9 respect to carrying on such business equal to 5 per centum of
10 the total rentals earned from each such lease or license during
11 the preceding month. If a person owning such a film ex-
12 hibits it for profit he shall pay a tax equivalent to 5 per
13 centum of the fair rental or license value of such film at the
14 time and place where and for the period during which ex-
15 hibited. If any such person has, prior to December 6, 1918,
16 made a bona fide contract with any person for the lease or
17 licensing, after the tax imposed by this section takes effect,
18 of such a film for exhibition for profit, and if such contract
19 does not permit the adding of the whole of the tax imposed
20 by this section to the amount to be paid under such contract
21 then the lessee or licensee shall, in lieu of the lessor or
22 licensor, pay so much of such tax as is not so permitted to be
23 added to the contract price. The tax imposed by this section
24 shall be in lieu of the tax imposed by subdivisions (c) and (d)
25 of section 900 of the Revenue Act of 1917.

J. 65003—15

906 (a) (b) (c) (d) (e) (f) dec 27

1 ~~Sec. 907. (a) That on and after May 1, 1910, there shall~~
 2 ~~be levied, assessed, collected and paid (in lieu of the taxes~~
 3 ~~imposed by subdivisions (g) and (h) of section 600 of the~~
 4 ~~Revenue Act of 1917) a tax of 1 cent for each 25 cents or~~
 5 ~~fraction thereof of the amount paid for any of the following~~
 6 ~~articles when sold by or for a dealer or his estate on or after~~
 7 ~~such date for consumption or use:~~

8 ~~(1) Perfumes, essences, extracts, toilet waters, cosmetics,~~
 9 ~~petroleum jellies, hair oils, pomades, hair dressings, hair~~
 10 ~~restoratives, hair dyes, tooth and mouth washes, dentifrices,~~
 11 ~~tooth pastes, aromatic cachous, toilet powders (other than~~
 12 ~~soap powders), or any similar substance, article, or prepara-~~
 13 ~~tion by whatever name known or distinguished, any of~~
 14 ~~the above which are used or applied or intended to be used or~~
 15 ~~applied for toilet purposes:~~

16 ~~(2) Pills, tablets, powders, tinctures, troches or lozenges,~~
 17 ~~syrups, medicinal cordials or bitters, anodynes, tonics, plas-~~
 18 ~~tars, liniments, salves, ointments, pastes, drops, waters (ex-~~
 19 ~~cept those taxed under section 628 of this Act), essences,~~
 20 ~~spirits, oils, and other medicinal preparations, compounds, or~~
 21 ~~compositions (not including serums and antitoxins), upon the~~
 22 ~~amount paid for any of the above as to which the manufac-~~
 23 ~~turer or producer claims to have any private formula, secret,~~
 24 ~~or occult art for making or preparing the same, or has or claims~~
 25 ~~to have any exclusive right or title to the making or preparing~~

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1 the name, or which are prepared, compounded,
 2 for sale under any label, name, or trade
 3 prepared by any manufacturer, packer,
 4 out or recommended to the public by
 5 or proprietor, thereof, for the treatment of
 6 proprietary, or otherwise, for the treatment of
 7 for any disease, disorder, or condition of
 8 human or animal life, this section shall not apply to
 9 this section shall not apply to the sale of
 10 terines which are not administered
 11 nor to the sale by a physician to a
 12 patient of medicinal preparations

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13 (b) The term "ingredient"
 14 by which any of the above-mentioned
 15 may deem expedient to label the
 16 the vendor, that such label shall be
 17 vendor by the purchaser, and
 18 the purchaser at the time of purchase,
 19 being returned and paid for
 20 in the same manner as the original

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21 [Section 314 of the
 22 906(a) of 1938 may apply
 23 made a bona fide purchase
 24 after the tax label effect, of
 25 tax is imposed by section 314

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1 (as amended by section 101 of the Revenue Act of 1918)
2 to which such tax is applied, the tax imposed by such section
3 900 as amended by this Act shall be in addition to the tax
4 such vendor or lessor is liable to pay under such section
5 prior to the amendment of such section by this Act, and the
6 vendor or lessor shall, in case of the change of such tax, pay
7 the tax imposed by such section 900 as amended by this Act,
8 as is not so permitted to be added to the contract price.

9
10 (b) If (1) any person has, prior to August 13, 1918,
11 made a bona fide contract with any other person for the sale
12 or lease, after the tax takes effect, of any article in respect to
13 which a tax is imposed by section 900 of the Revenue Act of
14 1918 (as amended by this Act) or by this subdivision, and in
15 respect to which a corresponding but greater tax was imposed
16 by such section 900 as in force prior to its amendment by this
17 Act, and (2) such contract does not permit the deduction,
18 from the amount to be paid thereunder, of the whole of the
19 difference between the corresponding tax imposed by such
20 section 900 prior to its amendment by this Act and the tax
21 imposed by such section as amended by this Act; then the
22 vendor or lessor shall refund to the vendee or lessee so much
23 of the amount of such difference as is not so permitted to be
24 deducted from the contract price.

(C)

1 (c) If (1) any person has, prior to August 15, 1921,

2 made a bona fide contract with any other person for the sale
 3 or lease, after the tax takes effect, of any article in respect
 4 to which a tax was imposed by section 900 of the Revenue
 5 Act of 1918 as in force prior to its amendment by this Act
 6 and in respect to which no corresponding tax is imposed by
 7 such section as amended by this Act, and (2) such contract
 8 does not permit deduction, from the amount to be paid there-
 9 under, of the tax imposed by such section 900 prior to its
 10 amendment by this Act; then the vendor or lessor shall refund
 11 to the vendee or lessee so much of the amount of such tax as
 12 is not so permitted to be deducted from the contract price.

13 (d) The taxes payable by the vendee or lessee under
 14 subdivision (c), shall be paid to the vendor or lessor at the
 15 time the sale or lease is consummated, and collected, returned,
 16 and paid to the United States by such vendor or lessor in the
 17 same manner and subject to the same penalties and interest
 18 as provided by section 502 of the Revenue Act of 1918.

19 (e) Any refund by the vendor or lessor under subdivi-
 20 sion (b) or (c) shall be made at the time the sale or lease is
 21 consummated. Upon the failure of the vendor or lessor so
 22 to refund, he shall be liable to the vendee or lessee for
 23 damages in the amount of three times the amount of such
 24 refund, and the court shall include in any judgment in favor
 25 of the vendee or lessee in any suit for the recovery of such

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 1 damages, with of the cost and a reasonable attorney's fee to
 2 be paid by the court.

3 In and in this section, the term "dealer" includes
 4 a dealer who purchases any article with intent to use it in
 5 the manufacture or production of another article intended
 6 for sale.]

7 TITLE X.—SPECIAL TAXES.

17/10
 8 Sec. 1000. (a) That on and after July 1, 1918, in lieu
 9 of the tax imposed by the first subdivision of section 407 of the
 10 Revenue Act of 1916—

11 (1) Every domestic corporation shall pay annually a
 12 special excise tax with respect to carrying on or doing business,
 13 equivalent to \$1 for each \$1,000 of so much of the fair average
 14 value of its capital stock for the preceding year ending June 30
 15 as is in excess of \$5,000. In estimating the value of capital
 16 stock, surplus and undivided profits shall be included;

17 (2) Every foreign corporation shall pay annually a
 18 special excise tax with respect to carrying on or doing business
 19 in the United States, equivalent to \$1 for each \$1,000 of the
 20 average value of capital employed in the transaction of
 21 its business in the United States during the preceding year
 22 and in excess of \$5,000.

23 (3) In computing the tax in the case of insurance com-
 24 panies, deposits and reserve funds as they are required
 25 to be maintained or held for the protection of or

1 payment to or apportionment among policyholders shall not
2 be included.

3 ~~(1)~~ The taxes imposed by this section shall not apply
4 in any year to any corporation which was not engaged in
5 business (or in the case of a foreign corporation not engaged
6 in business in the United States) during the preceding year
7 ending June 30, nor to any corporation enumerated in section
8 231. The taxes imposed by this section shall apply to mutual
9 insurance companies, and in the case of every such domestic
10 company the tax shall be equivalent to \$1 for each \$1,000
11 of the excess over \$5,000 of the sum of its surplus or contin-
12 gent reserves maintained for the general use of the business and
13 any reserves the net additions to which are included in net
14 income under the provisions of Title II, as of the close of the
15 preceding accounting period used by such company for pur-
16 poses of making its income tax return: *Provided*. That in the
17 case of a foreign mutual insurance company the tax shall be
18 equivalent to \$1 for each \$1,000 of the same proportion of
19 the sum of such surplus and reserves, which the reserve fund
20 upon business transacted within the United States is of the
21 total reserve upon all business transacted, as of the close of the
22 preceding accounting period used by such company for pur-
23 poses of making its income tax return.

24 ~~(2)~~ Section 257 shall apply to all returns filed with the
25 Commissioner for purposes of the tax imposed by this section

1 Taxes imposed by this section shall be assessed
 2 within fifteen months from the due date of the return or date
 3 when the return is filed, except in the case of a false or fraud-
 4 lent return, in which case an additional assessment shall be
 5 made within three years from the due date of the return. If,
 6 upon examination of any capital stock tax return made pur-
 7 suant to this Act, the Revenue Act of 1916, or the Revenue
 8 Act of 1916 as amended by the Revenue Act of 1917, it
 9 appears that an amount of capital stock tax has been paid
 10 in excess of that properly due, then, notwithstanding the
 11 provisions of section 3228 of the Revised Statutes, the amount
 12 of the excess shall be credited against any capital stock tax
 13 then due from the taxpayer under any other return and any
 14 balance of such excess shall be immediately refunded to the
 15 taxpayer: Provided, That no such credit or refund shall be
 16 allowed or made after ^{five} ~~three~~ years from the date when the
 17 return was due unless before the expiration of such three
 18 years a claim therefor is filed by the taxpayer.

19 Sec. ^(c) 1001. That on and after January 1, 1918, there
 20 shall be levied, collected, and paid annually the following
 21 special taxes—

22 (B) Brokers shall pay 50¢. Every person who is engaged
 23 in the business of buying or selling, or negotiating, or
 24 carrying, or holding, or conveying, or transferring, or
 25 receiving, or delivering, or storing, or warehousing, or
 26

1. goods, wares, or merchandise, or
2. shares, or of the stock of any corporation,
3. of lands, or similar real estate, where such
4. change is sold, he shall pay an additional
5. If the average value, during the preceding year, of such
6. 50, of a seat or membership in such exchange or corporation
7. was \$5,000 or more but not more than \$10,000, \$150, and such
8. value was more than \$5,000, \$150.

9. (2) Pawnbrokers shall pay \$100. Every person whose
10. business or occupation it is to take or receive, by way of
11. pledge, pawn, or exchange, any goods, wares, or merchandise,
12. or any kind of personal property whatever, as security for
13. the repayment of money loaned thereon, shall be regarded
14. as a pawnbroker.

15. (3) Ship brokers shall pay \$50. Every person whose
16. business it is as a broker to negotiate freights and other
17. business for the owners of vessels, or for the shippers or con-
18. signors or consignees of freight carried by vessels, shall be
19. regarded as a ship broker.

20. (4) Customhouse brokers shall pay \$50. Every person
21. whose occupation it is, as the agent of others, to arrange
22. entries and other customhouse papers, or transact business
23. at any port of entry relating to the importation or exporta-
24. tion of goods, wares, or merchandise, shall be regarded as a
25. customhouse broker.

(5) Proprietors of theaters, museums, and concert halls, where a charge for admission is made, having a seating capacity of not more than two hundred and fifty, shall pay \$50; having a seating capacity of more than two hundred and fifty and not exceeding five hundred, shall pay \$100; having a seating capacity exceeding five hundred and not exceeding eight hundred, shall pay \$150; having a seating capacity of more than eight hundred, shall pay \$200. Every edifice used for the purpose of dramatic or operatic or other representations, plays, or performances, for admission to which entrance money is received, not including halls or armories rented or used occasionally for concerts or theatrical representations, and not including edifices owned by religious, educational or charitable institutions, societies or organizations where all the proceeds from admissions inure exclusively to the benefit of such institutions, societies or organizations or exclusively to the benefit of persons in the military or naval forces of the United States, shall be regarded as a theater: *Provided*, That in cities, towns, or villages of five thousand inhabitants or less the amount of such payment shall be one-half of that above stated: *Provided further*, That whenever any such edifice is under lease at the time the tax is due, the tax shall be paid by the lessee, unless otherwise stipulated between the parties to the lease.

(6)

1 (6) The proprietor or proprietors of circuses shall pay
2 \$100. Every building, space, tent, or area, where feats of
3 horsemanship or acrobatic sports or theatrical performances
4 not otherwise provided for in this section are exhibited
5 shall be regarded as a circus: *Provided*, That no special
6 tax paid in one State, Territory, or the District of Columbia
7 shall exempt exhibitions from the tax in another State,
8 Territory, or the District of Columbia, and but one special
9 tax shall be imposed for exhibitions within any one State,
10 Territory, or District.

11 (7) Proprietors or agents of all other public exhibitions
12 or shows for money not enumerated in this section shall pay
13 \$15: *Provided*, That a special tax paid in one State, Terri-
14 tory, or the District of Columbia shall not exempt exhibitions
15 from the tax in another State, Territory, or the District of
16 Columbia, and but one special tax shall be required for ex-
17 hibitions within any one State, Territory, or the District
18 of Columbia: *Provided further*, That this paragraph shall
19 not apply to Chautauquas, lecture lyceums, agricultural or
20 industrial fairs, or exhibitions held under the auspices of
21 religious or charitable associations: *Provided further*, That
22 an aggregation of entertainments, known as a street fair,
23 shall not pay a larger tax than \$100 in any State, Territory,
24 or in the District of Columbia.

1 (8) Proprietors of bowling alleys and billiard rooms
2 shall pay \$10 for each alley or table. Every building or place
3 where bowls are thrown or where games of billiards or pool
4 are played, except in private homes, shall be regarded as a
5 bowling alley or a billiard room, respectively.

6 (9) Proprietors of shooting galleries shall pay \$20.
7 Every building, space, tent, or area, where a charge is made
8 for the discharge of firearms at any form of target shall be
9 regarded as a shooting gallery.

10 (10) Proprietors of riding academies shall pay \$100.
11 Every building, space, tent, or area, where a charge is made
12 for instruction in horsemanship or for facilities for the practice
13 of horsemanship shall be regarded as a riding academy.

14 (11) Persons carrying on the business of operating or
15 renting passenger automobiles for hire shall pay \$10 for each
16 such automobile having a seating capacity of more than two
17 and not more than seven, and \$20 for each such automobile
18 having a seating capacity of more than seven.

19 (12) Every person carrying on the business of a brewer,
20 distiller, wholesale liquor dealer, retail liquor dealer, whole-
21 sale dealer in malt liquor, retail dealer in malt liquor, or
22 manufacturer of stills, as defined in section 3244 as amended
23 and section 3247 of the Revised Statutes, in any State, Ter-
24 ritory, or District of the United States contrary to the laws
25 of such State, Territory, or District, or in any place therein

1 in which carrying on such business is prohibited by local or
 2 municipal law, shall pay, in addition to all other taxes, special
 3 or otherwise, imposed by existing law or by this Act, \$1,000.

4 The payment of the tax imposed by this subdivision shall
 5 not be held to exempt any person from any penalty or punish-
 6 ment provided for by the laws of any State, Territory, or
 7 district for carrying on such business in such State, Terri-
 8 tory, or District, or in any manner to authorize the commence-
 9 ment or continuance of such business contrary to the laws of
 10 such State, Territory, or District, or in places prohibited by
 11 local or municipal law.

12 The taxes imposed by this section shall, in the case of
 13 persons upon whom a corresponding tax is imposed by section
 14 407 of the Revenue Act of 1916, be in lieu of such tax.

15 ^{Sec 2} Sec. 1002. That on and after January 1, 1916, there
 16 shall be levied, collected, and paid annually, in lieu of the
 17 taxes imposed by section 408 of the Revenue Act of 1916,
 18 the following special taxes, the amount of such taxes to be
 19 computed on the basis of the sales for the preceding year end-
 20 ing June 30—

21 Manufacturers of tobacco whose annual sales do not
 22 exceed fifty thousand pounds shall each pay \$6:

23 Manufacturers of tobacco whose annual sales exceed
 24 fifty thousand and do not exceed one hundred thousand
 25 pounds shall each pay \$12:

172 F
173 1 Manufacturers of tobacco whose annual sales exceed
2 one hundred thousand and do not exceed two hundred thou-
3 sand pounds shall each pay \$34:

4 Manufacturers of tobacco whose annual sales exceed
5 two hundred thousand pounds shall each pay \$34, and at the
6 rate of 16 cents per thousand pounds, or fraction thereof, in
7 respect to the excess over two hundred thousand pounds:

8 Manufacturers of cigars whose annual sales do not
9 exceed fifty thousand cigars shall each pay \$4:

10 Manufacturers of cigars whose annual sales exceed fifty
11 thousand and do not exceed one hundred thousand cigars
12 shall each pay \$6.

13 Manufacturers of cigars whose annual sales exceed one
14 hundred thousand and do not exceed two hundred thousand
15 cigars shall each pay \$12:

16 Manufacturers of cigars whose annual sales exceed two
17 hundred thousand and do not exceed four hundred thousand
18 cigars shall each pay \$24:

19 Manufacturers of cigars whose annual sales exceed four
20 hundred thousand cigars shall each pay \$24, and at the rate
21 of 10 cents per thousand cigars, or fraction thereof, in respect
22 to the excess over four hundred thousand cigars:

23 Manufacturers of cigarettes, including small cigars
24 weighing not more than three pounds per thousand shall

1 each pay at the rate of 6 cents for every ten thousand ciga-
 2 rettes, or fraction thereof.

3 In arriving at the amount of special tax to be paid under
 4 this section, and in the levy and collection of such tax, each
 5 person engaged in the manufacture of more than one of the
 6 classes of articles specified in this section shall be considered
 7 and deemed a manufacturer of each class separately.

8 ~~Sec. 1027.~~ That sixty days after the passage of this
 9 Act, and thereafter on July 1 in each year, and also at the
 10 time of the original purchase of a new boat by a user, if on any
 11 other date than July 1, there shall be levied, assessed, col-
 12 lected, and paid in lieu of the tax imposed by section 606 of
 13 the Revenue Act of 1917, upon the use of yachts, pleasure
 14 boats, power boats, and sailing boats, of over five net tons,
 15 and motor boats with fixed engines, not used exclusively for
 16 trade, fishing, or national defense, or not built according to
 17 plans and specifications approved by the Navy Department,
 18 a special excise tax to be based on each yacht or boat, at rates
 19 as follows: Yachts, pleasure boats, power boats, motor boats
 20 with fixed engines, and sailing boats, of over five net tons,
 21 length not over fifty feet, \$1 for each foot, length over fifty
 22 feet and not over one hundred feet, \$2 for each foot; length
 23 over one hundred feet, \$4 for each foot; motor boats of not
 24 over five net tons, with fixed engines, \$10.

Special tax on boats
 100 3

1 In determining the length of such yachts, pleasure boats,
2 power boats, motor boats with fixed engines, and sailing
3 boats, the measurement of over-all length shall govern.

4 In the case of a tax imposed at the time of the original
5 purchase of a new boat on any other date than July 1, and in
6 the case of the tax taking effect sixty days after the passage of
7 this Act, the amount to be paid shall be the same number of
8 twelfths of the amount of the tax as the number of calendar
9 months (including the month of sale, or the month in which
10 is included the sixty-first day after the passage of this Act, as
11 the case may be) remaining prior to the following July 1.

12 If the tax imposed by section 406 of the Revenue Act of
13 1917, for the fiscal year ending June 30, 1919, has been paid
14 in respect to the use of any boat, the amount so paid shall
15 under such regulations as the Commissioner, with the approval
16 of the Secretary, may prescribe, be credited upon the first tax
17 due under this section in respect to the use of such boat, or be
18 refunded to the person paying the first tax imposed by this
19 section in respect to the use of such boat.

20 *On and after January 1, 1922, the tax imposed by this*
21 *section shall apply only in the case of yachts or boats over*
22 *five net tons and over thirty-two feet in length.*

23 ~~Sec. 1004.~~ That if the tax imposed by section 407 or
24 406 of the Revenue Act of 1916, for the fiscal year ending
25 June 30, 1919, has been paid by any person subject to the

1 corresponding tax imposed by this title, collectors may issue
 2 a receipt in lieu of special tax stamp for the amount by which
 3 the tax under this title is in excess of that paid or payable
 4 and evidenced by stamp under the Revenue Act of 1916.
 5 Such receipt shall be posted as in the case of the special tax
 6 stamp, as provided by law, and with it, within the place of
 7 business of the taxpayer.

8 If the corresponding tax imposed by section 407 of the
 9 Revenue Act of 1916 was not payable by stamp, the amount
 10 paid under such section for any period for which a tax is also
 11 imposed by this title may be credited against the tax imposed
 12 by this title. *Penalty for Nonpayment of Special Taxe*

13 *Sec. 1004* That any person who carries on any business
 14 or occupation for which a special tax is imposed by sections
 15 1000, 1001, or 1002, without having paid the special tax
 16 therein provided, shall, besides being liable for the payment
 17 of such special tax, be subject to a penalty of not more than
 18 \$1,000 or to imprisonment for not more than one year, or
 19 both. *1005* *Penalty on Narcotics*

20 *Sec. 1006* That section 1 of the Act of Congress ap-
 21 proved December 17, 1914, is hereby amended to read as
 22 follows:

23 "SECTION 1. That on or before July 1 of each year
 24 every person who imports, manufactures, produces, con-

1 ... sells, deals in, dispenses, or gives away opium or
 2 ... or any compound, manufacture, salt, derivative,
 3 ... thereof, shall register with the collector of
 4 ... revenue of the district his name and style, place of
 5 ... business and place or places where such business is to be
 6 ... carried on, and pay the special taxes hereinafter provided:

7 "Every person who on January 1, 1919, is engaged
 8 ... in any of the activities above enumerated, or who between
 9 ... and the passage of this Act first engages in any of
 10 ... shall within 30 days after the passage of this
 11 ... the registration, and shall pay the proportionate
 12 ... for the period ending June 30, 1920, and

13 ... who first engages in any of such activities
 14 ... shall immediately upon the
 15 ... and pay the proportionate part of the tax for the
 16 ... on the following June 30th,

17 "Importers, manufacturers, producers, or compounders,
 18 ... \$24 per annum; wholesale dealers, \$12 per annum; retail
 19 ... \$6 per annum; physicians, dentists, veterinary
 20 ... and other practitioners lawfully entitled to the
 21 ... give away, or administer any of the above
 22 ... shall pay in addition upon each sale, in the amount of three
 23 ... shall pay \$5 per
 24 ...

1 **"Every person who imports, manufactures, compounds,**
2 **or otherwise produces for sale or distribution any of the afore-**
3 **said drugs shall be deemed to be an importer, manufacturer,**
4 **or producer.**

5 **"Every person who sells or offers for sale any of said**
6 **drugs in the original stamped packages, as hereinafter pro-**
7 **vided, shall be deemed a wholesale dealer.**

8 **"Every person who sells or dispenses from original**
9 **stamped packages, as hereinafter provided, shall be deemed**
10 **a retail dealer: *Provided*, That the office, or if none, the**
11 **residence, of any person shall be considered for the purpose**
12 **of this Act his place of business: but no employee of any**
13 **person who has registered and paid special tax as herein**
14 **required, acting within the scope of his employment, shall**
15 **be required to register and pay special tax provided by this**
16 **section: *Provided further*, That officials of the United States,**
17 **Territorial, District of Columbia, or insular possessions, State**
18 **or municipal governments, who in the exercise of their official**
19 **duties engage in any of the business herein described, shall**
20 **not be required to register, nor pay special tax, nor stamp**
21 **the aforesaid drugs as hereinafter prescribed, but their right**
22 **to this exemption shall be evidenced in such manner as the**
23 **Commissioner of Internal Revenue, with the approval of the**
24 **Secretary of the Treasury, may by regulations prescribe.**

1 " It shall be unlawful for any person required to register
2 under the provisions of this Act to import, manufacture, pro-
3 duce, compound, sell, deal in, dispense, distribute, administer,
4 or give away any of the aforesaid drugs without having reg-
5 istered and paid the special tax as imposed by this section.

6 " That the word 'person' as used in this Act shall be
7 construed to mean and include a partnership, association,
8 company, or corporation, as well as a natural person; and all
9 provisions of existing law relating to special taxes, as far as
10 necessary, are hereby extended and made applicable to this
11 section.

12 " That there shall be levied, assessed, collected, and paid
13 upon opium, coca leaves, any compound, salt, derivative, or
14 preparation thereof, produced in or imported into the United
15 States, and sold, or removed for consumption or sale, an
16 internal-revenue tax at the rate of 1 cent per ounce, and any
17 fraction of an ounce in a package shall be taxed as an ounce,
18 such tax to be paid by the importer, manufacturer, producer,
19 or compounder thereof, and to be represented by appropriate
20 stamps, to be provided by the Commissioner of Internal
21 Revenue, with the approval of the Secretary of the Treasury ;
22 and the stamps herein provided shall be so affixed to the
23 bottle or other container as to securely seal the stopper,
24 covering, or wrapper thereof.

1 "The tax imposed by this section shall be in addition to
2 any import duty imposed on the aforesaid drugs.

3 "It shall be unlawful for any person to purchase, sell,
4 dispense, or distribute any of the aforesaid drugs except in the
5 original stamped package or from the original stamped pack-
6 age; and the absence of appropriate tax-paid stamps from any
7 of the aforesaid drugs shall be prima facie evidence of a viola-
8 tion of this section by the person in whose possession same may
9 be found; and the possession of any original stamped package
10 containing any of the aforesaid drugs by any person who has
11 not registered and paid special taxes as required by this section
12 shall be prima facie evidence of liability to such special tax:
13 *Provided*, That the provisions of this paragraph shall not
14 apply to any person having in his or her possession any of the
15 aforesaid drugs which have been obtained from a registered
16 dealer in pursuance of a prescription, written for legitimate
17 medical uses, issued by a physician, dentist, veterinary sur-
18 geon, or other practitioner registered under this Act; and
19 where the bottle or other container in which such drug may
20 be put up by the dealer upon said prescription bears the name
21 and registry number of the druggist, serial number of prepara-
22 tion, name and address of the patient, and name, address, and
23 registry number of the person writing said prescription
24 the dispensing, or administration, or giving away of any
25 aforesaid drugs to a patient by a registered physician

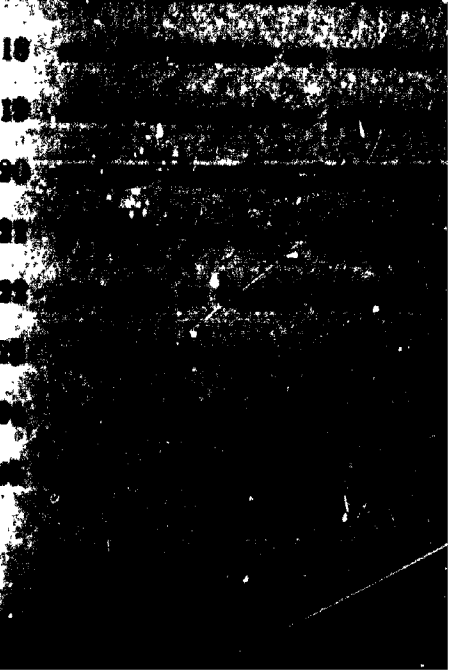
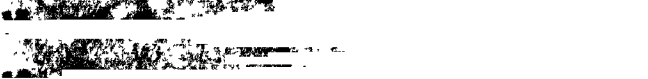
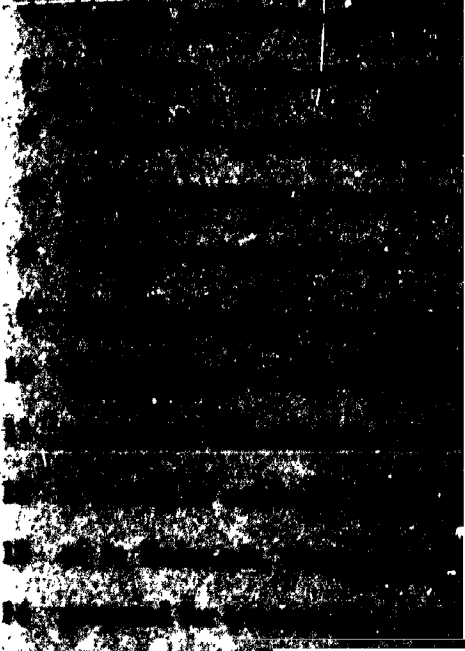
1 veterinary surgeon, or other practitioner in the course of his
2 professional practice, and where said drugs are dispensed or
3 administered to the patient for legitimate medical purposes,
4 and the record kept as required by this Act of the drugs so
5 dispensed, administered, distributed, or given away.

6 " And all the provisions of existing laws relating to
7 the engraving, issuance, sale, accountability, cancellation,
8 and destruction of tax-paid stamps provided for in the internal-
9 revenue laws are, in so far as necessary, hereby extended
10 and made to apply to stamps provided by this section.

11 " That all unstamped packages of the aforesaid drugs
12 found in the possession of any person, except as herein pro-
13 vided, shall be subject to seizure and forfeiture, and all the
14 provisions of existing internal-revenue laws relating to
15 searches, seizures, and forfeitures of unstamped articles are
16 hereby extended to and made to apply to the articles taxed
17 under this Act and the persons upon whom these taxes are
18 imposed.

19 " Importers, manufacturers, and wholesale dealers shall
20 keep such books and records and render such monthly returns
21 in relation to the transactions in the aforesaid drugs as the
22 Commissioner of Internal Revenue, with the approval of the
23 Secretary of the Treasury, may by regulations require.

24 " The Commissioner of Internal Revenue, with the
25 approval of the Secretary of the Treasury, shall have



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...of the district in
...as provided in this Act.

12. ... shall not apply to
13. ... made therefrom, or
14. ... which do not contain

15. That all opium, its salts, derivatives, and
16. and compounds, and coca leaves, salts, derivatives, and compounds
17. which may now be under seizure or which may here-
18. after be seized by the United States Government from any
19. person or persons charged with any violation of the Act of
20. October 3, 1908, as amended by the Acts of March 3, 1897,
21. February 9, 1902, and January 17, 1914, or the Act of
22. December 17, 1914, shall upon conviction of the person or

1 persons from whom seized be confiscated by and forfeited to
2 the United States; and the Secretary is hereby authorized
3 to deliver for medical or scientific purposes to any depart-
4 ment, bureau, or other agency of the United States Govern-
5 ment, upon proper application therefor under such regulations
6 as may be prescribed by the Commissioner, with the approval
7 of the Secretary, any of the drugs so seized, confiscated, and
8 forfeited to the United States.

9 The provisions of this section shall also apply to any
10 of the aforesaid drugs seized or coming into the possession
11 of the United States in the enforcement of any of the above-
12 mentioned Acts where the owner or owners thereof are
13 unknown. None of the aforesaid drugs coming into the
14 possession of the United States under the operation of said
15 Acts, or the provisions of this section, shall be destroyed
16 without certification by a committee appointed by the Com-
17 missioner, with the approval of the Secretary, that they are
18 of no value for medical or scientific purposes.

19 ~~SEC. 1009~~ That the Act approved October 22, 1914,
20 entitled "An Act to increase the internal revenue, and for
21 other purposes," and the joint resolution approved December
22 17, 1915, entitled "Joint resolution extending the provisions
23 of the Act entitled 'An Act to increase the internal revenue
24 and for other purposes,' approved October 22, 1914, to
25 December 31, 1916," are hereby repealed, except that the

1 provisions of such Act shall remain in force for the assess-
2 ment and collection of all special taxes imposed by sec-
3 tions 3 and 4 thereof, or by such sections as extended by such
4 joint resolution, for any year or part thereof ending prior
5 to January 1, 1917, and of all other taxes imposed by such
6 Act, or by such Act as so extended, accrued prior to Septem-
7 ber 8, 1916, and for the imposition and collection of all
8 penalties or forfeitures which have accrued or may accrue
9 in relation to any of such taxes.

10 TITLE XI.—STAMP TAXES.

11 1100

11 SEC. 1100. That on and after April 1, 1919, there shall
12 be levied, collected, and paid, for and in respect of the several
13 bonds, debentures, or certificates of stock and of indebted-
14 ness, and other documents, instruments, matters, and things
15 mentioned and described in Schedule A of this title, or for
16 or in respect of the vellum, parchment, or paper upon which
17 such instruments, matters, or things, or any of them, are
18 written or printed, by any person who makes, signs, issues,
19 sells, removes, consigns, or ships the same, or for whose use
20 or benefit the same are made, signed, issued, sold, removed,
21 consigned, or shipped, the several taxes specified in such
22 schedule. The taxes imposed by this section shall, in the
23 case of any article upon which a corresponding stamp tax is
24 now imposed by law, be in lieu of such tax.

1101
 1 Sec. 1101. That there shall not be taxed under this title
 2 any bond, note, or other instrument, issued by the United
 3 States, or by any foreign Government, or by any State, Ter-
 4 ritory, or the District of Columbia, or local subdivision thereof,
 5 or municipal or other corporation exercising the taxing power;
 6 or any bond of indemnity required to be filed by any person
 7 to secure payment of any pension, allowance, allotment,
 8 relief, or insurance by the United States; or stocks and
 9 bonds issued by cooperative building and loan associations
 10 which are organized and operated exclusively for the benefit
 11 of their members and make loans only to their shareholders;
 12 or by mutual ditch or irrigating companies.

1102
 13 Sec. 1102. That whoever—

14 (a) Makes, signs, issues, or accepts, or causes to be
 15 made, signed, issued, or accepted, any instrument, docu-
 16 ment, or paper of any kind or description whatsoever without
 17 the full amount of tax thereon being duly paid;

18 (b) Consigns or ships or causes to be consigned or
 19 shipped, by parcel post any parcel, package, or article without
 20 the full amount of tax being duly paid;

21 (c) Manufactures or imports and sells, or offers for sale,
 22 or causes to be manufactured or imported and sold, or offered
 23 for sale, any playing cards, package, or other article without
 24 the full amount of tax being duly paid;

1 ^(K) Make use of any adhesive or
2 imposed by this title without correct
3 stamp as prescribed in section 1104.

4 Is guilty of a misdemeanor who
5 shall pay a fine of not more than \$100
6 Sec. 1105. That whoever—

7 (a) Fraudulently cuts,
8 vellum, parchment,
9 or article, upon which
10 adhesive stamp or the
11 or other article, provided

12 title;
13 (b) Fraudulently uses,
14 or upon any vellum, parchment,
15 package, or article, upon
16 title, (1) any adhesive stamp,

17 die, plate, or other article,
18 removed from any other vellum,
19 ment, writing, package, or
20 imposed by this title; or
21 impression of any stamp, die, plate,
22 sufficient value; or (2) any stamp,
23 the impression of any stamp, die,
24 plate, or other article;

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... shall
... not more than \$1,000, or by in-
... more than five years, or both, and any
... stamp and the value,

17 prohibited document, paper, package, or article upon which
18 the stamp or impressed shall be forfeited to the United

19 States. That whenever an adhesive stamp is used
20 in paying any tax imposed by this title, except as herein-
21 after provided, the person using or affixing the same shall
22 write or stamp or cause to be written or stamped thereupon
23 the initials of his or its name and the date upon which the
24 same is affixed or used, so that the same may not again be

1. ~~That the Commissioner may prescribe such~~
 2. ~~stamps and for the cancellation of such stamps as he may~~

3. ~~provide.~~
 4. (b) That the Commissioner shall cause to be
 5. prepared and distributed for the payment of the taxes pro-
 6. vided in this title suitable stamps denoting the tax on the
 7. document, articles, or thing to which the same may be affixed,
 8. and shall prescribe such method for the affixing of said stamps
 9. as he may deem expedient for or in addition to the method provided in
 10. this title as he may deem expedient.

11. The Commissioner, with the approval of the Sec-
 12. retary, is authorized to procure any of the stamps provided
 13. for in this title by contract whenever such stamps can not be
 14. readily prepared by the Bureau of Engraving and Printing;
 15. but this authority shall expire on January 1, 1920, except
 16. for stamps furnished under contract, authorized
 17. by the Commissioner.

18. All internal-revenue laws relating to the assessment
 19. and collection of taxes are hereby extended to and made a
 20. part of this title, so far as applicable, for the purpose of col-
 21. lecting taxes omitted through mistake or fraud from
 22. any document, paper, writing, parcel, package,
 23. or other thing.

24. That the Commissioner shall furnish to the
 25. Secretary, without payment a suitable quantity

1 of adhesive stamps to be distributed to and kept on sale by
 2 the various postmasters in the United States. The Post-
 3 master General may require each such postmaster to give
 4 additional or increased bond as postmaster for the value of the
 5 stamps so furnished, and each such postmaster shall deposit
 6 the receipts from the sale of such stamps to the credit of and
 7 render accounts to the Postmaster General at such times and
 8 in such form as he may by regulations prescribe. The Post-
 9 master General shall at least once monthly transfer all col-
 10 lections from this source to the Treasury as internal-revenue
 11 collections.

12 Sec. ^{(107) (a) (b) (c)} 107. That the collectors of the several districts
 337 13 shall furnish without prepayment to any assistant treasurer
 14 or designated depository of the United States located in their
 15 respective collection districts a suitable quantity of adhesive
 16 stamps for sale. In such cases the collector may require a
 17 bond, with sufficient sureties, to an amount equal to the
 18 value of the adhesive stamps so furnished, conditioned for
 19 the faithful return, whenever so required, of all quantities or
 20 amounts undisposed of, and for the payment monthly of all
 21 quantities or amounts sold or not remaining on hand. The
 22 Secretary may from time to time make such regulations as
 23 he may find necessary to insure the safekeeping or prevent
 24 the illegal use of all such adhesive stamps.

1 (D) SCHEDULE A.—STAMP TAXES.

2 1. Bonds of indebtedness: On all bonds, debentures, or
 3 certificates of indebtedness issued by any person, and all
 4 instruments, however termed, issued by any corporation with
 5 interest coupons or in registered form, known generally as
 6 corporate securities, on each \$100 of face value or fraction
 7 thereof, 5 cents: *Provided*, That every renewal of the fore-
 8 going shall be taxed as a new issue: *Provided further*, That
 9 when a bond conditioned for the repayment or payment of
 10 money is given in a penal sum greater than the debt secured,
 11 the tax shall be based upon the amount secured.

318 12 2. Bonds, indemnity and surety: On all bonds executed
 319 13 for indemnifying any person who shall have become bound or
 14 engaged as surety, and on all bonds executed for the due
 15 execution or performance of any contract, obligation, or
 16 requirement, or the duties of any office or position, and to
 17 account for money received by virtue thereof, and on all
 18 policies of guaranty and fidelity insurances, including policies
 19 guarantening titles to real estate and mortgage guaranty
 20 policies, and on all other bonds of any description, made,
 21 issued, or executed, not otherwise provided for in this sched-
 22 ule, except such as may be required in legal proceedings, 10
 318 23 cents: *Provided*: That where a premium is charged for the
 319 24 issuance, execution, renewal or continuance of such bond
 25 the tax shall be 1 cent on each dollar or fractional part thereof

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[REDACTED]

checked name, the name of the
person by whom the bill is
drawn. That is one of the
amount only by the name of the
be presenting bank, and
ship is by number of the
upon the merchant, and
or what the bank is by

in blank there shall be made
the buyer a bill or promissory

1 stamp shall be affixed; and every bill or memorandum of sale
 2 agreement to sell herefore mentioned shall show the date
 3 thereof, the name of the seller, the amount of the sale, and
 4 the matter or thing to which it refers. Any person liable
 5 to pay the tax as herein provided, or anyone who acts in the
 6 matter as agent or broker for such person, who makes any
 7 such sale, or who in pursuance of any such sale delivers any
 8 certificate or evidence of the sale of any stock, interest or
 9 right, or bill or memorandum thereof, as herein required,
 10 without having the proper stamps affixed thereto with intent
 11 to evade the foregoing provisions, shall be deemed guilty
 12 of a misdemeanor, and upon conviction thereof shall pay a
 13 fine of not exceeding \$1,000, or be imprisoned not more
 14 than six months, or both.

15 *4.* Produce, sales of, on exchange: Upon each sale,
 16 agreement of sale, or agreement to sell (not including so-called
 17 transferred or scratch sales), any products or merchandise at,
 18 or under the rules or usages of, any exchange, or board of
 19 trade, or other similar place, for future delivery, for each \$100
 20 in value of the merchandise covered by said sale or agreement
 21 of sale or agreement to sell, 2 cents, and for each additional
 22 \$100 or fractional part thereof in excess of \$100, 2 cents:
 23 *Provided,* That on every sale or agreement of sale or agree-
 24 ment to sell as aforesaid there shall be made and delivered by
 25 the seller to the buyer a bill, memorandum, agreement, or

1 such sale, agreement of sale, or agreement
 2 to sell, shall be affixed a lawful stamp or
 3 seal to the amount of the tax on such sale:
 4 and the duties of excise on the products or merchandise described
 5 in such bill, memorandum, or agreement of sale, shall be deemed to be
 6 paid. Any transfer to a clearing-house corporation or
 7 association of such products or merchandise shall not be deemed to be a
 8 sale, agreement of sale, or an agreement to sell within the
 9 meaning of this Act, provided that such transfer shall not
 10 constitute a withdrawal of such clearing-house associa-
 11 tion's funds for the sole purpose of enabling such
 12 association to adjust and balance the accounts
 13 of the members of such clearing-house association on their
 14 respective accounts. Every such bill, memorandum, or other
 15 evidence of sale or agreement to sell shall show the date
 16 thereof, the name of the seller, the amount of the sale, and
 17 the thing or thing to which it refers; and any person liable
 18 to pay the tax as herein provided, or anyone who acts in the
 19 capacity of agent or broker for such person, who makes any
 20 such bill, memorandum, or agreement of sale, or who, in
 21 pursuance of any such sale, agreement of sale, or agreement
 22 to sell, delivers any such products or merchandise without
 23 a bill, memorandum, or other evidence thereof as herein
 24 required, or who delivers such bill, memorandum, or other
 25 evidence of sale, or agreement to sell, without having the

1 proper stamps affixed thereto, with intent to evade the fore-
 2 going provisions, shall be deemed guilty of a misdemeanor,
 3 and upon conviction thereof shall pay a fine of not exceeding
 4 \$1,000 or be imprisoned not more than six months, or both.

5 No bill, memorandum, agreement, or other evidence of
 6 such sale, or agreement of sale, or agreement to sell, in case
 7 of cash sales of products or merchandise for immediate or
 8 prompt delivery which in good faith are actually intended to
 9 be delivered shall be subject to this tax.

10 ⁽⁵⁾ Drafts or checks (payable otherwise than at sight or on
 11 demand) upon their acceptance or delivery within the United
 12 States whichever is prior, promissory notes, except bank notes
 13 issued for circulation, and for each renewal of the same, for a
 14 sum not exceeding \$100, 2 cents; and for each additional
 15 \$100, or fractional part thereof, 2 cents.

16 This subdivision shall not apply to a promissory note
 17 secured by the pledge of bonds or obligations of the United
 18 States issued after April 24, 1917, or secured by the pledge of
 19 a promissory note which itself is secured by the pledge of such
 20 bonds or obligations: *Provided*, That in either case the par
 21 value of such bonds or obligations shall be not less than the
 22 amount of such note.

23 ⁽⁶⁾ Conveyances: Deed, instrument, or writing, whereby
 24 any lands, tenements, or other realty sold shall be granted,
 25 assigned, transferred, or otherwise conveyed to, or vested in,

1 the purchaser or purchasers, at any other time
2 by his, her, or their direction, when the value of
3 of the interest or property encumbered, including the value
4 of any lien or encumbrance remaining in effect at the time of
5 sale, exceeds \$100 and does not exceed \$500. For each
6 each additional \$500 or fractional part thereof.
7 This subdivision shall not apply to any instrument
8 given to secure a debt.

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9 **J. Entry of any goods, wares, merchandise,**
10 **customhouse, either for consumption or for**
11 **exportation, exceeding \$100 in value, 25 cents per**
12 **exceeding \$500 in value**
13 **\$1.**

8

14 **J. Entry for the**
15 **from customs books.**

9

16 **K. Passage ticket**
17 **passenger, and**
18 **by any vessel to a**
19 **Canada, or Mexico,**
20 **more than \$20 and**
21 **than \$50. This section**
22 **tickets costing \$10 or less**

10

23 **L. Entry for**
24 **merchandise for the purpose of**

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 9 in the military service of the United States
 10 received in bankruptcy proceedings.
 11 ~~12. Flying cards:~~ Cards
 12 containing not more than 100 words
 13 imperforated, and sold, or removed,
 14 tax of 2 cents per pack.

15 ~~16. Parcel-post packages:~~ By
 16 transported from one point in the
 17 by parcel post on which the postage
 18 more, a tax of 1 cent for each 25 cents or fraction
 19 thereof charged for such transportation, to be paid by the
 20 consignor.

21 No such parcel or package shall be transported until a
 22 stamp or stamps representing the tax due shall have been
 23 affixed thereto.

24 ¹³~~15.~~ On each policy of insurance, or certificate, ~~blanket~~
 25 covering note, memorandum, cablegram, letter, or other

1 instrument by whatever means, and

2 made or received upon property of any kind

3 (including rents and profits) against perils of

4 waters or in transit on land (including

5 storage at terminal or way points) or by fire, lightning,

6 nado, wind-storm, bombardment, invasion, terrorism,

7 riot, issued to or for or in the name of a domestic corporation

8 or partnership or an individual resident of the United States

9 by any foreign corporation or partnership or any individual

10 not a resident of the United States, when such policy or

11 instrument is not signed or countersigned by

12 agent of the insurer in a State, Territory, or District of

13 United States within which such insurer is

14 do business, a tax of 3 cents on each dollar, or fraction

15 thereof of the premium charged: Provided, That

16 of re-insurance shall be exempt from this tax

17 subdivision.

18 Any person to or for whom or in whose

19 policy or other instrument is issued, or any individual

20 acting for or on behalf of such person in the event

21 any such policy or other instrument, shall be

22 stamps to such policy or other instrument, and

23 to affix such stamps with intent to

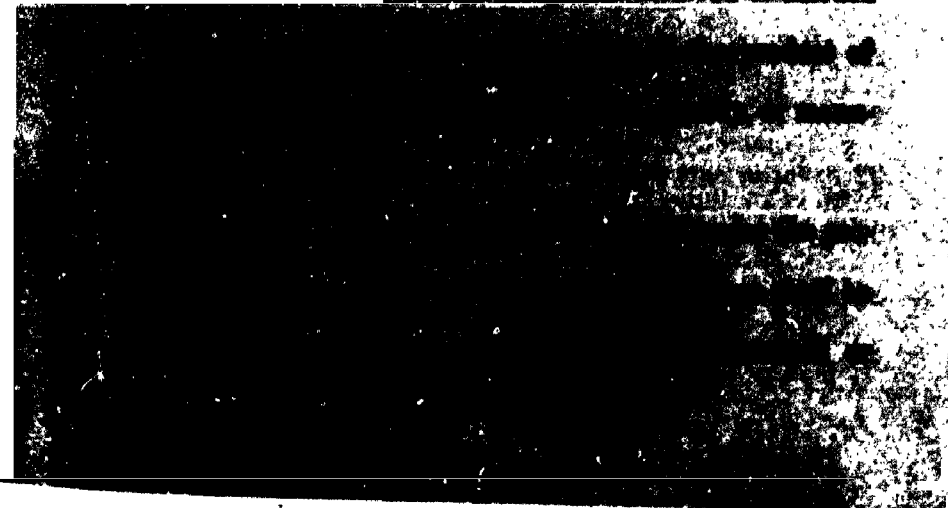
24 addition to other penalties provided therein,

25 double the amount of the tax.

EMPLOYMENT OF CHILD



... agricultural
... (season), operating
... States in which
... been employed
... of the taxable year;
... or manufacturing
... in which children
... or per-
... of fourteen and
... work more than
... in any week.
... before the
... of the
... in addition
... management.
... as stated



1 accrued for the taxable year from the sale or disposition of
 2 such products manufactured within the United States the
 3 following items:

4 (a) The cost of raw materials entering into the pro-
 5 duction;

6 (b) Running expenses, including rentals, cost of repairs,
 7 and maintenance, heat, power, insurance, management, and
 8 a reasonable allowance for salaries or other compensations for
 9 personal services actually rendered, and for depreciation;

10 (c) Interest paid within the taxable year on debts or
 11 loans contracted to meet the needs of the business, and the
 12 proceeds of which have been actually used to meet such

13 needs;
 14 (d) Taxes of all kinds paid during the taxable year with
 15 respect to the business or property relating to the production;

16 and
 17 (e) Losses actually sustained within the taxable year
 18 in connection with the business of producing such products,
 19 including losses from fire, flood, storm, or other casualties, and
 20 not compensated for by insurance or otherwise.

21 SEC. 162. That if any such person during any taxable
 22 year or part thereof, whether under any agreement, arrange-
 23 ment, or understanding or otherwise, sells or disposes of any
 24 portion of such mine, quarry, mill, cannery, workshop,
 25 or other manufacturing establishment at less than the fair

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shall have the same force and effect as a certificate herein provided for.

(b) The tax imposed by this title shall not be imposed in the case of any person who proves to the satisfaction of the Secretary that the only employment or permission to work with which but for this section would subject him to the tax, has been of a child employed or permitted to work under a mistake of fact as to the age of such child, and without intention to evade the tax.

Sec. 1304. That on or before the first day of the third month following the close of each taxable year, a true and accurate return, under oath shall be made by each person subject to the provisions of this title to the collector for the district in which such person has his principal office or place of business, in such form as the Commissioner, with the approval of the Secretary, shall prescribe, setting forth specifically the gross amount of income received or accrued during such year from the sale or disposition of the product of any mine, quarry, mill, cannery, workshop, factory, or manufacturing establishment, in which children have been

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Sec. 1303. That

forthwith by the _____
as soon as practicable, advise _____
the person making such _____
such person is liable, and _____
the collector on or before _____
notice.

Sec. 1304. That

mines, or _____
have authority _____
quarry, mill, _____
establishment, _____
authorized by him, shall, _____
a report of the _____
have the _____
of _____
may _____

1 Any person who refuses or obstructs entry or inspection
2 authorized by this section shall be punished by a fine of not
3 more than \$1,000, or by imprisonment for not more than one
4 year, or both such fine and imprisonment.

5 ^{no} Sec. 1207. That as used in this title the term "taxable
6 year" shall have the same meaning as provided for the pur-
7 poses of income tax in section 200. The first taxable year
8 for the purposes of this title shall be the period between
9 sixty days after the passage of this Act and December 31,
10 1919, both inclusive, or such portion of such period as is
11 included within the fiscal year (as defined in section 200)
12 of the taxpayer.

13 TITLE XIII.—GENERAL ADMINISTRATIVE PRO-
14 VISIONS.

15 [~~Section 1601~~ of the proposed bill (H. R. 8346) provides:

16 *If after a determination and assessment in any case the*
17 *taxpayer has without protest paid in whole any tax or penalty,*
18 *or accepted any abatement, credit, or refund based on such*
19 *determination and assessment, and an agreement is made*
20 *in writing between the taxpayer and the Commissioner, with*
21 *the approval of the Secretary, that such determination and*
22 *assessment shall be final and conclusive, then (except upon a*
23 *showing of fraud or malfeasance or misrepresentation of*
24 *fact materially affecting the determination or assessment then*
25 *made) (1) the case shall not be reopened or the determination*

...by any officer, employee, or agent
...and (2) no suit, action, or proceeding
...or not aside such determination or assess-
...by any court of the United States.]

Section 1122 of the proposed bill (H. R. 8245) provides:
"Whenever a regulation or Treasury decision relating to the
... made by the Commissioner or the Secre-
... the Commissioner, or the approval of the Secretary
... by a subsequent regulation or Treasury decision, and
... is not immediately questioned or required by a
... of competent jurisdiction, such subsequent
... decision may, in the discretion of the
... of the Secretary, be applied

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(b) The Commissioner may, and on the request of any taxpayer directly interested shall, submit to the board any question relating to the interpretation or administration of the income, war-profits or excess-profits tax laws, and the board shall report its findings and recommendations to the Commissioner.

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(c) The board shall have its office in the Bureau of Internal Revenue in the District of Columbia. The expenses

1 and salaries of members of the board shall be audited, allowed,
2 and paid out of appropriations for collecting internal revenue,
3 in the same manner as expenses and salaries of employees
4 of the Bureau of Internal Revenue are audited, allowed,
5 and paid.

6 ~~(4)~~ The board shall have the power to summon wit-
7 nesses, take testimony, administer oaths, and to require
8 any person to produce books, papers, documents, or other
9 data relating to any matter under investigation by the
10 board. Any member of the board may sign subpoenas and
11 members and employees of the Bureau of Internal Revenue
12 designated to assist the board, when authorized by the
13 board, may administer oaths, examine witnesses, take testi-
14 mony and receive evidence.

15 ~~SEC. 1302.~~ That all internal-revenue agents and in-
16 spectors shall be granted leave of absence with pay, which
17 shall not be cumulative, not to exceed thirty days in any
18 calendar year, under such regulations as the Commissioner,
19 with the approval of the Secretary, may prescribe.

20 ~~SEC. 1303. (a)~~ That there is hereby created a Legislative
21 Drafting Service under the direction of two draftsmen, one
22 of whom shall be appointed by the President of the Senate,
23 and one by the Speaker of the House of Representatives,
24 without reference to political affiliations and solely on the
25 ground of fitness to perform the duties of the office. Each

1 draftsman shall receive a salary of \$5,000 a year, payable
 2 monthly. The draftsman shall, subject to the approval
 3 the President of the Senate and the Speaker of the
 4 Representatives, employ and fix the compensation of
 5 assistants, draftsmen, clerks, and other employees,
 6 and purchase such furniture, office equipment, books,
 7 and other supplies, as may be necessary for the proper
 8 performance of the duties of the service and as may be
 9 provided for by Congress.

10 (b) The Drafting Service shall aid
 11 bills and resolutions or amendments thereto
 12 of any committee of either House of Congress, the
 13 Committee of the Senate and the Library Committee
 14 House of Representatives, respectively, may, at the
 15 preference, if any, be given to such committees
 16 committees of either House, respectively,
 17 from time to time, prescribe rules and regulations for the
 18 conduct of the work of the service for the committees
 19 each House, subject to the approval of the Library Committee
 20 of each House, respectively.

21 (c) For the remainder of the current fiscal year there
 22 hereby appropriated, out of any money in the
 23 otherwise appropriated, the sum of \$15,000
 24 thereof as may be necessary, for the purposes of
 25 expenses of the establishment and maintenance

1 ice, including the payment of salaries herein authorized.
2 One-half of all appropriations for the service shall be dis-
3 bursed by the Secretary of the Senate and one-half by the
4 Clerk of the House of Representatives.

5 ~~SEC. 1304.~~ That there shall be levied, collected, and
6 paid in the United States, upon articles coming into the
7 United States from the Virgin Islands, a tax equal to the
8 internal-revenue tax imposed in the United States upon like
9 articles of domestic manufacture; such articles shipped from
10 such islands to the United States shall be exempt from the
11 payment of any tax imposed by the internal revenue laws of
12 such islands: *Provided*, That there shall be levied, collected,
13 and paid in such islands, upon articles imported from the
14 United States, a tax equal to the internal revenue tax im-
15 posed in such islands upon like articles there manufactured;
16 and such articles going into such islands from the United
17 States shall be exempt from payment of any tax imposed by
18 the internal revenue laws of the United States.

19 ~~SEC. 1305.~~ That all administrative, special, or stamp
20 provisions of law, including the law relating to the assess-
21 ment of taxes, so far as applicable, are hereby extended to
22 and made a part of this Act, and every person liable to any
23 tax imposed by this Act, or for the collection thereof, shall
24 keep such records and render, under oath, such statements
25 and returns, and shall comply with such regulations as the

1 Commissioner, with the approval of the Secretary, may from
2 time to time prescribe.

3 Whenever in the judgment of the Commissioner necessary
4 he may require any person, by notice served upon him, to
5 make a return or such statements as he deems sufficient to
6 show whether or not such person is liable to tax.

7 The Commissioner, for the purpose of ascertaining the
8 correctness of any return or for the purpose of making a return
9 where none has been made, is hereby authorized, by any
10 revenue agent or inspector designated by him for that pur-
11 pose, to examine any books, papers, records, or memoranda
12 bearing upon the matters required to be included in the re-
13 turn, and may require the attendance of the person rendering
14 the return or of any officer or employee of such person, or
15 the attendance of any other person having knowledge in
16 the premises, and may take his testimony with reference to
17 the matter required by law to be included in such return,
18 with power to administer oaths to such person or persons.

19 *No taxpayer shall be subjected to unnecessary examina-*
20 *tions or investigations, and only one inspection of a taxpayer's*
21 *books of account shall be made for each taxable year unless the*
22 *taxpayer requests otherwise or unless the Commissioner, after*
23 *investigation, notifies the taxpayer in writing that an addi-*
24 *tional inspection is necessary.*

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...the tax imposed by this
...Commissioner, in respect to which
...law has been paid, the person
...to pay the tax shall, within thirty days
...make return under oath in such form and
...regulations as the Commissioner, with the approval
...Secretary, shall prescribe. Payment of the tax shown
...may be extended to a date not exceeding seven
...from the passage of this Act, upon the filing of a
...payment in such form and amount and with such
...as the Commissioner, with the approval of the Secre-
...may prescribe.

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~~Sec. 1507. That in all cases where the method of collect-
ing the tax imposed by this Act is not specifically provided
in this Act, the tax shall be collected in such manner as the
Commissioner, with the approval of the Secretary, may pre-
scribe. All administrative and penalty provisions of Title
XI of this Act, in so far as applicable, shall apply to the
collection of any tax which the Commissioner determines or
prescribes shall be paid by stamp.~~

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*Sec. 1507. That whether or not the method of col-
lecting any tax imposed by Titles V, VI, VII, VIII, IX, or
X of this Act is specifically provided therein, any such tax
may, under regulations prescribed by the Commissioner with
the approval of the Secretary, be collected by stamp, coupon,*

1 *or serial-numbered ticket. All administrative and penalty*
 2 *provisions of Title XI, in so far as applicable, shall apply*
 3 *to the collection of any tax which the Commissioner determines*
 4 *or prescribes shall be collected in such manner.*

5 SEC. 1308. ^(3-27A) (a) That any person required under Titles
 6 V, VI, VII, VIII, IX, X, or XII, to pay, or to collect,
 7 account for and pay over any tax, or required by law or regu-
 8 lations made under authority thereof to make a return or
 9 supply any information for the purposes of the computation,
 10 assessment or collection of any such tax, who fails to pay,
 11 collect, or truly account for and pay over any such tax, make
 12 any such return or supply any such information at the time
 13 or times required by law or regulation shall in addition to
 14 other penalties provided by law be subject to a penalty of not
 15 more than \$1,000.

16 (b) Any person who willfully refuses to pay, collect, or
 17 truly account for and pay over any such tax, make such return
 18 or supply such information at the time or times required by
 19 law or regulation, or who willfully attempts in any manner
 20 to evade such tax shall be guilty of a misdemeanor and in
 21 addition to other penalties provided by law shall be fined not
 22 more than \$10,000 or imprisoned for not more than one year,
 23 or both, together with the costs of prosecution.

24 (c) Any person who willfully refuses to pay, collect, or
 25 truly account for and pay over any such tax shall in addition

1 to other penalties provided by law be liable to a penalty of
 2 the amount of the tax evaded, or not paid, collected, or
 3 accounted for and paid over, to be assessed and collected in
 4 the same manner as taxes are assessed and collected: *Provided,*
 5 *however,* That no penalty shall be assessed under this sub-
 6 division for any offense for which a penalty may be assessed
 7 under authority of section 3173 of the Revised Statutes, as
 8 amended, or of sections 605 or 620 of this Act, or for any
 9 offense for which a penalty has been recovered under section
 10 3256 of the Revised Statutes.

11 (d) The term "person" as used in this section includes
 12 an officer or employee of a corporation or a member or employee
 13 of a partnership, who as such officer, employee, or member is
 14 under a duty to perform the act in respect of which the vio-
 15 lation occurs.

16 ¹³⁰³ SEC. 1303. That the Commissioner, with the approval
 17 of the Secretary, is hereby authorized to make all needful
 18 rules and regulations for the enforcement of the provisions
 19 of this Act.

20 The Commissioner with such approval may by regula-
 21 tion provide that any return required by Titles V, VI, VII,
 22 VIII, IX, or X to be under oath may, if the amount of the
 23 tax covered thereby is not in excess of \$10, be signed or
 24 acknowledged before two witnesses instead of under oath.

1 SEC. ~~1110~~. (a) That in the case of any overpayment or
2 overcollection of any tax imposed by section 628 or 630 or
3 by Title V, Title VIII, or Title IX, the person making such
4 overpayment or overcollection may take credit therefor
5 against taxes due upon any monthly return, and shall make
6 refund of any excessive amount collected by him upon proper
7 application by the person entitled thereto.

8 (b) Wherever in this Act a tax is required to be paid by
9 the purchaser to the vendor at the time of a sale, and such
10 sale is made on credit, then, under regulations prescribed
11 by the Commissioner, with the approval of the Secretary, the
12 tax may, at the option of the vendor, be returned and paid
13 by him to the United States as if paid to him by the pur-
14 chaser at the time of the sale, and in such case the vendor
15 shall have a right of action in any court of competent juris-
16 diction against the purchaser for the amount of the tax so
17 returned and paid to the United States.

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18 (c) Under such rules and regulations as the Commis-
19 sioner with the approval of the Secretary may prescribe,
20 the taxes imposed under the provisions of Titles VI, VII,
21 or IX shall not apply in respect to articles sold or leased for
22 export and in due course so exported. Under such rules
23 and regulations the amount of any internal-revenue tax
24 erroneously or illegally collected in respect to exported
25 articles may be refunded to the exporter of the article, in-

fractional part a cent

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stead of to the manufacturer, if the
 any claim for the amount so to be refunded.

SEC. 1341. That where the rate of tax
 Act, payable by stamps, is an increase
 existing rates, stamps on hand in the
 the Bureau of Internal Revenue may continue
 until the supply on hand is exhausted, but shall be
 accounted for at the rates provided by this Act,
 ment shall be made against manufacturers and
 payers having such stamps on hand at the time
 effect for the difference between the amount paid
 stamps and the tax due at the rates provided

SEC. 1342. (1) That (a) if any person
 9, 1917, made a bona fide contract with a dealer
 or lease, after the tax takes effect, of any article
 which a tax is imposed under Title VI, VII,
 subdivision 13 of Schedule A of Title XI,
 division, and (b) if such contract does not provide
 the whole of such tax to the amount to be paid under
 contract, then the vendor or lessor and the dealer or
 or lessor, pay so much of such tax as is not provided
 added to the contract price. If a contract of the
 above described was made with a manufacturer or
 dealer, the tax collected under this Act shall be
 force on May 9, 1917.

Return
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1 If (a) any person has prior to September 3, 1918
 2 made a bona fide contract with a dealer for the sale or lease,
 3 after the tax takes effect, of any article in respect to which a
 4 tax is imposed under Title VI, VII, or IX, or under sub-
 5 division 13 of Schedule A of Title XI, or under this sub-
 6 division, and in respect to which no corresponding tax was
 7 imposed by the Revenue Act of 1917, and (b) such contract
 8 does not permit the adding, to the amount to be paid under such
 9 contract, of the whole of the tax imposed by this Act, then the
 10 vendee or lessee shall, in lieu of the vendor or lessor, pay so
 11 much of the tax imposed by this Act as is not so permitted to
 12 be added to the contract price. If a contract of the character
 13 above described was made with any person other than a dealer,
 14 no tax shall be collected under this Act.

15 ~~(2)~~ If (a) any person has prior to September 3, 1918,
 16 made a bona fide contract with a dealer for the sale or lease,
 17 after the tax takes effect, of any article in respect to which a
 18 tax is imposed under Title VI, VII, or IX, or under sub-
 19 division 13 of Schedule A of Title XI, or under this sub-
 20 division, and in respect to which a corresponding tax was
 21 imposed by the Revenue Act of 1917, and (b) such contract
 22 does not permit the adding, to the amount to be paid under
 23 such contract, of the whole of the difference between such
 24 tax and the corresponding tax imposed by the Revenue Act
 25 of 1917, then the vendee or lessee shall, in lieu of the vendor

*Provisione of Law
 1310 (a) (B) (C)
 see p 293*

*Amendment to
 Revised Statute
 1911 sub p 293*

1 or lessor, pay so much of such difference as is not so permitted
2 to be added to the contract price. If a contract of the char-
3 acter above described was made with any person other than
4 a dealer, the tax collected under this Act shall be the tax in
5 force on September 3, 1918.

6 ~~(4)~~ The taxes payable by the vendee or lessee under
7 this section shall be paid to the vendor or lessor at the time
8 the sale or lease is consummated, and collected, returned,
9 and paid to the United States by such vendor or lessor in the
10 same manner as provided in section 502.

11 ~~(5)~~ The term "dealer" as used in this section includes
12 a vendee who purchases any article with intent to use it in
13 the manufacture or production of another article intended
14 for sale.

15 ~~(6)~~ This section shall not apply to any tax imposed by
16 section 906.

17 ~~Sec. 1313.~~ That in the payment of any tax under this
18 Act not payable by stamp a fractional part of a cent shall be
19 disregarded unless it amounts to one-half cent or more, in
20 which case it shall be increased to 1 cent.

21 ⁵⁵ ~~Sec. 1314.~~ That collectors may receive, at par with an
22 adjustment for accrued interest, certificates of indebtedness
23 issued by the United States and uncertified checks in pay-
24 ment of income, war-profits and excess-profits taxes and any
25 other taxes payable other than by stamp, during such time

*Final Determinations
and Assessments
1312* *Administrative Review
Retroactive Regulations
1313
1314*

1 and under such regulations as the Commissioner, with the
 2 approval of the Secretary, shall prescribe; but if a check so
 3 received is not paid by the bank on which it is drawn the per-
 4 son by whom such check has been tendered shall remain liable
 5 for the payment of the tax and for all legal penalties and addi-
 6 tions the same as if such check had not been tendered.

7 ~~SEC. 3315.~~ That section 3315 of the Revised Statutes,
 8 as amended, is hereby amended to read as follows:

9 "SEC. 3315. The Commissioner of Internal Revenue
 10 may, under regulations prescribed by him with the approval
 11 of the Secretary of the Treasury, issue stamps for restamping
 12 packages of distilled spirits, tobacco, cigars, snuff, cigarettes,
 13 fermented liquors, and wines which have been duly stamped
 14 but from which the stamps have been lost or destroyed by
 15 unavoidable accident." *Refunds*

16 ~~SEC. 3220.~~ *1315* *1316* *1317* That section 3220 of the Revised Stat-
 17 utes is hereby amended to read as follows:

18 "SEC. 3220. The Commissioner of Internal Revenue,
 19 subject to regulations prescribed by the Secretary of the
 20 Treasury, is authorized to remit, refund, and pay back all
 21 taxes erroneously or illegally assessed or collected, all penalties
 22 collected without authority, and all taxes that appear to be
 23 unjustly assessed or excessive in amount, or in any manner
 24 wrongfully collected; also to repay to any collector or deputy
 25 collector the full amount of such sums of money as may be

Limitation upon Sec 15
1318, 1319, 1320, 1321

1 recovered against him in any court, for any internal revenue
 2 taxes collected by him, with the cost and expenses of suit;
 3 also all damages and costs recovered against any assessor,
 4 assistant assessor, collector, deputy collector, agent, or in-
 5 spector, in any suit brought against him by reason of anything
 6 done in the due performance of his official duty, and shall
 7 make report to Congress at the beginning of each regular
 8 session of Congress of all transactions under this section."

9 (b) Section 3225 of the Revised Statutes of the United
 10 States is hereby amended to read as follows:

11 "SEC. 3225. When a second assessment is made in case
 12 of any list, statement, or return, which in the opinion of the
 13 collector or deputy collector was false or fraudulent, or con-
 14 tained any understatement or undervaluation, such assessment
 15 shall not be remitted, nor shall taxes collected under such
 16 assessment be refunded, or paid back, or recovered by any
 17 suit, unless it is proved that such list, statement, or return
 18 was not willfully false or fraudulent and did not contain any
 19 willful understatement or undervaluation."

20 (c) That the paragraph of section 3689 of the Revised
 21 Statutes, as amended, reading as follows: "Refunding taxes
 22 illegally collected (internal revenue): To refund and pay
 23 back duties erroneously or illegally assessed or collected under
 24 the internal-revenue laws," is repealed from and after June

25 30 1920; and the Secretary of the Treasury shall submit

In Treasurer (Refund. & Payments)
 1324 (a) (b)
 Payment of taxes by check
 1322

1 for the fiscal year 1921, and annually thereafter, the amount of appropriations to refund and pay back moneys lawfully or lawfully or illegally assessed or collected under the internal-revenue laws, and to pay judgments, costs, rendered for taxes or penalties assessed or collected under the internal-revenue laws.

7 SEC. 3164. That sections 3164, 3165, 3166, 3167, 3168, 3169, 3170, 3171, 3172, 3173, 3174, 3175, 3176, 3177, 3178, 3179, 3180, 3181, 3182, 3183, 3184, 3185, 3186, 3187, 3188, 3189, 3190, 3191, 3192, 3193, 3194, 3195, 3196, 3197, 3198, 3199, and 3176 of the Revised Statutes of the United States be and are amended to read as follows:

10 "SEC. 3164. It shall be the duty of every collector, deputy collector, internal revenue having knowledge of any law of the United States relating to the internal revenue within thirty days after coming into possession of such knowledge, to file with the district attorney of the district in which any fine, penalty, or forfeiture may be incurred, a report of all the facts and circumstances of the case, together with the names of the persons who are liable therefor, and forth the provisions of law believed to be applicable, and the grounds upon which reliance may be had for the same.

20 SEC. 3165. Every collector, deputy collector, deputy assistant collector, revenue agent, and internal-revenue collector, acting as such under an internal-revenue agent, is authorized to administer oaths and to take evidence touching any matter connected with the administration of the internal-revenue laws with which he is

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Tax Simplification Board
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in any income return, or to permit any income return
thereof or any book containing any abstract or particulars
thereof to be seen or examined by any person except as pro-
vided by law; and it shall be unlawful for any person to print
or publish in any manner whatever not provided by law any
income return, or any part thereof or source of income, profits,
losses, or expenditures appearing in any income return; and
any offense against the foregoing provision shall be a mis-
demeanor and be punished by a fine not exceeding \$1,000,
or by imprisonment not exceeding one year, or both, at the
discretion of the court; and if the offender be an officer or
employee of the United States he shall be dismissed from
office or discharged from employment.

“SEC. 3172. Every collector shall, from time to time,
cause his deputies to proceed through every part of his dis-

*Consideration of Liberty Bond Tax
Exemptions
1328*

1 trict and inquire after and concerning all persons therein
 2 who are liable to pay any internal-revenue tax, and all per-
 3 sons owning or having the care and management of any
 4 objects liable to pay any tax, and to make a list of such per-
 5 sons and enumerate said objects.

6 "Sec. 8173. It shall be the duty of any person, partner-
 7 ship, firm, association, or corporation, made liable to any
 8 duty, special tax, or other tax imposed by law, when not
 9 otherwise provided for, (1) in case of a special tax, on or
 10 before the thirty-first day of July in each year, and (2) in
 11 other cases before the day on which the taxes accrue, to
 12 make a list or return, verified by oath, to the collector or a
 13 deputy collector of the district where located, of the articles
 14 or objects, including the quantity of goods, wares, and mer-
 15 chandise, made or sold and charged with a tax, the several
 16 rates and aggregate amount, according to the forms and
 17 regulations to be prescribed by the Commissioner of Internal
 18 Revenue, with the approval of the Secretary of the Treasury,
 19 for which such person, partnership, firm, association, or cor-
 20 poration is liable: *Provided*, That if any person liable to pay
 21 any duty or tax, or owning, possessing, or having the care
 22 or management of property, goods, wares, and merchandise,
 23 articles or objects liable to pay any duty, tax, or license,
 24 shall fail to make and exhibit a list or return required by law,
 25 he shall consent to disclose the particulars of any and all

*Witness my hand and the Seal of the Board
 at New York in the City of New York
 1379*

1 the property, goods, wares, and merchandise, articles, and
2 objects liable to pay any duty or tax, or any business or
3 occupation liable to pay any tax as aforesaid, then, and in
4 that case, it shall be the duty of the collector or deputy col-
5 lector to make such list or return, which, being distinctly
6 read, consented to, and signed and verified by oath by the
7 person so owning, possessing, or having the care and manage-
8 ment as aforesaid, may be received as the list of such person:
9 *Provided further*, That in case no annual list or return has
10 been rendered by such person to the collector or deputy col-
11 lector as required by law, and the person shall be absent
12 from his or her residence or place of business at the time the
13 collector or a deputy collector shall call for the annual list or
14 return, it shall be the duty of such collector or deputy col-
15 lector to leave at such place of residence or business, with
16 some one of suitable age and discretion, if such be present,
17 otherwise to deposit in the nearest post office, a note or memo-
18 randum addressed to such person, requiring him or her to
19 render to such collector or deputy collector the list or return
20 required by law within ten days from the date of such note
21 or memorandum, verified by oath. And if any person, on
22 being notified or required as aforesaid, shall refuse or neglect
23 to render such list or return within the time required as
24 aforesaid, or whenever any person who is required to deliver
25 a monthly or other return of objects subject to tax fails to

*Roll Stamps for Tobacco, Cigars
and so forth
1370*

1 do so at the time required, or delivers any return which, in
2 the opinion of the collector, is erroneous, false, or fraudulent,
3 or contains any undervaluation or understatement, or refuses
4 to allow any regularly authorized Government officer to ex-
5 amine the books of such person, firm, or corporation, it shall
6 be lawful for the collector to summon such person, or any
7 other person having possession, custody, or care of books of
8 account containing entries relating to the business of such
9 person or any other person he may deem proper, to appear
10 before him and produce such books at a time and place named
11 in the summons, and to give testimony or answer interroga-
12 tories, under oath, respecting any objects or income liable to tax
13 or the returns thereof. The collector may summon any person
14 residing or found within the State or Territory in which his
15 district lies; and when the person intended to be summoned
16 does not reside and can not be found within such State or Ter-
17 ritory, he may enter any collection district where such person
18 may be found and there make the examination herein author-
19 ized. And to this end he may there exercise all the authority
20 which he might lawfully exercise in the district for which he
21 was commissioned: *Provided*, That 'person,' as used in this
22 section, shall be construed to include any corporation, joint-
23 stock company or association, or insurance company when
24 such construction is necessary to carry out its provisions.

Consolidated Returns for 1917
1331(a)(b)(c)

1 "RMC. 8176. If any person, corporation, company, or
 2 association fails to make and file a return or list at the time
 3 prescribed by law or by regulation made under authority of
 4 law, or makes, willfully or otherwise, a false or fraudulent
 5 return or list, the collector or deputy collector shall make
 6 the return or list from his own knowledge and from such
 7 information as he can obtain through testimony or otherwise.
 8 In any such case the Commissioner may, from his own knowl-
 9 edge and from such information as he can obtain through
 10 testimony or otherwise, make a return or amend any return
 11 made by a collector or deputy collector. Any return or
 12 list so made and subscribed by the Commissioner, or by a
 13 collector or deputy collector and approved by the Commis-
 14 sioner, shall be prima facie good and sufficient for all legal
 15 purposes.

16 "If the failure to file a return or list is due to sickness
 17 or absence, the collector may allow such further time, not
 18 exceeding thirty days, for making and filing the return or
 19 list as he deems proper.

20 "The Commissioner of Internal Revenue shall determine
 21 and assess all taxes, other than stamp taxes, as to which
 22 returns or lists are so made under the provisions of this section.
 23 In case of any failure to make and file a return or list within
 24 the time prescribed by law, or prescribed by the Commissioner
 25 of Internal Revenue or the collector in pursuance of law

*Alphamata, Inc., a corporation
 Service Corporation
 133 v 0*

6
7
8 account.

9 This amount so
10 the same time and in the
11 but unless the tax has been
12 neglect, falsity, or fraud, in
13 shall be collected by the

14 Sec. 7415. That if any person in violation of
15 Act to appear, to testify, or to produce books, papers,
16 data, the district court of the United
17 which such person resides shall have
18 piate process to compel such attendance, testimony,
19 production of books, papers, or other data.

20 (d) The district courts of the United States at the territories
21 of the United States are hereby invested with such jurisdiction
22 to make and issue, both in actions at law and suits in equity,
23 writs and orders of injunction, and of all other writs,
24 orders appointing receivers, and such other orders and process,
25 and to render such judgments and decrees, granting

1 cases both legal and equitable relief together, as may be
2 necessary or appropriate for the enforcement of the provisions
3 of this Act. The remedies hereby provided are in addition
4 to and not exclusive of any and all other remedies of the
5 United States in such courts or otherwise to enforce such
6 provisions.

7 ~~SEC. 1316.~~ That whoever in connection with the sale or
8 lease, or offer for sale or lease, of any article, or for the purpose
9 of making such sale or lease, makes any statement, written
10 or oral, (1) intended or calculated to lead any person to
11 believe that any part of the price at which such article is sold
12 or leased, or offered for sale or lease, consists of a tax imposed
13 under the authority of the United States, or (2) ascribing a
14 particular part of such price to a tax imposed under the
15 authority of the United States, knowing that such statement
16 is false or that the tax is not so great as the portion of such
17 price ascribed to such tax, shall be guilty of a misdemeanor
18 and upon conviction thereof shall be punished by a fine of not
19 more than \$1,000 or by imprisonment not exceeding one year,
20 or both.

21 ~~SEC. 1320.~~ That whosoever by the laws of the United
22 States or regulations made pursuant thereto any person is
23 required to furnish any recognizance, stipulation, bond,
24 guaranty, or undertaking, hereinafter called "penal bond,"
25 with surety or sureties, such person may, in lieu of such

surety or sureties, deposit as security with the official having authority to approve such penal bond, United States Liberty bonds or other bonds of the United States in a sum equal at least per value to the amount of such penal bond required to be furnished, together with an agreement authorizing such official to collect or sell such bonds so deposited in case of any default in the performance of any of the conditions or stipulations of such penal bond. The acceptance of such United States bonds in lieu of surety or sureties required by law shall have the same force and effect as individual or corporate sureties, or certified checks, bank drafts, post-office money orders, or cash, for the penalty or amount of such penal bond. The bonds deposited hereunder, and such other United States bonds as may be substituted therefor from time to time as such security, may be deposited with the Treasurer or an Assistant Treasurer of the United States, a Government depository, Federal reserve bank, or member bank, which shall issue receipt therefor, describing such bonds so deposited. As soon as security for the performance of such penal bond is no longer necessary such bonds so deposited shall be returned to the depositor: *Provided*, That in case a person or persons supplying a contractor with labor or material as provided by the Act of Congress approved February 24, 1905 (Thirty-third Statutes, page 811), entitled "An Act to amend an Act approved August 13, 1894, entitled 'An Act for

1 the protection of persons furnishing materials and labor
2 for the construction of public works,''' shall file with the
3 obligee, at any time after a default in the performance of any
4 contract subject to said Acts, the application and affidavit
5 therein provided, the obligee shall not deliver to the obliger
6 the deposited bonds nor any surplus proceeds thereof until the
7 expiration of the time limited by said Acts for the institution
8 of suit by such person or persons, and in case suit shall be
9 instituted within such time shall hold said bonds or proceeds
10 subject to the order of the court having jurisdiction thereof:
11 *Provided further*, That nothing herein contained shall affect or
12 impair the priority of the claim of the United States against
13 the bonds deposited or any right or remedy granted by said
14 Acts or by this section to the United States for default upon
15 any obligation of said penal bond: *Provided further*, That
16 all laws inconsistent with this section are hereby so modified
17 as to conform to the provisions hereof: *And provided further*,
18 That nothing contained herein shall affect the authority of
19 courts over the security, where such bonds are taken as
20 security in judicial proceedings, or the authority of any
21 administrative officer of the United States to receive United
22 States bonds for security in cases authorized by existing laws.
23 The Secretary may prescribe rules and regulations necessary
24 and proper for carrying this section into effect.

1 TITLE XIV.—GENERAL PROVISIONS.

2 ~~Sec. 1400.~~ ^{No. (e) (6)} (a) That the following parts of Act
3 hereby repealed, subject to the limitations provided in sub-
4 division (b):

5 ~~(1) The following titles of the Revenue Act of~~

6 Title I (called "Income Tax");

7 Title II (called "Estate Tax");

8 Title III (called "Munitions Manufactures"

9 as amended;

10 Title IV (called "Miscellaneous Taxes").

11 ~~(2) The following parts of the Act entitled~~

12 to provide increased revenue to defray the

13 increased appropriations for the Army

14 extensions of fortifications, and for other

15 March 3, 1917:

16 Title III (called "Estate Tax");

17 Section 403 (called "Return

18 (3) The following titles of the Revenue Act of

19 Title I (called "War Income Tax");

20 Title II (called "War Excess Profits Tax");

21 Title III (called "War Tax on Profits");

22 Title IV (called "War Tax on Profits,

23 Manufactures Thereof");

24 Title V (called "War Tax on Profits of

25 Public Utilities, and Insurance");

- 1 Title VI (called "War Excess Taxes");
- 2 Title VII (called "War Excess Profits and Dividends");
- 3 Title VIII (called "War Excess Taxes");
- 4 Title IX (called "War Excess Tax");
- 5 Title X (called "Administrative Provisions");
- 6 Title XII (called "Income-Tax Amendments").

7 ~~(b)~~ Such parts of Acts shall remain in force for the
 8 assessment and collection of all taxes which have accrued
 9 thereunder, and for the imposition and collection of all
 10 penalties or forfeitures which have accrued and may accrue
 11 in relation to any such taxes, and except that the unexpended
 12 balance of any appropriation heretofore made and now avail-
 13 able for the administration of any such part of an Act shall
 14 be available for the administration of this Act or the corre-
 15 sponding provision thereof: *Provided*, That, except as other-
 16 wise provided in this Act, no taxes shall be collected under
 17 Title I of the Revenue Act of 1916 as amended by the Revenue
 18 Act of 1917, or Title I or II of the Revenue Act of 1917, in
 19 respect to any period after December 31, 1917: *Provided*
 20 further, That the assessment and collection of all estate taxes,
 21 and the imposition and collection of all penalties or for-
 22 feitures, which have accrued under Title II of the Revenue
 23 Act of 1916 as amended by the Act entitled "An Act to
 24 provide increased revenue to defray the expenses of the
 25 increased appropriations for the Army and Navy and the

1 extensions of fortifications, and for other purposes approved
 2 March 8, 1917, or Title IX of the Revenue Act of 1917
 3 shall be according to the provisions of Title IX of such Act.
 4 In the case of any tax imposed by any part of an Act
 5 repealed, if there is a tax imposed by this Act in lieu thereof,
 6 the provision imposing such tax shall remain in force until
 7 the corresponding tax under this Act takes effect under the
 8 provisions of this Act.

9 Title I of the Revenue Act of 1916 as amended by the
 10 Revenue Act of 1917 shall remain in force for the assessment
 11 and collection of the income tax in Porto Rico and the Philip-
 12 pine Islands, except as may be otherwise provided by their
 13 respective legislatures.

14 ~~Sec. 1401.~~ That section 1100 of the Revenue Act of
 15 1917 is hereby repealed, to take effect on July 1, 1919, and
 16 thereafter the rate of postage on all mail matter of the first
 17 class shall be the same as the rate in force on October 3,

18 *Provided,* That letters written and mailed by soldiers, sailors,
 19 and marines assigned to duty in a foreign country engaged in
 20 the present war may be mailed free of postage, subject to such
 21 rules and regulations as may be prescribed by the Postmaster
 22 General.

23 Section 1107 of such Act is hereby repealed, to take effect
 24 July 11, 1919. *Approved July 11, 1919.*

1401

1 ~~Snc. 1402.~~ That if any clause, sentence, paragraph, or
 2 part of this Act shall for any reason be adjudged by any court
 3 of competent jurisdiction to be invalid, such judgment shall
 4 not affect, impair, or invalidate the remainder of this Act,
 5 but shall be confined in its operation to the clause, sentence,
 6 paragraph, or part thereof directly involved in the contro-
 7 versy in which such judgment has been rendered.

8 ~~Snc. 1403.~~ That the Revenue Act of 1916 is hereby
 9 amended by adding at the end thereof a section to read as
 10 follows:

11 "Snc. 903. That this Act may be cited as the 'Revenue
 12 Act of 1916.' "

13 ~~Snc. 1404.~~ That the Revenue Act of 1917 is hereby
 14 amended by adding at the end thereof a section to read as
 15 follows:

16 "Snc. 1303. That this Act may be cited as the 'Revenue
 17 Act of 1917.' "

18 Snc. 1405. That this Act may be cited as the "Revenue
 19 Act of 1918."

20 Snc. 1406. That all persons serving in the military or
 21 naval forces of the United States during the present war
 22 who have, since April 6, 1917, resigned or been discharged
 23 under honorable conditions (or, in the case of reservists, been
 24 placed on inactive duty), or who at any time hereafter (but
 25 not later than the termination of the current enlistment or

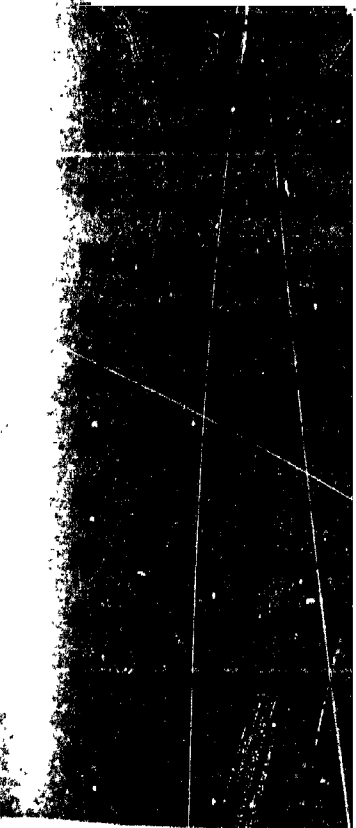
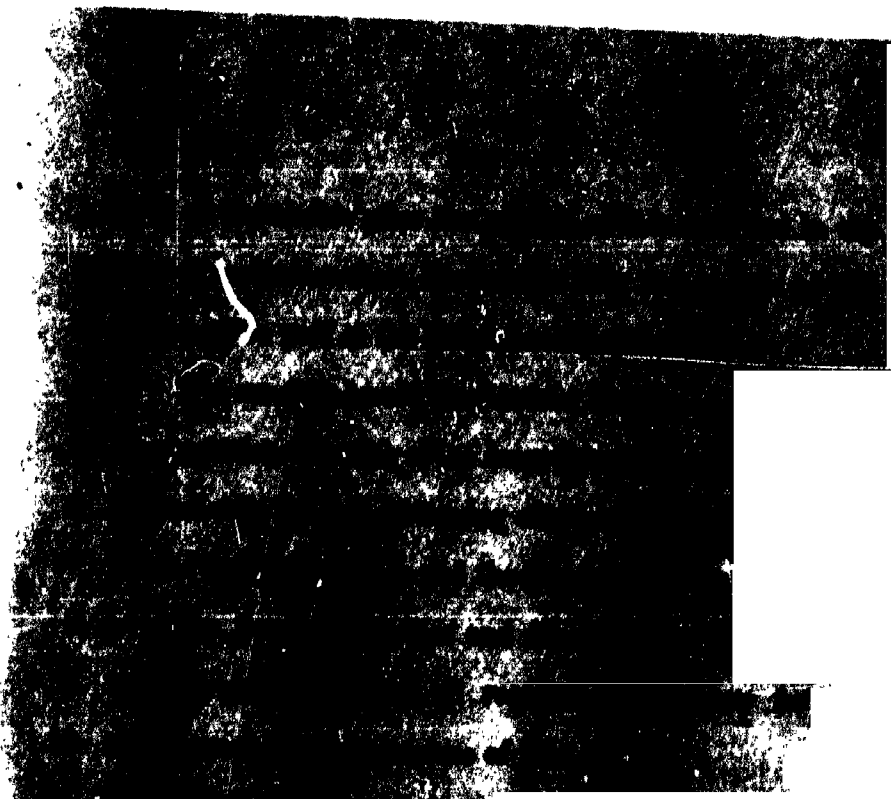
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1 term of service) in the case of the enlisted personnel and
 2 female nurses, or within one year after the termination of
 3 the present war in the case of officers, may resign or be dis-
 4 charged under honorable conditions (or, in the case of reserv-
 5 ists, be placed on inactive duty), shall be paid, in addition
 6 to all other amounts due them in pursuance of law, \$20 each.

7 This amount shall not be paid (1) to any person who
 8 though appointed or inducted into the military or naval forces
 9 on or prior to November 11, 1918, had not reported for duty
 10 at his station on or prior to such date; or (2) to any person
 11 who has already received one month's pay under the pro-
 12 visions of section 9 of the Act entitled "An Act to authorize
 13 the President to increase temporarily the Military Establish-
 14 ment of the United States," approved May 18, 1917; or (3)
 15 to any person who is entitled to retired pay; or (4) to the
 16 heirs or legal representatives of any person entitled to any
 17 payment under this section who has died or may die before
 18 receiving such payment. In the case of any person who
 19 subsequent to separation from the service, as above specified,
 20 has been appointed or inducted into the military or naval
 21 forces of the United States and has been or is again separated
 22 from the service as above specified, only one payment of \$20
 23 shall be made.

24 The above amount, in the case of separation from the
 25 service on or prior to the passage of this Act, shall be paid as

Effective Jan 1 of Act
 140



1 in any work or information of any character or nature
2 for the use of or for the interest of the United States, shall,
3 within thirty days after a request of the Commissioner therefor,
4 file with the Commissioner a true and correct copy of every
5 such contract, undertaking, or agreement.

6 Whoever fails to comply with such request of the Com-
7 missioner shall be guilty of a misdemeanor and shall be pun-
8 ished by a fine of not more than \$1,000, or by imprisonment
9 for not more than one year, or both.

10 The Commissioner shall (when not violative of the
11 technical military or naval secrets of the Government) have
12 access to all information and data relating to any such con-
13 tract, undertaking, or agreement, in the possession, control
14 or custody of any department, bureau, board, agency, officer
15 or commission of the United States, and may call upon any
16 such department, bureau, board, agency, officer or commission
17 for a full statement and description of any allowance for
18 amortization, obsolescence, depreciation or loss, or of any
19 valuation, appraisal, adjustment or final settlement, made in
20 pursuance of any such contract, undertaking, or agreement.

21 ~~SEC. 1405.~~ That unless otherwise herein specially pro-
22 vided, this Act shall take effect on the day following its
23 passage.

24 [Section 1005 of the proposed bill (H. R. 8245) pro-
25 vides:

306
131 1 ~~(a)~~ There is hereby established in the Department of the
2 Treasury a board to be known as the "Tax Simplification
3 Board" (hereinafter in this section called the "board"), to
4 be composed as follows:

131 5 ~~(1)~~ Three members who shall represent the public, to
6 be appointed by the President; and

131 7 ~~(2)~~ Three members who shall represent the Bureau of
8 Internal Revenue and shall be officers of the United States
9 serving in such bureau, to be appointed by the Secretary
10 of the Treasury.

131 11 ~~(b)~~ Any vacancy in the board shall be filled in the same
12 manner as the original appointment. The members repre-
13 13 senting the public shall serve without compensation except
14 reimbursement for traveling, subsistence, and other necessary
15 expenses incurred in the performance of the duties vested in
16 them by this section. The members representing the Bureau
17 of Internal Revenue shall serve without compensation in
18 addition to that received for their service in such bureau.

131 19 ~~(c)~~ The Secretary of the Treasury shall furnish the
20 board with such clerical assistance, quarters and stationery,
21 furniture, office equipment, and other supplies as may be
22 necessary for the performance of the duties vested in them
23 by this section.

131 24 ~~(d)~~ It shall be the duty of the board to investigate the
25 procedure of and the forms used by the bureau in the admin-

1 *istration of the internal revenue laws, and to make recom-*
 2 *mendations in respect to the simplification thereof. The*
 3 *board shall make a report to the Congress on or before the first*
 4 *Monday of December in each year.*

5 *(of) The expenditures of the board shall be paid upon*
 6 *vouchers approved by the board and signed by the chairman*
 7 *thereof. For the expenditures of the board for the fiscal*
 8 *year ending June 30, 1922, there is authorized to be appro-*
 9 *priated, out of any money in the Treasury not otherwise*
 10 *appropriated, the sum of \$10,000.*

11 *(The board shall cease to exist on December 31, 1922.)*

12 *[Section 3466 of the proposed bill (H. R. 8345) provides:*

13 *Section 3466 of the Revised Statutes is amended to*
 14 *read as follows:*

15 *"Sec. 3466. Whenever any person indebted to the*
 16 *United States is insolvent, or whenever the estate of any*
 17 *deceased debtor in the hands of the executors or adminis-*
 18 *trators is insufficient to pay all debts due from the decedent,*
 19 *the debts due the United States shall first be satisfied; and*
 20 *the priority hereby established shall extend as well to cases*
 21 *in which a debtor, not having sufficient property to pay all*
 22 *his debts, makes a voluntary assignment thereof, or in which*
 23 *the estate and effects of an absconding, concealed, or other*
 24 *debtor are attached by process of law, as to cases in which*
 25 *an act of bankruptcy is committed. Whenever a provision in*

1 bankruptcy shall have been filed the clerk of the district court
 2 in which the same is pending shall within three days after the
 3 entry of such petition of record give notice of such fact to the
 4 collector of internal revenue for the collection district in which
 5 the alleged bankrupt resides.']

6 [Section ~~1607~~ of the proposed bill (H. R. 8245) provides:

7 (a) Title II of the Revenue Act of 1917 shall be con-
 8 strued to impose the taxes therein mentioned upon the basis of
 9 consolidated returns of net income and invested capital in
 10 the case of domestic corporations and domestic partnerships
 11 that were affiliated during the calendar year 1917.

12 (b) For the purpose of this section a corporation or part-
 13 nership is affiliated with one or more corporations or part-
 14 nerships (1) when such corporation or partnership owns directly
 15 or controls through closely affiliated interests or by a nominee
 16 or nominees all or substantially all of the stock of the other or
 17 others, or (2) when substantially all of the stock of two or
 18 more corporations or the business of two or more part-
 19 nerships is owned by the same interests: Provided, That such
 20 corporations or partnerships are engaged in the same or a
 21 closely related business, or one corporation or partnership buys
 22 from or sells to another corporation or partnership products or
 23 services at prices above or below the current market, or
 24 effecting an artificial distribution of profits, or one corpora-
 25 tion or partnership in any way so arranges its financial rela-

1 tionships with another corporation or partnership as to
2 assign to it a disproportionate share of net income or invested
capital.

3 (c) The provisions of this section are ~~deemed to be~~
4 provisions of Title II of the Revenue Act of 1921.

5 [Section 1008 of the proposed bill (H. R. 5111) provides

6 ~~that~~ If subdivision (e) of section 218 of the Revenue Act
7 of 1918 is by final adjudication declared invalid, there shall

8 in addition to all other taxes, be levied, collected, and paid on

9 the net income received during the calendar years 1918, 1919,

10 1920, and 1921, by every personal service corporation in-

11 cluded within the provisions of such subdivision, a tax equal

12 to the taxes imposed by sections 230 and 301 of the Revenue

13 Act of 1918, as in force prior to the passage of this Act.

14 Such event every such personal service corporation shall, not

15 before the fifteenth day of the third month following the date

16 of such final adjudication, make, in the manner provided

17 in the Revenue Act of 1918, a return for the calendar years

18 1918, 1919, 1920, and 1921. Such tax shall be assessed,

19 collected, and paid upon the same basis, in the same manner

20 and subject to the same provisions of law, including provisions

21 as the taxes imposed by sections 230 and 301 of the

22 Act of 1918, as in force prior to the passage of this

23 no interest shall be due or payable thereon for any

24 period prior to the date upon which the return is herein

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...and the final assessment paid. The amount of any
tax paid by any shareholder or member of a parental estate
corporation pursuant to the provisions of subdivision (c) of
section 218 of the Revenue Act of 1918 shall be credited
against the tax due from such corporation under this section
upon the joint written application of such corporation and
such shareholder or member or his representatives, heirs, or
assigns, if such application is filed with the Commissioner
within ninety days from the date of such final adjudication.

137
174

(b) Notwithstanding any other provision of law, no
claim for a credit or refund of taxes paid under subdivision
(c) of section 218 of the Revenue Act of 1918 may be filed
after the expiration of ninety days from the date of such
final adjudication of invalidity: Provided, however, That a
personal service corporation of which no shareholder or
member has filed such claim within the period herein limited
shall not be subject to the tax imposed by this section.]

134

[Section 1009 of the proposed bill (H. R. 8245) provides:

345

Subdivision (a) of section 18 of the Second Liberty
Bond Act, as amended, is amended by striking out the words
and figures "for the purposes of this Act, and to meet public
expenditures authorized by law, not exceeding in the aggregate
\$7,000,000,000", and inserting in lieu thereof the
words and figures "for the purposes of this Act, to provide
for the purchase or redemption of any notes issued hereunder,

1 and to meet public expenditures authorized by law, not ex-
 2 ceeding in the aggregate \$7,500,000,000 at any one time
 3 outstanding".]

4 [Section 1010 of the proposed bill (H. R. 8245) provides.

5 The various Acts authorizing the issues of Liberty bonds
 6 are amended and supplemented as follows:

7 (a) On and after January 1, 1921, 4 per centum and
 8 4 1/4 per centum Liberty bonds shall be exempt from graduated
 9 additional income taxes, commonly known as surtaxes, and
 10 excess-profits and war-profits taxes, now or hereafter im-
 11 posed by the United States upon the income or profits of
 12 individuals, partnerships, corporations, or associations, in
 13 respect to the interest on aggregate principal amounts thereof
 14 as follows:

15 Until the expiration of two years after the date of the
 16 termination of the war between the United States and the
 17 German Government, as fixed by proclamation of the
 18 President, on \$125,000 aggregate principal amount; and for
 19 three years more on \$50,000 aggregate principal amount.

20 (b) The exemptions provided in subdivision (a) shall
 21 be in addition to the exemptions provided in section 7 of
 22 Second Liberty Bond Act, and in addition to the
 23 provided in subdivision (3) of section 1 of the
 24 to the Second Liberty Bond Act in respect to bonds
 25 upon conversion of 3 1/2 per centum bonds, but not

...and from ...
...section
...and in
...

...provides:
...of 1912 expanded or
...for the amount
...which have accrued or may accrue
...prior to the passage
...of all penalties and collection of all penalties
...which have accrued or may accrue in relation
...

...of the proposed bill (H. R. 2244) provides:
...provided, that ...