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**COMMITTEE PRINT No. 2**

**MARCH 10, 1924**

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**H. R. 6715**

**SIXTY-EIGHTH CONGRESS  
FIRST SESSION**

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**COMPARATIVE PRINT**

**OF THE**

**REVENUE ACT OF 1924**

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**WITH SUPPLEMENT AND INDEX**

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**PRINTED FOR THE USE OF THE COMMITTEE ON FINANCE**

**[Committee Print No. 2.]**

**[March 10, 1924.]**

**68TH CONGRESS,  
1ST SESSION.**

**H. R. 6715**

**IN THE SENATE OF THE UNITED STATES.**

**FEBRUARY 29 (calendar day, March 1), 1924.**

**Read twice and referred to the Committee on Finance.**

**COMPARATIVE PRINT OF THE REVENUE  
ACT OF 1921.**

[Supplement and index follow page 362.]

**Revenue Act of 1921, as heretofore amended, in Roman type (ordinary bill type) :**

**Matter proposed by the House of Representatives to be stricken out of the Revenue Act of 1921, as heretofore amended, in stricken through type :**

**Matter proposed by the House of Representatives to be inserted (not contained in the Revenue Act of 1921, as heretofore amended) in italics.**

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**AN ACT**

To reduce and equalize taxation, to provide revenue, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **TITLE I.—GENERAL DEFINITIONS.**

4 **SECTION 1.** This Act may be cited as the "Revenue  
5 Act of ~~1921~~ 1924."

6 **SEC. 2. (a)** When used in this Act—

1       (1) ~~The term "person" includes partnerships and cor-~~  
2 ~~porations, as well as individuals.~~

3       (1) *The term "person" means an individual, a trust or*  
4 *estate, a partnership, or a corporation.*

5       (2) The term "corporation" includes associations,  
6 joint-stock companies, and insurance companies.

7       (3) The term "domestic" when applied to a corpora-  
8 tion or partnership means created or organized in the United  
9 States or under the law of the United States or of any State  
10 or Territory.

11       (4) The term "foreign" when applied to a corporation  
12 or partnership means ~~created or organized outside the United~~  
13 ~~States~~ *a corporation or partnership which is not domestic.*

14       (5) The term "United States" when used in a geo-  
15 graphical sense includes only the States, the Territories of  
16 Alaska and Hawaii, and the District of Columbia.

17       (6) The term "Secretary" means the Secretary of the  
18 Treasury.

19       (7) The term "Commissioner" means the Commis-  
20 sioner of Internal Revenue.

21       (8) The term "collector" means collector of internal  
22 revenue.

23       (9) The term "taxpayer" ~~includes any person, trust~~  
24 ~~or estate~~ *means any person* subject to a tax imposed by this  
25 Act.

1           (10) The term "military or naval forces of the United  
2 States" includes the Marine Corps, the Coast Guard, the  
3 Army Nurse Corps, Female, and the Navy Nurse Corps,  
4 Female, but this shall not be deemed to exclude other units  
5 otherwise included within such terms: and

6           (11) The term "Government contract" means (a) a  
7 contract made with the United States, or with any depart-  
8 ment, bureau, officer, commission, board, or agency, under  
9 the United States and acting in its behalf, or with any  
10 agency controlled by any of the above if the contract is for  
11 the benefit of the United States, or (b) a subcontract made  
12 with a contractor performing such a contract if the products  
13 or services to be furnished under the subcontract are for the  
14 benefit of the United States. The term "Government con-  
15 tract or contracts made between April 6, 1917, and No-  
16 vember 11, 1918, both dates inclusive" when applied to a  
17 contract of the kind referred to in clause (a) of this sub-  
18 division, includes all such contracts which, although entered  
19 into during such period, were originally not enforceable, but  
20 which have been or may become enforceable by reason of  
21 subsequent validation in pursuance of law.

22           (b) The terms "includes" and "including" when  
23 used in a definition contained in this Act shall not be deemed  
24 to exclude other things otherwise within the meaning of the  
25 term defined.

## TITLE II.—INCOME TAX.

## PART I.—GENERAL PROVISIONS.

## DEFINITIONS.

SEC. 200. When used in this title—

~~(1)~~ (a) The term "taxable year" means the calendar year, or the fiscal year ending during such calendar year, upon the basis of which the net income is computed under section 212 or ~~section 232~~. The term "fiscal year" means an accounting period of twelve months ending on the last day of any month other than December. *The term "taxable year" includes, in the case of a return made for a fractional part of a year under the provisions of this title or under regulations prescribed by the Commissioner with the approval of the Secretary, the period for which such return is made.* The first taxable year, to be called the taxable year ~~1924~~ 1924, shall be the calendar year ~~1924~~ 1924 or any fiscal year ending during the calendar year ~~1924~~ 1924.

~~(2)~~ (b) The term "fiduciary" means a guardian, trustee, executor, administrator, receiver, conservator, or any person acting in any fiduciary capacity for any ~~person, trust or estate;~~ person.

~~(3)~~ (c) The term "withholding agent" means any person required to deduct and withhold any tax under the provisions of section 221 or ~~section 237~~ 237.

1       (4) The term "paid," for the purposes of the deduc-  
2 tions and credits under this title, means "paid or accrued"  
3 or "paid or incurred," and the terms "paid or incurred"  
4 and "paid or accrued" shall be construed according to the  
5 method of accounting upon the basis of which the net income  
6 is computed under section 212; and

7       (d) The terms "paid or incurred" and "paid or ac-  
8 crued" shall be construed according to the method of account-  
9 ing upon the basis of which the net income is computed under  
10 section 212 or 232. The deductions and credits provided for  
11 in this title shall be taken for the taxable year in which "paid  
12 or accrued" or "paid or incurred", dependent upon the  
13 method of accounting upon the basis of which the net income  
14 is computed under section 212 or 232, unless in order to  
15 clearly reflect the income the deductions or credits should be  
16 taken as of a different period.

17       NOTE.—The second sentence of the above paragraph takes  
18 the place of narrower provisions found in sections 214 (a) (6)  
19 and 234 (a) (4) of the present law, printed on pages 68 and  
20 116-117 of this print.

21       (e) The term "stock" includes the share in an asso-  
22 ciation, joint-stock company, or insurance company.

23       (f) The term "shareholder" includes a member in an  
24 association, joint-stock company, or insurance company.

25       (5) The term "personal service corporation" means  
a corporation whose income is to be ascribed primarily to  
the activities of the principal owners or stockholders who are

1 themselves regularly engaged in the active conduct of the  
 2 affairs of the corporation and in which capital (whether in-  
 3 vested or borrowed) is not a material income producing fac-  
 4 tor; but does not include any foreign corporation, nor any  
 5 corporation 50 per centum or more of whose gross income  
 6 consists either (1) of gains, profits, or income derived from  
 7 trading as a principal, or (2) of gains, profits, commissions,  
 8 or other income, derived from a Government contract or con-  
 9 tracts made between April 6, 1917, and November 11,  
 10 1918, both dates inclusive.

#### 11 DIVIDENDS.

#### 12 DISTRIBUTIONS BY CORPORATIONS.

13 SEC. 201. (a) The term "dividend" when used in  
 14 this title (except in paragraph (10) (9) of subdivision (a)  
 15 of section 234 and paragraph (4) of subdivision (a) of  
 16 section 245) means any distribution made by a corporation  
 17 to its shareholders or members, whether in cash money or in  
 18 other property, out of its earnings or profits accumulated  
 19 since after February 28, 1913,—except a distribution made  
 20 by a personal service corporation out of earnings or profits  
 21 accumulated since December 31, 1917, and prior to January  
 22 1, 1922.

23 NOTE.—The part of the above paragraph beginning with  
 24 "except a distribution" is found in this print as subdivision  
 (e) on page 9.

1           (b) For the purposes of this Act every distribution is  
2 made out of earnings or profits *to the extent thereof*, and from  
3 the most recently accumulated earnings or profits, to the ex-  
4 tent of such earnings or profits accumulated since February  
5 28, 1918; but any profits. Any earnings or profits accumu-  
6 lated or accumulated, or increase in value of property accrued  
7 prior to accrued, before March 1, 1918, may be distributed  
8 exempt from the tax, after the earnings and profits accumu-  
9 lated since after February 28, 1918, have been distributed.  
10 If any such tax-free distribution has been made the distributee  
11 shall not be allowed as a deduction from gross income any  
12 loss sustained from the sale or other disposition of his stock  
13 or shares unless, and then only to the extent that, the basis  
14 provided in section 202 exceeds the sum of (1) the amount  
15 realized from the sale or other disposition of such stock or  
16 shares, and (2) the aggregate amount of such distributions  
17 received by him thereon distributed, but any such tax-free  
18 distribution shall be applied against and reduce the basis of  
19 the stock provided in section 204.

20           (c) Amounts distributed in complete liquidation of a  
21 corporation shall be treated as in full payment in exchange  
22 for the stock, and amounts distributed in partial liquidation  
23 of a corporation shall be treated as in part or full payment in  
24 exchange for the stock. The gain or loss to the distributee  
25 resulting from such exchange shall be determined under



1 section 202, but shall be recognized only to the extent pro-  
2 vided in section 203. There shall be taxed as a dividend  
3 to the distributee such an amount of the gain recognized  
4 under section 203 as is not in excess of his ratable share of  
5 the undistributed earnings and profits of the corporation  
6 accumulated after February 28, 1913. The remainder, if  
7 any, of the gain recognized under section 203 shall be taxed  
8 as a gain from the exchange of property.<sup>1</sup> In the case of a  
9 distribution in partial liquidation (other than a distribution  
10 within the provisions of subdivision (g) of section 203 of  
11 stock or securities in connection with a reorganization) the  
12 part of such distribution which is properly chargeable to  
13 capital account shall not be considered a distribution of earn-  
14 ings or profits within the meaning of subdivision (b) of  
15 this section for the purpose of determining the taxability of  
16 subsequent distributions by the corporation.

17 (c) Any distribution (whether in cash or other property)  
18 made by a corporation to its shareholders or members other-  
19 wise than out of (1) earnings or profits accumulated since  
20 February 28, 1913, or (2) earnings or profits accumulated  
21 or increase in value of property received prior to March 1,  
22 1913, shall be applied against and reduce the basis provided  
23 in section 202 for the purpose of ascertaining the gain de-  
24 rived or the loss sustained from the sale or other disposition  
25 of the stock or shares by the distributee.

<sup>1</sup> For change from Treasury draft see Supplement, note No. 1

1       (d) *If any distribution (not in partial or complete*  
2 *liquidation) made by a corporation to its shareholders is not*  
3 *out of increase in value of property, accrued before March*  
4 *1, 1913, and is not out of earnings or profits, then the amount*  
5 *of such distribution shall be applied against and reduce the*  
6 *basis of the stock provided in section 204, and if in excess of*  
7 *such basis, such excess shall be taxable in the same manner*  
8 *as a gain from the sale or exchange of property.*

9       (e) *Any distribution made by a corporation, which*  
10 *was classified as a personal service corporation under the*  
11 *provisions of the Revenue Act of 1918 or the Revenue Act of*  
12 *1921, out of its earnings or profits which were taxable in*  
13 *accordance with the provisions of section 218 of the Revenue*  
14 *Act of 1918 or section 218 of the Revenue Act of 1921,*  
15 *shall be exempt from tax to the distributees.*

16       NOTE.—The above subdivision takes the place of the last  
17 part of section 201 (a) of the present law, on page 6 of this  
18 print.

18       ~~(d)~~ (f) *A stock dividend shall not be subject to tax*  
19 *but tax, but if before or after the distribution of any such*  
20 *dividend the corporation proceeds to cancel or redeem its*  
21 *stock at such time and in such manner as to make the distri-*  
22 *bution and cancellation or redemption in whole or in part*  
23 *essentially equivalent to the distribution of a taxable divi-*  
24 *dend, the amount received in redemption or cancellation of*  
25 *the stock shall be treated as a taxable dividend to the extent*  
26 *of the earnings or profits accumulated by such corporation*

1 after February 28, 1913 so distributed in redemption or can-  
 2 cellation of the stock, to the extent that it represents a distri-  
 3 bution of earnings or profits accumulated after February  
 4 28, 1913, shall be treated as a taxable dividend.

5 (g) As used in this section the term "partial liquida-  
 6 tion" includes the partial or complete cancellation or redemp-  
 7 tion by a corporation of a portion of its stock.

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

13 NOTE.—The above paragraph stricken through is superseded  
 by a broader provision on page 61, lines 9 to 11.

14 (f) Any distribution made during the first sixty days  
 15 of 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  
 24 within which the distribution was made shall be deemed to  
 25 have been accumulated ratably during such period. This  
 26 subdivision shall not be in effect after December 31, 1931.

**DETERMINATION OF AMOUNT OF GAIN OR LOSS.**

2     **SEC. 203.** (a) Except as hereinafter provided in this  
3     section, the gain from the sale or other disposition of prop-  
4     erty shall be the excess of the amount realized therefrom over  
5     the basis provided in subdivision (a) or (b) of section 204,  
6     and the loss shall be the excess of such basis over the amount  
7     realized.

8     (b) In computing the amount of gain or loss under sub-  
9     division (a) proper adjustment shall be made for (1) any  
10    expenditure properly chargeable to capital account, and (2)  
11    any item of loss, exhaustion, wear and tear, obsolescence,  
12    amortization, or depletion, properly chargeable with respect  
13    to such property.

14    (c) The amount realized from the sale or other dispo-  
15    sition of property shall be the sum of any money received plus  
16    the fair market value of the property (other than money)  
17    received.

18    (d) In the case of a sale or exchange, the extent to which  
19    the gain or loss determined under this section shall be recog-  
20    nized for the purposes of this title, shall be determined under  
21    the provisions of section 203.

22    (e) Nothing in this section shall be construed to pre-  
23    vent (in the case of property sold under contract providing  
24    for payment in installments) the taxation of that portion of

1 any installment payment representing gain or profit in  
2 year in which such payment is received.

3 **RECOGNITION OF GAIN OR LOSS FROM SALES AND**  
4 **EXCHANGES.**

5 **SEC. 203. (a)** Upon the sale or exchange of property  
6 the entire amount of the gain or loss, determined under sec-  
7 tion 202, shall be recognized, except as hereinafter provided  
8 in this section.

9 (b) (1) No gain or loss shall be recognized if property  
10 held for productive use in trade or business or for investment  
11 (not including stock in trade or other property held primarily  
12 for sale, nor stocks, bonds, notes, choses in action, certificates  
13 of trust or beneficial interest, or other securities or evidences  
14 of indebtedness or interest) is exchanged solely for property  
15 of a like kind to be held either for productive use in trade or  
16 business or for investment.

17 (2) No gain or loss shall be recognized if stock or securi-  
18 ties in a corporation a party to a reorganization are, in pur-  
19 suance of the plan of reorganization, exchanged solely for  
20 stock or securities in such corporation or in another corpora-  
21 tion a party to the reorganization.

22 **NOTE.**—The above two paragraphs embody substantially  
23 the same rule as set forth in the present law, as amended in  
24 March, 1923, section 202 (c) (1) and 202 (c) (2), on pages  
20 and 21 of this print. The definition of "reorganization"  
is here omitted but appears as section 203 (h) (1) on page 16  
of this print.

1       (3) *No gain or loss shall be recognized if a corporation*  
2 *a party to a reorganization exchanges property, in pursuance*  
3 *of the plan of reorganization, solely for stock or securities*  
4 *in another corporation a party to the reorganization.*

5       (4) *No gain or loss shall be recognized if property is*  
6 *transferred to a corporation by one or more persons solely*  
7 *in exchange for stock or securities in such corporation, and*  
8 *immediately after the exchange such person or persons are in*  
9 *control of the corporation; but in the case of an exchange by*  
10 *two or more persons only if the amount of the stock and*  
11 *securities received by each is substantially in proportion to*  
12 *his interest in the property prior to the exchange.*

13       **NOTE.**—The above paragraph takes the place of section  
14 203 (c) (3) of the present law, on page 21 of this print. The  
15 definition of "control" is here omitted, but appears as section  
16 203 (i) on page 17 of this print.

17       (5) *If property (as a result of its destruction in whole*  
18 *or in part, theft or seizure, or an exercise of the power of*  
19 *requisition or condemnation, or the threat or imminence*  
20 *thereof) is compulsorily or involuntarily converted into prop-*  
21 *erty similar or related in service or use to the property so*  
22 *converted, or into money which is forthwith in good faith,*  
23 *under regulations prescribed by the Commissioner with the*  
24 *approval of the Secretary, expended in the acquisition of*  
25 *other property similar or related in service or use to the*  
*property so converted, or in the acquisition of control of a*  
*corporation owning such other property, or in the establish-*

1 *ment of a replacement fund, no gain or loss shall be recog-*  
 2 *nized. If any part of the money is not so expended, the*  
 3 *gain, if any, shall be recognized, but in an amount not in*  
 4 *excess of the money which is not so expended.*

5 **NOTE.**—The above paragraph takes the place of sections  
 6 214 (a) (12) and 234 (a) (14) of the present law, on pages  
 7 73 and 122 of this print. The last sentence of each of such  
 paragraphs, here omitted, is provided for in section 1100 (c)  
 on page 356 of this print.

8 (c) *If there is distributed, in pursuance of a plan of re-*  
 9 *organization, to a shareholder in a corporation a party*  
 10 *to the reorganization, stock or securities in such corporation*  
 11 *or in another corporation a party to the reorganization,*  
 12 *without the surrender by such shareholder of stock or securi-*  
 13 *ties in such a corporation, no gain to the distributees from*  
 14 *the receipt of such stock or securities shall be recognized.*

15 (d) (1) *If an exchange would be within the provisions*  
 16 *of paragraph (1), (2), or (4) of subdivision (b) if it were*  
 17 *not for the fact that the property received in exchange consists*  
 18 *not only of property permitted by such paragraph to be re-*  
 19 *ceived without the recognition of gain, but also of other prop-*  
 20 *erty or money, then the gain, if any, to the recipient shall*  
 21 *be recognized, but in an amount not in excess of the sum of*  
 22 *such money and the fair market value of such other property.*

23 **NOTE.**—The above paragraph takes the place of section 202  
 24 (e) of the present law as amended March, 1923, on page 26 of  
 this print.

(3) If a distribution made in pursuance of a plan of reorganization is within the provisions of paragraph (1) but has the effect of the distribution of a taxable dividend, then there shall be taxed as a dividend to each distributee such an amount of the gain recognized under paragraph (1) as is not in excess of his ratable share of the undistributed earnings and profits of the corporation accumulated after February 28, 1913. The remainder, if any, of the gain recognized under paragraph (1) shall be taxed as a gain from the exchange of property.

(e) If an exchange would be within the provisions of paragraph (3) of subdivision (b) if it were not for the fact that the property received in exchange consists not only of stock or securities permitted by such paragraph to be received without the recognition of gain, but also of other property or money, then—

(1) If the corporation receiving such other property or money distributes it in pursuance of the plan of reorganization, no gain to the corporation shall be recognized from the exchange, but

(2) If the corporation receiving such other property or money does not distribute it in pursuance of the plan of reorganization, the gain, if any, to the corporation shall be recognized, but in an amount not in excess of the sum of such money and the fair market value of such other property so received, which is not so distributed.



1        *(f) If an exchange would be within the provisions of*  
2 *paragraph (1), (2), (3), or (4) of subdivision (b) if*  
3 *it were not for the fact that the property received in exchange*  
4 *consists not only of property permitted by such paragraph*  
5 *to be received without the recognition of gain or loss, but*  
6 *also of other property or money, then no loss from the ex-*  
7 *change shall be recognized.*

8        *(g) The distribution, in pursuance of a plan of re-*  
9 *organization, by or on behalf of a corporation a party to the*  
10 *reorganization, of its stock or securities or stock or securities*  
11 *in a corporation a party to the reorganization, shall not be*  
12 *considered a distribution of earnings or profits within the*  
13 *meaning of subdivision (b) of section 201 for the purpose*  
14 *of determining the taxability of subsequent distributions by*  
15 *the corporation.*

16        *(h) As used in this section and sections 201 and 204—*

17        *(1) The term "reorganization" means (A) a merger*  
18 *or consolidation (including the acquisition by one corpo-*  
19 *ration of at least a majority of the voting stock and at least*  
20 *a majority of the total number of shares of all other classes*  
21 *of stock of another corporation, or substantially all the prop-*  
22 *erties of another corporation), or (B) a transfer by a cor-*  
23 *poration of all or a part of its assets to another corporation*  
24 *if immediately after the transfer the transferor or its stock-*  
25 *holders or both are in control of the corporation to which the*

1 *assets are transferred, or (C) a recapitalization, or (D) a*  
 2 *mere change in identity, form, or place of organization, how-*  
 3 *ever effected.*

4 **NOTE.**—The above paragraph corresponds to the second  
 5 sentence of section 202 (c) (2) of the present law, on page 21  
 6 of this print.

7 (2) *The term "a party to a reorganization" includes*  
 8 *a corporation resulting from a reorganization and includ-*  
 9 *ing both corporations in the case of an acquisition by one corpo-*  
 10 *ration of at least a majority of the voting stock and at least*  
 11 *a majority of the total number of shares of all other classes*  
 12 *of stock of another corporation.*

13 (i) *As used in this section the term "control" means*  
 14 *the ownership of at least 80 per centum of the voting stock*  
 15 *and at least 80 per centum of the total number of shares of*  
 16 *all other classes of stock of the corporation.*

17 **NOTE.**—The above subdivision is the same as the last sen-  
 18 tence of section 202 (c) (3) of the present law, on page 21 of  
 19 this print.

20 **BASIS FOR DETERMINING GAIN OR LOSS.**

21 **BASIS FOR DETERMINING GAIN OR LOSS, DEPLETION, AND**  
 22 **DEPRECIATION.**

23 **SEC. 202 204. (a)** *That the The basis for ascertaining*  
 24 *determining the gain derived or loss sustained from a the*  
 25 *sale or other disposition of property, real, personal, or mixed,*  
 26 *acquired after February 28, 1913, shall be the cost of such*  
 27 *property; except that—*

1       (1) In the case of such property, which should be  
2 included in the *If the property should have been included in*  
3 *the last inventory*, the basis shall be the last inventory value  
4 thereof;

5       (2) In the case of such property, acquired *If the prop-*  
6 *erty was acquired* by gift after December 31, 1920, the  
7 basis shall be the same as that which it would have it would  
8 be in the hands of the donor or the last preceding owner  
9 by whom it was not acquired by gift. If the facts neces-  
10 sary to determine such basis are unknown to the donee,  
11 the Commissioner shall, if possible, obtain such facts from  
12 such donor or last preceding owner, or any other person  
13 cognizant thereof. If the Commissioner finds it impossible  
14 to obtain such facts, the basis shall be the *fair market* value  
15 of such property as found by the Commissioner as of the  
16 date or approximate date at which, according to the best  
17 information *that* the Commissioner is able to obtain, such  
18 property was acquired by such donor or last preceding  
19 owner. In the case of such property acquired owner;

20       (3) *If the property was acquired after December 31,*  
21 *1920, by a transfer in trust (other than by a transfer in trust*  
22 *by bequest or devise) the basis shall be the same as it would*  
23 *be in the hands of the grantor, increased in the amount of gain*  
24 *or decreased in the amount of loss recognized to the grantor*  
25 *upon such transfer under the law applicable to the year in*

1 which the transfer was made. The provisions of this par-  
 2 agraph shall not apply to the acquisition of such property in-  
 3 terests as are specified in subdivision (c) or (e) of section 402  
 4 of the Revenue Act of 1921 or in subdivision (c), (d),  
 5 or (f) of section 302 of this Act;

6 (4) If the property was acquired by gift or transfer  
 7 in trust on or before December 31, 1920, the basis for  
 8 ascertaining gain or loss from a sale or other disposition  
 9 thereof shall be the fair market price or value of such prop-  
 10 erty at the time of such acquisition;

11 ~~(3)~~ In the case of such property, acquired (5) If the  
 12 property was acquired by bequest, devise, or inheritance,  
 13 the basis shall be the fair market price or value of such  
 14 property at the time of such acquisition. The provisions  
 15 of this paragraph shall apply to the acquisition of such  
 16 property interests as are specified in subdivision (c) or (e)  
 17 of section 402 of the Revenue Act of 1921, or in subdivision  
 18 (c), (d), or (f) of section 302 of this Act;

19 ~~(b)~~ The basis for ascertaining the gain derived or loss  
 20 sustained from the sale or other disposition of property, real,  
 21 personal, or mixed, acquired before March 1, 1913, shall be  
 22 the same as that provided by subdivision ~~(a)~~; but—

23 ~~(1)~~ If its fair market price or value as of March 1,  
 24 1913, is in excess of such basis, the gain to be included in  
 25 the gross income shall be the excess of the amount realized  
 26 therefor over such fair market price or value;

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

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

10       NOTE.—The above subdivision (b), here stricken out, is  
superseded by section 204 (b) of this bill, page 27 of this print.

11       (c) For the purposes of this title, on an exchange of  
12 property, real, personal or mixed, for any other such prop-  
13 erty, no gain or loss shall be recognized unless the property  
14 received in exchange has a readily realizable market value;  
15 but even if the property received in exchange has a readily  
16 realizable market value, no gain or loss shall be recognized—

17       (1) When any such property held for investment, or  
18 for productive use in trade or business (not including stock-  
19 in-trade or other property held primarily for sale, and in the  
20 case of property held for investment not including stock,  
21 bonds, notes, choses in action, certificates of trust or bene-  
22 ficial interest, or other securities or evidence of indebted-  
23 ness or interest), is exchanged for property of a like kind  
24 or use.

25       NOTE.—The above paragraph appears with amendments as  
section 203 (b) (1) on page 13 of this print.

1       **(9)** When in the reorganization of one or more corpo-  
 2 rations a person receives in place of any stock or securities  
 3 owned by him, stock or securities in a corporation a party  
 4 to or resulting from such reorganization. The word "re-  
 5 organization," as used in this paragraph, includes a merger  
 6 or consolidation (including the acquisition by one corpora-  
 7 tion of at least a majority of the voting stock and at least a  
 8 majority of the total number of shares of all other classes of  
 9 stock of another corporation, or of substantially all the prop-  
 10 erty of another corporation), recapitalization, or mere  
 11 change in identity, form, or place of organization of a cor-  
 12 poration, (however effected); or

13       **NOTE.**—The first sentence of the above paragraph appears  
 14 as section 203 (b) (9) on page 12 of this print. The second  
 15 sentence appears as section 203 (b) (1) on page 16 of this  
 16 print.

17       **(8)** When **(A)** person transfers any property, real,  
 18 personal or mixed, to a corporation, and immediately after  
 19 the transfer is in control of such corporation, or **(B)** two or  
 20 more persons transfer any such property to a corporation,  
 21 and immediately after the transfer are in control of such  
 22 corporation, and the amounts of stock, securities, or both,  
 23 received by such persons are in substantially the same pro-  
 24 portion as their interests in the property before such transfer.  
 25 For the purposes of this paragraph, a person is, or two or  
 more persons are, "in control" of a corporation when own-  
 ing at least 80 per centum of the voting stock and at least

1 80 per centum of the total number of shares of all other  
2 classes of stock of the corporation.

3 **NOTE**—The first sentence of the above paragraph is super-  
4 seded by section 203 (b) (4) on page 13 of this print. The  
5 second sentence appears as section 203 (1) on page 17 of this  
6 print.

7 ~~(d) (1)~~ Where property is exchanged for other prop-  
8 erty and no gain or loss is recognized under the provisions  
9 of subdivision ~~(e)~~, the property received shall, for the pur-  
10 poses of this section, be treated as taking the place of the  
11 property exchanged therefor, except as provided in sub-  
12 division ~~(e)~~;

13 *(6) If the property was acquired upon an exchange*  
14 *described in subdivision (b), (d), (e), or (f) of section 203,*  
15 *the basis, except as provided in paragraph (7) or (8) of*  
16 *this subdivision, shall be the same as in the case of the prop-*  
17 *erty exchanged, decreased in the amount of any money re-*  
18 *ceived by the taxpayer and increased in the amount of gain*  
19 *or decreased in the amount of loss to the taxpayer that was*  
20 *recognized upon such exchange under the law applicable to*  
21 *the year in which the exchange was made. If the property*  
22 *so acquired consisted in part of the type of property per-*  
23 *mitted by paragraph (1), (2), (3), or (4) of subdivision*  
24 *(b) of section 203 to be received without the recognition of*  
25 *gain or loss, and in part of other property, the basis provided*  
*in this paragraph shall be allocated between the properties*  
*(other than money) received, and for the purpose of the*

1 allocation there shall be assigned to such other property an  
2 amount equivalent to its fair market value at the date of  
3 the exchange;

4 (7) If the property (other than stock or securities in  
5 a corporation a party to the reorganization) was acquired  
6 after December 31, 1917, by a corporation in connection  
7 with a reorganization, and immediately after the transfer an  
8 interest or control in such property of 80 per centum or more  
9 remained in the same persons or any of them, then the basis  
10 shall, notwithstanding the provisions of paragraph (6) of  
11 this subdivision, be the same as it would be in the hands of the  
12 transferor, increased in the amount of gain or decreased in  
13 the amount of loss recognized to the transferor upon such  
14 transfer under the law applicable to the year in which the  
15 transfer was made;

16 (8) If the property (other than stock or securities in a  
17 corporation a party to a reorganization) was acquired after  
18 December 31, 1920, by a corporation by the issuance of its  
19 stock or securities in connection with a transaction described  
20 in paragraph (4) of subdivision (b) of section 203 (in-  
21 cluding, also, cases where part of the consideration for the  
22 transfer of such property to the corporation was property  
23 or money in addition to such stock or securities), then the  
24 basis shall, notwithstanding the provisions of paragraph (6)  
25 of this subdivision, be the same as it would be in the hands



1 of the transferor, increased in the amount of gain or de-  
2 creased in the amount of loss recognized to the transferor  
3 upon such transfer under the law applicable to the year in  
4 which the transfer was made;

5 (9) If the property consists of stock or securities dis-  
6 tributed after December 31, 1923, to a taxpayer in connec-  
7 tion with a transaction described in subdivision (c) of section  
8 203, the basis in the case of the stock in respect of which the  
9 distribution was made shall be apportioned, under rules and  
10 regulations prescribed by the Commissioner with the ap-  
11 proval of the Secretary, between such stock and the stock or  
12 securities distributed;

13 ~~(2) Where property is compulsorily or involuntarily~~  
14 ~~converted into cash or its equivalent in the manner de-~~  
15 ~~scribed in paragraph (12) of subdivision (a) of section~~  
16 ~~214 and paragraph (14) of subdivision (a) of section 224,~~  
17 ~~and the taxpayer proceeds in good faith to expend or set~~  
18 ~~aside the proceeds of such conversion in the form and in the~~  
19 ~~manner therein provided, the property acquired shall, for~~  
20 ~~the purpose of this section, be treated as taking the place~~  
21 ~~of a like proportion of the property converted.~~

22 (10) If the property was acquired as the result of a  
23 compulsory or involuntary conversion described in para-  
24 graph (5) of subdivision (b) of section 203, the basis shall  
25 be the same as in the case of the property so converted, de-

1 increased in the amount of any money received by the tax-  
2 payer which was not expended in accordance with the pro-  
3 visions of law (applicable to the year in which such con-  
4 version was made) determining the taxable status of the  
5 gain or loss upon such conversion, and increased in the  
6 amount of gain or decreased in the amount of loss to the  
7 taxpayer recognized upon such conversion under the law  
8 applicable to the year in which such conversion was made;

9 (8) Where no deduction is allowed for a loss or a part  
10 thereof under the provisions of paragraph (5) of subdivision  
11 (a) of section 214 and paragraph (4) of subdivision (a)  
12 of section 234, that part of the property acquired with re-  
13 lation to which such loss is disallowed shall for the pur-  
14 poses of this section be treated as taking the place of the  
15 property sold or disposed of.

16 (11) If substantially identical property was acquired  
17 after December 31, 1920, in place of stock or securities which  
18 were sold or disposed of and in respect of which loss was not  
19 allowed as a deduction under paragraph (5) of subdivision  
20 (a) of section 214 or paragraph (4) of subdivision (a) of  
21 section 234 of this Act or the Revenue Act of 1921, the basis  
22 in the case of the property so acquired shall be the basis in the  
23 case of the stock or securities so sold or disposed of, except  
24 that if the repurchase price was in excess of the sale price  
25 such basis shall be increased in the amount of the difference.

1 or if the repurchase price was less than the sale price such  
2 basis shall be decreased in the amount of the difference.

3 (e) Where property is exchanged for other property  
4 which has no readily realizable market value, together with  
5 money or other property which has a readily realizable  
6 market value, then the money or the fair market value of the  
7 property having such readily realizable market value re-  
8 ceived in exchange shall be applied against and reduce the  
9 basis, provided in this section, of the property exchanged,  
10 and if in excess of such basis, shall be taxable to the extent  
11 of the excess; but when property is exchanged for prop-  
12 erty specified in paragraph (1), (2), and (3) of subdivision  
13 (e) as received in exchange, together with money or other  
14 property of a readily realizable market value other than that  
15 specified in such paragraphs, the amount of the gain result-  
16 ing from such exchange shall be computed in accordance  
17 with subdivisions (a) and (b) of this section, but in no such  
18 case shall the taxable gain exceed the amount of the money  
19 and the fair market value of such other property received in  
20 exchange.

21 NOTE.—The above paragraph deals with the same subject  
matter as section 903 (d) (1) of this bill, page 14 of this print.

22 (f) Nothing in this section shall be construed to  
23 prevent (in the case of property sold under contract provid-  
24 ing for payment in installments) the taxation of that portion

1 of any installment payment representing gain or profit in  
 2 the year in which such payment is received.

3 **NOTE.**—The above subdivision appears as section 203 (a)  
 4 of this bill on page 11 of this print.

5 (b) The basis for determining the gain or loss from the  
 6 sale or other disposition of property acquired before March  
 7 1, 1913, shall be (A) the cost of such property (or, in the  
 8 case of such property as is described in paragraph (1), (4),  
 9 or (5), of subdivision (a), the basis as therein provided),  
 10 or (B) the fair market value of such property as of March  
 11 1, 1913, whichever is greater.

12 **NOTE.**—The above subdivision takes the place of section  
 13 203 (b) of existing law, printed on pages 19 and 20 of this  
 14 print.

15 (c) The basis upon which depletion, exhaustion, wear  
 16 and tear, and obsolescence are to be allowed in respect of any  
 17 property shall be the same as is provided in subdivision (a)  
 18 or (b) for the purpose of determining the gain or loss upon  
 19 the sale or other disposition of such property, except that  
 20 in the case of mines, oil and gas wells, discovered by the  
 21 taxpayer after February 28, 1913, and not acquired as  
 22 the result of purchase of a proven tract or lease, where the  
 23 fair market value of the property is materially disproportion-  
 24 ate to the cost, the basis for depletion shall be the fair market  
 25 value of the property at the date of discovery or within thirty  
 days thereafter; but such depletion allowance based on dis-  
 covery value shall not exceed 50 per centum of the net income  
 (computed without allowance for depletion) from the prop-

1 *erty upon which the discovery was made, except that in no*  
 2 *case shall the depletion allowance be less than it would be if*  
 3 *computed without reference to this paragraph.*

4 **NOTE.**—The above subdivision takes the place of the last  
 5 sentence of sections 214 (a) (8), 234 (a) (7), and 245 (a)  
 6 (7) and parts of sections 214 (a) (10) and 234 (a) (9) of the  
 present law. The sections referred to appear, respectively, on  
 pages 69, 116, 138, 71, and 120 of this print.

#### 7 **INVENTORIES.**

8 **SEC. 203 205.** *That whenever Whenever* in the opinion  
 9 of the Commissioner the use of inventories is necessary in  
 10 order clearly to determine the income of any taxpayer, inven-  
 11 tories shall be taken by such taxpayer upon such basis as  
 12 the Commissioner, with the approval of the Secretary, may  
 13 prescribe as conforming as nearly as may be to the best  
 14 accounting practice in the trade or business and as most  
 15 clearly reflecting the income.

#### 16 **NET LOSSES.**

17 **SEC. 204. (a)** That as used in this section the term  
 18 "net loss" means only net losses resulting from the operation  
 19 of any trade or business regularly carried on by the tax-  
 20 payer (including losses sustained from the sale or other dis-  
 21 position of real estate, machinery, and other capital assets,  
 22 used in the conduct of such trade or business); and when  
 23 so resulting means the excess of the deductions allowed by  
 24 section 214 or 234, as the case may be, over the sum of the  
 25 following: (1) the gross income of the taxpayer for the

1 taxable year, (2) the amount by which the interest received  
 2 free from taxation under this title exceeds so much of the  
 3 interest paid or accrued within the taxable year on indebted-  
 4 ness as is not permitted to be deducted by paragraph (2)  
 5 of subdivision (a) of section 214 or by paragraph (2) of  
 6 subdivision (a) of section 234, (3) the amount by which  
 7 the deductible losses not sustained in such trade or business  
 8 exceed the taxable gains or profits not derived from such  
 9 trade or business, (4) amounts received as dividends and  
 10 allowed as a deduction under paragraph (4) of subdivision  
 11 (a) of section 234, and (5) so much of the depletion de-  
 12 duction allowed with respect to any mine, oil or gas well  
 13 as is based upon discovery value in lieu of cost.

14 **SEC. 206. (a)** *As used in this section the term "net*  
 15 *loss" means the excess of the deductions allowed by section*  
 16 *214 or 234 over the gross income, with the following excep-*  
 17 *tions and limitations:*

18 (1) *Deductions otherwise allowed by law not attribu-*  
 19 *table to the operation of a trade or business regularly carried*  
 20 *on by the taxpayer shall be allowed only to the extent of the*  
 21 *amount of the gross income not derived from such trade or*  
 22 *business;*

23 (2) *In the case of a taxpayer other than a corporation,*  
 24 *deductions for capital losses otherwise allowed by law shall*  
 25 *be allowed only to the extent of the capital gains;*

1       (3) *The deduction for depletion shall not exceed the*  
2 *amount which would be allowable if computed without ref-*  
3 *erence to discovery value;*

4       (4) *The deduction provided for in paragraph (6) of*  
5 *subdivision (a) of section 234 of amounts received as divi-*  
6 *dends shall not be allowed;*

7       (5) *There shall be included in computing gross income*  
8 *the amount of interest received free from tax under this*  
9 *title, decreased by the amount of interest paid or accrued*  
10 *and losses sustained which is not allowed as a deduction by*  
11 *subdivision (c) of section 214 or by paragraph (2) of*  
12 *subdivision (a) of section 234.*

13       **(b) If for any taxable year beginning after December**  
14 **31, 1920, it appears upon the production of evidence satis-**  
15 **factory to the Commissioner that any taxpayer has sustained**  
16 **a net loss, the amount thereof shall be deducted from the net**  
17 **income of the taxpayer for the succeeding taxable year; and**  
18 **if such net loss is in excess of the net income for each succeed-**  
19 **ing taxable year, the amount of such excess shall be allowed**  
20 **as a deduction in computing the net income for the next suc-**  
21 **ceeding taxable year; the deduction in all cases to be made**  
22 **under regulations prescribed by the Commissioner with the**  
23 **approval of the Secretary.**

24       **(b) If, for any taxable year, it appears upon the pro-**  
25 **duction of evidence satisfactory to the Commissioner that any**

1 If a taxpayer has sustained a net loss, the amount thereof shall  
2 be allowed as a deduction in computing the net income of  
3 the taxpayer for the succeeding taxable year (hereinafter in  
4 this section called "second year"), and if such net loss is  
5 in excess of such net income (computed without such deduc-  
6 tion), the amount of such excess shall be allowed as a deduc-  
7 tion in computing the net income for the next succeeding  
8 taxable year (hereinafter in this section called "third  
9 year"); the deduction in all cases to be made under regula-  
10 tions prescribed by the Commissioner with the approval of  
11 the Secretary.

12 (c) (1) If in the second year the taxpayer (other than  
13 a corporation) sustains a capital net loss, the deduction  
14 allowed by subdivision (b) of this section shall first be  
15 applied as a deduction in computing the ordinary net income  
16 for such year. If the deduction is in excess of the ordinary  
17 net income (computed without such deduction) then the  
18 amount of such excess shall be allowed as a deduction in  
19 computing net income for the third year.

20 (2) If in the second year the taxpayer (other than a  
21 corporation) has a capital net gain, the deduction allowed by  
22 subdivision (b) of this section shall first be applied as a  
23 deduction in computing the ordinary net income for such  
24 year. If the deduction is in excess of the ordinary net  
25 income (computed without such deduction) the amount of



1 such excess shall next be applied against the capital net gain  
2 for such year and if in excess of the capital net gain the  
3 amount of that excess shall be allowed as a deduction in com-  
4 puting net income for the third year.

5 (d) If any portion of a net loss is allowed as a deduc-  
6 tion in computing net income for the third year, under the  
7 provisions of either subdivision (b) or (c), and the taxpayer  
8 (other than a corporation) has in such year a capital net gain  
9 or a capital net loss, then the method of allowing such deduc-  
10 tion in such third year shall be the same as provided in sub-  
11 division (c).

12 (e) If for the taxable year 1922 a taxpayer sustained a  
13 net loss in excess of his net income for the taxable year 1923  
14 (such net loss and net income being computed under the  
15 Revenue Act of 1921), the amount of such excess shall be  
16 allowed as a deduction in computing net income for the tax-  
17 able year 1924 in accordance with the method provided in  
18 subdivisions (b) and (c) of this section.

19 (f) If for the taxable year 1923 a taxpayer sustained a  
20 net loss within the provisions of the Revenue Act of 1921, the  
21 amount of such net loss shall be allowed as a deduction in  
22 computing net income for the two succeeding taxable years to  
23 the same extent and in the same manner as a net loss sustained  
24 for one taxable year is, under this Act, allowed as a deduction  
25 for the two succeeding taxable years.

1        *(g) If a taxpayer makes return for a period beginning*  
2 *in one calendar year (hereinafter in this subdivision called*  
3 *"first calendar year") and ending in the following calendar*  
4 *year (hereinafter in this subdivision called "second calendar*  
5 *year") and the law applicable to the second calendar year is*  
6 *different from the law applicable to the first calendar year,*  
7 *then his net loss for the period ending during the second cal-*  
8 *endar year shall be the sum of: (1) the same proportion of*  
9 *a net loss for the entire period, determined under the law*  
10 *applicable to the first calendar year, which the portion of such*  
11 *period falling within such calendar year is of the entire*  
12 *period; and (2) the same proportion of a net loss for the*  
13 *entire period, determined under the law applicable to the*  
14 *second calendar year, which the portion of such period falling*  
15 *within such calendar year is of the entire period.*

16        *(e) (h) The benefit of this section shall be allowed*  
17 *to the members of a partnership and the beneficiaries of*  
18 *partnership, to an estate or trust, and to insurance companies*  
19 *subject to the tax imposed by section 243 or 246, under*  
20 *regulations prescribed by the Commissioner with the ap-*  
21 *proval of the Secretary.*

22        *(d) If it appears, upon the production of evidence satis-*  
23 *factory to the Commissioner, that a taxpayer having a fiscal*  
24 *year beginning in 1920 and ending in 1921 has sustained a*

1 net loss during such fiscal year, such taxpayer shall be en-  
 2 titled to the benefits of this section in respect to the same  
 3 proportion of such net loss which the portion of such fiscal  
 4 year falling within the calendar year 1921 is of the entire  
 5 fiscal year.

6 **FISCAL YEARS 1920-1921 AND 1921-1922.**

7 **SEC. 205. (a)** That if a taxpayer makes return for a  
 8 fiscal year beginning in 1920 and ending in 1921, his tax  
 9 under this title for the taxable year 1921 shall be the sum of-  
 10 (1) The same proportion of a tax for the entire period com-  
 11 puted under Title II of the Revenue Act of 1918 at the rates  
 12 for the calendar year 1920 which the portion of such period  
 13 falling within the calendar year 1920 is of the entire period,  
 14 and (2) the same proportion of a tax for the entire period  
 15 computed under this title at the rates for the calendar year  
 16 1921, which the portion of such period falling within the  
 17 calendar year 1921 is of the entire period.

18 Any amount paid before or after the passage of this  
 19 Act on account of the tax imposed for such fiscal year by  
 20 Title II of the Revenue Act of 1918 shall be credited toward  
 21 the payment of the tax imposed for such fiscal year by this  
 22 Act, and if the amount so paid exceeds the amount of such  
 23 tax imposed by this Act, the excess shall be credited or  
 24 refunded in accordance with the provisions of section 262.

1 (b) If a taxpayer makes return for a fiscal year be-  
 2 ginning in 1921 and ending in 1922, his tax under this  
 3 title for the taxable year 1922 shall be the sum of: (1) the  
 4 same proportion of a tax for the entire period computed  
 5 under this title (as in force on December 31, 1921) at the  
 6 rates for the calendar year 1921 which the portion of such  
 7 period falling within the calendar year 1921 is of the entire  
 8 period, and (2) the same proportion of a tax for the entire  
 9 period computed under this title (as in force on January  
 10 1, 1922) at the rates for the calendar year 1922 which the  
 11 portion of such period falling within the calendar year 1922  
 12 is of the entire period: *Provided*, That in the case of a per-  
 13 sonal service corporation the amount to be paid shall be only  
 14 that specified in clause (2).

#### 15 FISCAL YEARS.

16 *SEC. 207. (a) If the taxpayer makes return for a period*  
 17 *beginning in one calendar year (hereinafter in this subdivi-*  
 18 *vision called "first calendar year") and ending in the fol-*  
 19 *lowing calendar year (hereinafter in this subdivision called*  
 20 *"second calendar year") and the law applicable to the second*  
 21 *calendar year is different from the law applicable to the first*  
 22 *calendar year, then his tax under this title for the period*  
 23 *ending during the second calendar year shall be the sum of:*  
 24 *(1) the same proportion of a tax for the entire period, de-*  
 25 *termined under the law applicable to the first calendar year*

1 and at the rates for such year, which the portion of such  
2 period falling within the first calendar year is of the entire  
3 period; and (2) the same proportion of a tax for the entire  
4 period, determined under the law applicable to the second cal-  
5 endar year and at the rates for such year, which the portion of  
6 such period falling within the second calendar year is of the  
7 entire period.

8 (c) If a fiscal year of a partnership begins in 1920 and  
9 ends in 1921, or begins in 1921 and ends in 1922, then (1)  
10 the rates for the calendar year during which such fiscal year  
11 begins shall apply to an amount of each partner's share of  
12 such partnership net income (determined under the law  
13 applicable to such year) equal to the proportion which the  
14 part of such fiscal year falling within such calendar year  
15 bears to the full fiscal year; and (2) the rates for the calendar  
16 year during which such fiscal year ends shall apply to an  
17 amount of each partner's share of such partnership net in-  
18 come (determined under the law applicable to such calendar  
19 year) equal to the proportion which the part of such fiscal  
20 year falling within such calendar year bears to the full fiscal  
21 year.

22 (b) If a fiscal year of a partnership begins in one cal-  
23 endar year and ends in another calendar year, and the law  
24 applicable to the second calendar year is different from the  
25 law applicable to the first calendar year, then (1) the rates

1 for the calendar year during which such fiscal year begins  
2 shall apply to an amount of each partner's share of such  
3 partnership net income (determined under the law applicable  
4 to such year) equal to the proportion which the part of such  
5 fiscal year falling within such calendar year bears to the full  
6 fiscal year, and (2) the rates for the calendar year during  
7 which such fiscal year ends shall apply to an amount of each  
8 partner's share of such partnership net income (determined  
9 under the law applicable to such calendar year) equal to the  
10 proportion which the part of such fiscal year falling within  
11 such calendar year bears to the full fiscal year. In  
12 such cases the part of such income subject to the  
13 rates in effect for the most recent calendar year shall be  
14 added to the other income of the taxpayer subject to such  
15 rates and the resulting amount shall be placed in the lower  
16 brackets of the rate schedule applicable to such year, and  
17 the part of such income subject to the rates in effect for the  
18 next preceding calendar year shall be placed in the next  
19 higher brackets of the rate schedule applicable to such year.

20 (c) Any amount paid before or after the enactment  
21 of this Act on account of the tax imposed for a fiscal year  
22 beginning in 1923 and ending in 1924 by Title II of the  
23 Revenue Act of 1921 shall be credited toward the payment  
24 of the tax imposed for such fiscal year by this Act, and if the  
25 amount so paid exceeds the amount of such tax imposed by

1 *this Act, the excess shall be credited or refunded in accordance*  
 2 *with the provisions of section 281.*

3 **CAPITAL GAIN GAINS AND LOSSES.**

4 **SEC. 206 208.** (a) *That for the purpose For the pur-*  
 5 *poses of this title—*

6 (1) The term "capital gain" means taxable gain from  
 7 the sale or exchange of capital assets consummated after  
 8 December 31, 1921;

9 (2) The term "capital loss" means deductible loss  
 10 resulting from the sale or exchange of capital assets con-  
 11 summated after December 31, 1921;

12 (3) The term "capital deductions" means such de-  
 13 ductions as are allowed under this title by section 214 for the  
 14 purpose of computing net income, and are properly allocable  
 15 to or chargeable against items of capital gain as defined in  
 16 this section capital assets sold or exchanged during the tax-  
 17 able year;

18 (4) The term "ordinary deductions" means the deduc-  
 19 tions allowed by section 214 other than capital losses and  
 20 capital deductions;

21 ~~(4)~~ (5) The term "capital net gain" means the excess  
 22 of the total amount of capital gain over the sum of (A) the  
 23 capital deductions and capital losses; losses, plus (B) the  
 24 amount, if any, by which the ordinary deductions exceed the  
 25 gross income computed without including capital gain;

1       (6) The term "capital net loss" means the excess of the  
2 sum of the capital losses plus the capital deductions over the  
3 total amount of capital gain;

4       ~~(5)~~ (7) The term "ordinary net income" means the  
5 net income, computed in accordance with the provisions of  
6 this title, after excluding all items of capital gain, capital  
7 loss, and capital deductions; and

8       ~~(6)~~ (8) The term "capital assets" as used in this  
9 section means property acquired and held by the taxpayer for  
10 profit or investment<sup>2</sup> for more than two years (whether or  
11 not connected with his trade or business), but does not in-  
12 clude property held for the personal use or consumption of  
13 the taxpayer or his family,<sup>2</sup> or stock in trade of the taxpayer  
14 or other property of a kind which would properly be in-  
15 cluded in the inventory of the taxpayer if on hand at the  
16 close of the taxable year, or property held by the taxpayer  
17 primarily for sale in the course of his trade or business, or  
18 stock received as a stock dividend by the taxpayer, or by the  
19 donor if the taxpayer acquired the stock by gift.<sup>3</sup>

20       (b) In the case of any taxpayer (other than a cor-  
21 poration) who for any taxable year derives a capital net  
22 gain, there shall (at the election of the taxpayer) be levied,  
23 collected and paid, in lieu of the taxes imposed by sections  
24 210 and 211 of this title, a tax determined as follows:

<sup>2</sup> For change from Treasury draft see Supplement, note No. 2.

<sup>3</sup> For change from Treasury draft see Supplement, note No. 3.



1       A partial tax shall first be computed upon the basis of  
2 the ordinary net income at the rates and in the manner  
3 provided in sections 210 and 211, and the total tax shall be  
4 this amount plus  $12\frac{1}{2}$  per centum of the capital net gain; but  
5 if the taxpayer elects to be taxed under this section the total  
6 tax shall in no such case be less than  $12\frac{1}{2}$  per centum of the  
7 total net income. The total tax thus determined shall be  
8 computed, collected and paid in the same manner, at the  
9 same time and subject to the same provisions of law, includ-  
10 ing penalties, as other taxes under this title.

11       NOTE.—The last sentence of the above paragraph appears  
as subdivision (d) of this section, on this page.

12       (c) In the case of any taxpayer (other than a corpora-  
13 tion) who for any taxable year sustains a capital net loss,  
14 there shall be levied, collected, and paid, in lieu of the taxes  
15 imposed by sections 210 and 211 of this title, a tax determined  
16 as follows:

17       A partial tax shall first be computed upon the basis of the  
18 ordinary net income at the rates and in the manner provided  
19 in sections 210 and 211, and the total tax shall be this amount  
20 minus  $12\frac{1}{2}$  per centum of the capital net loss; but in no case  
21 shall the tax under this subdivision be less than the taxes  
22 imposed by sections 210 and 211 computed without regard to  
23 the provisions of this section.

24       (d) The total tax determined under subdivision (b) or  
25 (c) shall be collected and paid in the same manner, at the

1 same time, and subject to the same provisions of law, includ-  
2 ing penalties, as other taxes under this title.

3 **NOTE.**—The above subdivision is substantially the same as  
4 the last sentence of subdivision (b) of the present law, shown  
5 on page 40 of this print.

6 ~~(c)~~ (e) In the case of the members of a partnership  
7 or of partnership, of an estate or trust, or of the beneficiary  
8 of an estate or trust, the proper part of each share of the  
9 net income which consists, respectively, of ordinary net  
10 income and capital net gain income, capital net gain, or  
11 capital net loss, shall be determined under rules and regula-  
12 tions to be prescribed by the Commissioner with the ap-  
13 proval of the Secretary, and shall be separately shown in the  
14 return of the partnership or estate or trust, and shall be  
15 taxed to the member or beneficiary or to the estate or  
16 trust as provided in sections 218 and 219, but at the rates  
17 and in the manner provided in subdivision (b) or (c)  
18 of this section.

#### 18 EARNED INCOME.

19 **SEC. 209.** (a) For the purposes of this section—

20 (1) The term "earned income" means wages, salaries,  
21 professional fees, and other amounts received as compensation  
22 for personal services actually rendered, but does not include  
23 that part of the compensation derived by the taxpayer for per-  
24 sonal services rendered by him to a corporation which repre-  
25 sents a distribution of earnings or profits rather than a rea-

1 reasonable allowance as compensation for the personal services  
 2 actually rendered. "Earned income" also means reasonable  
 3 compensation or allowance for personal service where income  
 4 is derived from combined personal service and capital in  
 5 the prosecution by unincorporated persons of agriculture or  
 6 other business, but not exceeding 20 per centum of the net  
 7 profits of the taxpayer from the business in connection with  
 8 which his personal services are rendered.<sup>4</sup>

9 (2) The term "earned income deductions" means  
 10 such deductions as are allowed by section 214 for the pur-  
 11 pose of computing net income, and are properly allocable to  
 12 or chargeable against earned income.

13 (3) The term "earned net income" means the excess  
 14 of the amount of the earned income over the sum of the  
 15 earned income deductions. If the taxpayer's net income is  
 16 not more than \$5,000, his entire net income shall be consid-  
 17 ered to be earned net income, and if his net income is more  
 18 than \$5,000, his earned net income shall not be considered to  
 19 be less than \$5,000. In no case shall the earned net income  
 20 be considered to be more than \$20,000.<sup>5</sup>

21 (b) In the case of an individual who is taxed under  
 22 the provisions of section 210 or 211, the tax shall, in addi-  
 23 tion to the credits provided in section 222, be credited with  
 24 25 per centum of an amount which bears the same relation  
 25 to the total amount of the tax as the amount of the earned net

<sup>4</sup> For change from Treasury draft see Supplement, note No. 4.

<sup>5</sup> For change from Treasury draft see Supplement, note No. 5.

amount bears to the total amount of the net income; but in no case shall the credit allowed under this subdivision exceed 25 per centum of the amount of the tax.

(c) In the case of an individual who is taxed under the provisions of section 208, the tax shall, in addition to the credits provided in section 222, be credited with 25 per centum of an amount which bears the same relation to the amount of the tax on the ordinary net income, computed under sections 210 and 211, as the amount of the earned net income bears to the total amount of the ordinary net income; but in no case shall the credit allowed under this subdivision exceed 25 per centum of the amount of the tax on the ordinary net income, computed under sections 210 and 211.

(d) In the case of the members of a partnership the proper part of each share of the net income which consists of earned income shall be determined under rules and regulations to be prescribed by the Commissioner with the approval of the Secretary and shall be separately shown in the return of the partnership and shall be taxed to the member as provided in section 218.

## PART II.—INDIVIDUALS.

### NORMAL TAX.

SEC. 210. (a) In lieu of the tax imposed by section 210 of the Revenue Act of 1918, there shall be levied, collected, and paid for each taxable year upon the net income of every

1 individual (except as provided in subdivision (b) of this  
 2 section) a normal tax of 8 per centum of the amount of the  
 3 net income in excess of the credits provided in section 216,  
 4 except that in the case of a citizen or resident of the United  
 5 States the rate upon the first \$4,000 of such excess amount  
 6 shall be 4 per centum;

7 (b) In lieu of the tax imposed by subdivision (a),  
 8 there shall be levied, collected, and paid for the taxable year  
 9 1922 and each taxable year thereafter, upon the net income  
 10 of every nonresident alien individual, a resident of a con-  
 11 tiguous country, a normal tax equal to the sum of the fol-  
 12 lowing:

13 (1) 4 per centum of the amount of the net income at-  
 14 tributable to compensation for labor or personal services  
 15 performed in the United States, in excess of the credits pro-  
 16 vided in subdivisions (d) and (e) of section 216; but the  
 17 amount taxable at such 4 per centum rate shall not exceed  
 18 \$1,000; and

19 (2) 2 per centum of the amount of the net income in  
 20 excess of the sum of (A) the amount taxed under paragraph  
 21 (1) plus (B) the credits provided in section 216.

22 *SEC. 210. (a) In lieu of the tax imposed by section*  
 23 *210 of the Revenue Act of 1921, there shall be levied, col-*  
 24 *lected, and paid for each taxable year upon the net income of*

1 every individual (except as provided in subdivision (b) of  
2 this section) a normal tax of 6 per centum of the amount of  
3 the net income in excess of the credits provided in section 216,  
4 except that in the case of a citizen or resident of the United  
5 States the rate upon the first \$4,000 of such excess amount  
6 shall be 2 per centum, and upon the next \$4,000 of such  
7 excess amount shall be 5 per centum;<sup>6</sup>

8 (b) In lieu of the tax imposed by subdivision (a), there  
9 shall be levied, collected, and paid for each taxable year upon  
10 the net income of every nonresident alien individual, a resident  
11 of a contiguous country, a normal tax equal to the sum of the  
12 following:

13 (1) 2 per centum of the amount by which the part of  
14 the net income attributable to wages, salaries, professional  
15 fees, or other amounts received as compensation for personal  
16 services actually performed in the United States, exceeds the  
17 credits provided in subdivisions (d) and (e) of section 216;  
18 but the amount taxable at such 2 per centum rate shall not  
19 exceed \$4,000;

20 (2) 5 per centum of the amount by which such part of  
21 the net income exceeds the sum of (A) the credits provided  
22 in subdivisions (d) and (e) of section 216, plus (B) \$4,000;  
23 but the amount taxable at such 5 per centum rate shall not  
24 exceed \$4,000; and

<sup>6</sup> For change from Treasury draft see Supplement, note No. 6.

1 (3) 6 per centum of the amount of the net income in  
 2 excess of the sum of (A) the amount taxed under paragraphs  
 3 (1) and (2), plus (B) the credits provided in section 216.

4 SURTAX.

5 ~~Sec. 211. (a)~~ That, in lieu of the tax imposed by sec-  
 6 tion 211 of the Revenue Act of 1918, but in addition to  
 7 the normal tax imposed by section 210 of this Act, there  
 8 shall be levied, collected, and paid for each taxable year  
 9 upon the net income of every individual—

10 (1) For the calendar year 1921, a surtax equal to the  
 11 sum of the following:

12 1 per centum of the amount by which the net income ex-  
 13 ceeds \$5,000 and does not exceed \$6,000;

14 2 per centum of the amount by which the net income ex-  
 15 ceeds \$6,000 and does not exceed \$8,000;

16 3 per centum of the amount by which the net income ex-  
 17 ceeds \$8,000 and does not exceed \$10,000;

18 4 per centum of the amount by which the net income ex-  
 19 ceeds \$10,000 and does not exceed \$12,000;

20 5 per centum of the amount by which the net income ex-  
 21 ceeds \$12,000 and does not exceed \$14,000;

22 6 per centum of the amount by which the net income ex-  
 23 ceeds \$14,000 and does not exceed \$16,000;

- 1        7 per centum of the amount by which the net income ex-
- 2        ceeds \$16,000 and does not exceed \$18,000;
- 3        8 per centum of the amount by which the net income ex-
- 4        ceeds \$18,000 and does not exceed \$20,000;
- 5        9 per centum of the amount by which the net income ex-
- 6        ceeds \$20,000 and does not exceed \$22,000;
- 7        10 per centum of the amount by which the net income
- 8        exceeds \$22,000 and does not exceed \$24,000;
- 9        11 per centum of the amount by which the net income
- 10       exceeds \$24,000 and does not exceed \$26,000;
- 11       12 per centum of the amount by which the net income
- 12       exceeds \$26,000 and does not exceed \$28,000;
- 13       13 per centum of the amount by which the net income
- 14       exceeds \$28,000 and does not exceed \$30,000;
- 15       14 per centum of the amount by which the net income
- 16       exceeds \$30,000 and does not exceed \$32,000;
- 17       15 per centum of the amount by which the net income
- 18       exceeds \$32,000 and does not exceed \$34,000;
- 19       16 per centum of the amount by which the net income
- 20       exceeds \$34,000 and does not exceed \$36,000;
- 21       17 per centum of the amount by which the net income
- 22       exceeds \$36,000 and does not exceed \$38,000;
- 23       18 per centum of the amount by which the net income
- 24       exceeds \$38,000 and does not exceed \$40,000;



1 19 per centum of the amount by which the net income  
2 exceeds \$40,000 and does not exceed \$42,000;

3 20 per centum of the amount by which the net income  
4 exceeds \$42,000 and does not exceed \$44,000;

5 21 per centum of the amount by which the net income  
6 exceeds \$44,000 and does not exceed \$46,000;

7 22 per centum of the amount by which the net income  
8 exceeds \$46,000 and does not exceed \$48,000;

9 23 per centum of the amount by which the net income  
10 exceeds \$48,000 and does not exceed \$50,000;

11 24 per centum of the amount by which the net income  
12 exceeds \$50,000 and does not exceed \$52,000;

13 25 per centum of the amount by which the net income  
14 exceeds \$52,000 and does not exceed \$54,000;

15 26 per centum of the amount by which the net income  
16 exceeds \$54,000 and does not exceed \$56,000;

17 27 per centum of the amount by which the net income  
18 exceeds \$56,000 and does not exceed \$58,000;

19 28 per centum of the amount by which the net income  
20 exceeds \$58,000 and does not exceed \$60,000;

21 29 per centum of the amount by which the net income  
22 exceeds \$60,000 and does not exceed \$62,000;

23 30 per centum of the amount by which the net income  
24 exceeds \$62,000 and does not exceed \$64,000;

1        31 per centum of the amount by which the net income  
2 exceeds \$66,000 and does not exceed \$68,000;

3        32 per centum of the amount by which the net income  
4 exceeds \$68,000 and does not exceed \$70,000;

5        33 per centum of the amount by which the net income  
6 exceeds \$70,000 and does not exceed \$72,000;

7        34 per centum of the amount by which the net income  
8 exceeds \$72,000 and does not exceed \$74,000;

9        35 per centum of the amount by which the net income  
10 exceeds \$74,000 and does not exceed \$76,000;

11       36 per centum of the amount by which the net income  
12 exceeds \$76,000 and does not exceed \$78,000;

13       37 per centum of the amount by which the net income  
14 exceeds \$78,000 and does not exceed \$80,000;

15       38 per centum of the amount by which the net income  
16 exceeds \$80,000 and does not exceed \$82,000;

17       39 per centum of the amount by which the net income  
18 exceeds \$82,000 and does not exceed \$84,000;

19       40 per centum of the amount by which the net income  
20 exceeds \$84,000 and does not exceed \$86,000;

21       41 per centum of the amount by which the net income  
22 exceeds \$86,000 and does not exceed \$88,000;

23       42 per centum of the amount by which the net income  
24 exceeds \$88,000 and does not exceed \$90,000;

1 43 per centum of the amount by which the net income  
2 exceeds \$22,000 and does not exceed \$30,000;

3 44 per centum of the amount by which the net income  
4 exceeds \$30,000 and does not exceed \$39,000;

5 45 per centum of the amount by which the net income  
6 exceeds \$39,000 and does not exceed \$49,000;

7 46 per centum of the amount by which the net income  
8 exceeds \$49,000 and does not exceed \$60,000;

9 47 per centum of the amount by which the net income  
10 exceeds \$60,000 and does not exceed \$73,000;

11 48 per centum of the amount by which the net income  
12 exceeds \$73,000 and does not exceed \$88,000;

13 52 per centum of the amount by which the net income  
14 exceeds \$88,000 and does not exceed \$110,000;

15 56 per centum of the amount by which the net income  
16 exceeds \$110,000 and does not exceed \$138,000;

17 60 per centum of the amount by which the net income  
18 exceeds \$138,000 and does not exceed \$173,000;

19 63 per centum of the amount by which the net income  
20 exceeds \$173,000 and does not exceed \$216,000;

21 64 per centum of the amount by which the net income  
22 exceeds \$216,000 and does not exceed \$270,000;

23 65 per centum of the amount by which the net income  
24 exceeds \$270,000.

1 (2) For the calendar year 1922 and each calendar  
2 year thereafter, a surtax equal to the sum of the following:

3 1 per centum of the amount by which the net income  
4 exceeds \$6,000 and does not exceed \$10,000;

5 2 per centum of the amount by which the net income  
6 exceeds \$10,000 and does not exceed \$12,000;

7 3 per centum of the amount by which the net income  
8 exceeds \$12,000 and does not exceed \$14,000;

9 4 per centum of the amount by which the net income  
10 exceeds \$14,000 and does not exceed \$16,000;

11 5 per centum of the amount by which the net income  
12 exceeds \$16,000 and does not exceed \$18,000;

13 6 per centum of the amount by which the net income  
14 exceeds \$18,000 and does not exceed \$20,000;

15 8 per centum of the amount by which the net income  
16 exceeds \$20,000 and does not exceed \$22,000;

17 9 per centum of the amount by which the net income  
18 exceeds \$22,000 and does not exceed \$24,000;

19 10 per centum of the amount by which the net income  
20 exceeds \$24,000 and does not exceed \$26,000;

21 11 per centum of the amount by which the net income  
22 exceeds \$26,000 and does not exceed \$28,000;

23 12 per centum of the amount by which the net income  
24 exceeds \$28,000 and does not exceed \$30,000;

1           13 per centum of the amount by which the net income  
2 exceeds \$30,000 and does not exceed \$32,000;

3           15 per centum of the amount by which the net income  
4 exceeds \$32,000 and does not exceed \$36,000;

5           16 per centum of the amount by which the net income  
6 exceeds \$36,000 and does not exceed \$38,000;

7           17 per centum of the amount by which the net income  
8 exceeds \$38,000 and does not exceed \$40,000;

9           18 per centum of the amount by which the net income  
10 exceeds \$40,000 and does not exceed \$42,000;

11          19 per centum of the amount by which the net income  
12 exceeds \$42,000 and does not exceed \$44,000;

13          20 per centum of the amount by which the net income  
14 exceeds \$44,000 and does not exceed \$46,000;

15          21 per centum of the amount by which the net income  
16 exceeds \$46,000 and does not exceed \$48,000;

17          22 per centum of the amount by which the net income  
18 exceeds \$48,000 and does not exceed \$50,000;

19          23 per centum of the amount by which the net income  
20 exceeds \$50,000 and does not exceed \$52,000;

21          24 per centum of the amount by which the net income  
22 exceeds \$52,000 and does not exceed \$54,000;

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

1        26 per centum of the amount by which the net income  
2 exceeds \$56,000 and does not exceed \$59,000;

3        27 per centum of the amount by which the net income  
4 exceeds \$59,000 and does not exceed \$60,000;

5        28 per centum of the amount by which the net income  
6 exceeds \$60,000 and does not exceed \$62,000;

7        29 per centum of the amount by which the net income  
8 exceeds \$62,000 and does not exceed \$64,000;

9        30 per centum of the amount by which the net income  
10 exceeds \$64,000 and does not exceed \$66,000;

11       31 per centum of the amount by which the net income  
12 exceeds \$66,000 and does not exceed \$69,000;

13       32 per centum of the amount by which the net income  
14 exceeds \$69,000 and does not exceed \$70,000;

15       33 per centum of the amount by which the net income  
16 exceeds \$70,000 and does not exceed \$72,000;

17       34 per centum of the amount by which the net income  
18 exceeds \$72,000 and does not exceed \$74,000;

19       35 per centum of the amount by which the net income  
20 exceeds \$74,000 and does not exceed \$76,000;

21       36 per centum of the amount by which the net income  
22 exceeds \$76,000 and does not exceed \$78,000;

23       37 per centum of the amount by which the net income  
24 exceeds \$78,000 and does not exceed \$80,000;

1        38 per centum of the amount by which the net income  
2 exceeds \$24,000 and does not exceed \$28,000;

3        39 per centum of the amount by which the net income  
4 exceeds \$28,000 and does not exceed \$31,000;

5        40 per centum of the amount by which the net income  
6 exceeds \$31,000 and does not exceed \$36,000;

7        41 per centum of the amount by which the net income  
8 exceeds \$36,000 and does not exceed \$42,000;

9        42 per centum of the amount by which the net income  
10 exceeds \$42,000 and does not exceed \$48,000;

11       43 per centum of the amount by which the net income  
12 exceeds \$48,000 and does not exceed \$52,000;

13       44 per centum of the amount by which the net income  
14 exceeds \$52,000 and does not exceed \$54,000;

15       45 per centum of the amount by which the net income  
16 exceeds \$54,000 and does not exceed \$56,000;

17       46 per centum of the amount by which the net income  
18 exceeds \$56,000 and does not exceed \$58,000;

19       47 per centum of the amount by which the net income  
20 exceeds \$58,000 and does not exceed \$100,000;

21       48 per centum of the amount by which the net income  
22 exceeds \$100,000 and does not exceed \$150,000;

23       49 per centum of the amount by which the net income  
24 exceeds \$150,000 and does not exceed \$200,000;

1       50 per centum of the amount by which the net income  
2 exceeds \$200,000.

3       *SEC. 211. (a) In lieu of the tax imposed by section 211*  
4 *of the Revenue Act of 1921, but in addition to the normal*  
5 *tax imposed by section 210 of this Act, there shall be levied,*  
6 *collected, and paid for each taxable year upon the net income*  
7 *of every individual a surtax equal to three-fourths of the*  
8 *sum of the following:*<sup>7</sup>

9       2 per centum of the amount by which the net income  
10 exceeds \$10,000 and does not exceed \$12,000;

11       3 per centum of the amount by which the net income  
12 exceeds \$12,000 and does not exceed \$14,000;

13       4 per centum of the amount by which the net income  
14 exceeds \$14,000 and does not exceed \$16,000;

15       5 per centum of the amount by which the net income  
16 exceeds \$16,000 and does not exceed \$18,000;

17       6 per centum of the amount by which the net income  
18 exceeds \$18,000 and does not exceed \$20,000;

19       8 per centum of the amount by which the net income  
20 exceeds \$20,000 and does not exceed \$22,000;

21       9 per centum of the amount by which the net income  
22 exceeds \$22,000 and does not exceed \$24,000;

23       10 per centum of the amount by which the net income  
24 exceeds \$24,000 and does not exceed \$26,000:

<sup>7</sup> For change from Treasury draft see Supplement, note No. 7.



1        *11 per centum of the amount by which the net income*  
2 *exceeds \$26,000 and does not exceed \$28,000;*

3        *12 per centum of the amount by which the net income*  
4 *exceeds \$28,000 and does not exceed \$30,000;*

5        *13 per centum of the amount by which the net income*  
6 *exceeds \$30,000 and does not exceed \$32,000;*

7        *15 per centum of the amount by which the net income*  
8 *exceeds \$32,000 and does not exceed \$36,000;*

9        *16 per centum of the amount by which the net income*  
10 *exceeds \$36,000 and does not exceed \$38,000;*

11       *17 per centum of the amount by which the net income*  
12 *exceeds \$38,000 and does not exceed \$40,000;*

13       *18 per centum of the amount by which the net income*  
14 *exceeds \$40,000 and does not exceed \$42,000;*

15       *19 per centum of the amount by which the net income*  
16 *exceeds \$42,000 and does not exceed \$44,000;*

17       *20 per centum of the amount by which the net income*  
18 *exceeds \$44,000 and does not exceed \$46,000;*

19       *21 per centum of the amount by which the net income*  
20 *exceeds \$46,000 and does not exceed \$48,000;*

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

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

25       *24 per centum of the amount by which the net income*  
26 *exceeds \$52,000 and does not exceed \$54,000;*

1 25 per centum of the amount by which the net income  
2 exceeds \$54,000 and does not exceed \$56,000;

3 26 per centum of the amount by which the net income  
4 exceeds \$56,000 and does not exceed \$58,000;

5 27 per centum of the amount by which the net income  
6 exceeds \$58,000 and does not exceed \$60,000;

7 28 per centum of the amount by which the net income  
8 exceeds \$60,000 and does not exceed \$62,000;

9 29 per centum of the amount by which the net income  
10 exceeds \$62,000 and does not exceed \$64,000;

11 30 per centum of the amount by which the net income  
12 exceeds \$64,000 and does not exceed \$66,000;

13 31 per centum of the amount by which the net income  
14 exceeds \$66,000 and does not exceed \$68,000;

15 32 per centum of the amount by which the net income  
16 exceeds \$68,000 and does not exceed \$70,000;

17 33 per centum of the amount by which the net income  
18 exceeds \$70,000 and does not exceed \$72,000;

19 34 per centum of the amount by which the net income  
20 exceeds \$72,000 and does not exceed \$74,000;

21 35 per centum of the amount by which the net income  
22 exceeds \$74,000 and does not exceed \$76,000;

23 36 per centum of the amount by which the net income  
24 exceeds \$76,000 and does not exceed \$78,000;

25 37 per centum of the amount by which the net income  
26 exceeds \$78,000 and does not exceed \$80,000;

1        38 per centum of the amount by which the net income  
2 exceeds \$80,000 and does not exceed \$82,000;

3        39 per centum of the amount by which the net income  
4 exceeds \$82,000 and does not exceed \$84,000;

5        40 per centum of the amount by which the net income  
6 exceeds \$84,000 and does not exceed \$86,000;

7        41 per centum of the amount by which the net income  
8 exceeds \$86,000 and does not exceed \$88,000;

9        42 per centum of the amount by which the net income  
10 exceeds \$88,000 and does not exceed \$90,000;

11       43 per centum of the amount by which the net income  
12 exceeds \$90,000 and does not exceed \$92,000;

13       44 per centum of the amount by which the net income  
14 exceeds \$92,000 and does not exceed \$94,000;

15       45 per centum of the amount by which the net income  
16 exceeds \$94,000 and does not exceed \$96,000;

17       46 per centum of the amount by which the net income  
18 exceeds \$96,000 and does not exceed \$98,000;

19       47 per centum of the amount by which the net income  
20 exceeds \$98,000 and does not exceed \$100,000;

21       48 per centum of the amount by which the net income  
22 exceeds \$100,000 and does not exceed \$150,000;

23       49 per centum of the amount by which the net income  
24 exceeds \$150,000 and does not exceed \$200,000;

25       50 per centum of the amount by which the net income  
26 exceeds \$200,000.

(b) In the case of a bona fide sale of mines, oil or gas wells, or any interest therein, where the principal value of the property has been demonstrated by prospecting or exploration and discovery work done by the taxpayer, the portion of the tax imposed by this section attributable to such sale shall not exceed, for the calendar year 1921, 20 per centum, and for each calendar year thereafter 16 per centum of the selling price of such property or interest.

NET INCOME OF INDIVIDUALS DEFINED.

SEC. 212. (a) ~~That in~~ In the case of an individual the term "net income" means the gross income as defined in section 213, less the deductions allowed by ~~section 214~~ sections 214 and 206.

(b) The net income shall be computed upon the basis of the taxpayer's annual accounting period (fiscal year or calendar year, as the case may be) in accordance with the method of accounting regularly employed in keeping the books of each taxpayer; but if no such method of accounting has been so employed, or if the method employed does not clearly reflect the income, the computation shall be made upon such basis and in such manner in accordance with such method as in the opinion of the Commissioner does clearly reflect the income. If the taxpayer's annual accounting period is other than a fiscal year as defined in section 200 or if the taxpayer has no annual accounting period or does

1 not keep books, the net income shall be computed on the  
2 basis of the calendar year.

3 (c) If a taxpayer changes his accounting period from  
4 fiscal year to calendar year, from calendar year to fiscal  
5 year, or from one fiscal year to another, the net income shall,  
6 with the approval of the Commissioner, be computed on the  
7 basis of such new accounting period, subject to the provisions  
8 of section 226.

9 GROSS INCOME DEFINED.

10 SEC. 213. ~~That for~~ For the purpose of this title (~~ex-~~  
11 ~~cept as otherwise provided in section 233~~) the term "gross  
12 income" ~~title, except as otherwise provided in section 233—~~

13 (a) ~~Includes~~ The term "gross income" includes gains,  
14 profits, and income derived from salaries, wages, or com-  
15 pensation for personal service (including in the case of the  
16 President of the United States, the judges of the Supreme  
17 and inferior courts of the United States, and all other officers  
18 and employees, whether elected or appointed, of the United  
19 States, Alaska, Hawaii, or any political subdivision thereof,  
20 or the District of Columbia, the compensation received as  
21 such), of whatever kind and in whatever form paid, or from  
22 professions, vocations, trades, businesses, commerce, or  
23 sales, or dealings in property, whether real or personal, grow-  
24 ing out of the ownership or use of or interest in such prop-  
25 erty; also from interest, rent, dividends, securities, or the

1 transaction of any business carried on for gain or profit,  
 2 or gains or profits and income derived from any source  
 3 whatever.<sup>2</sup> The amount of all such items ~~(except as provided~~  
 4 ~~in subdivision (c) of section 204)~~ shall be included in the  
 5 gross income for the taxable year in which received by the  
 6 taxpayer, unless, under methods of accounting permitted  
 7 under subdivision (b) of section 212, any such amounts are  
 8 to be properly accounted for as of a ~~different period; but~~  
 9 *different period. Items of gross income shall be considered*  
 10 *to be received in the taxable year in which they are un-*  
 11 *qualifiedly made subject to the demands of the taxpayer.*

12 **NOTE.**—The preceding sentence in italic supersedes a nar-  
 13 rower provision contained in section 201 (c) on page 10 of this  
 14 print.

15 (b) Does not include the following items, which shall  
 16 The term "gross income" does not include the following  
 17 items, which shall be exempt from taxation under this title:

18 (1) The proceeds of life insurance policies paid upon  
 19 the death of the insured:

20 (2) The amount received by the insured as a return of  
 21 premium or premiums paid by him under life insurance, en-  
 22 dowment, or annuity contracts, either during the term or at  
 23 the maturity of the term mentioned in the contract or upon  
 24 surrender of the contract:

25 (3) The value of property acquired by gift, bequest,  
 26 devise, or descent (but the income from such property shall  
 27 be included in gross income);

<sup>2</sup> For change from Treasury draft see Supplement, note No. 2.

1       (4) Interest upon (A) the obligations of a State, Ter-  
 2 ritory, or any political subdivision thereof, or the District of  
 3 Columbia; or (B) securities issued under the provisions of  
 4 the Federal Farm Loan Act of July 17, 1916, or, or under  
 5 the provisions of such Act as amended; or (C) the obligations  
 6 of the United States or its possessions or ~~(d) bonds issued~~  
 7 ~~by the War Finance Corporation.~~ Every person owning  
 8 any of the obligations or securities enumerated in clause (A),  
 9 (B), or (C) shall, in the return required by this title,  
 10 submit a statement showing the number and amount of such  
 11 obligations and securities owned by him and the income  
 12 received therefrom, in such form and with such information  
 13 as the Commissioner may require.<sup>9</sup> In the case of obliga-  
 14 tions of the United States issued after September 1, 1917  
 15 (other than postal savings certificates of deposit), and in  
 16 the case of bonds issued by the War Finance Corporation  
 17 the interest shall be exempt only if and to the extent pro-  
 18 vided in the respective Acts authorizing the issue thereof  
 19 as amended and supplemented, and shall be excluded from  
 20 gross income only if and to the extent it is wholly exempt to  
 21 the taxpayer from income, war profits and excess profits  
 22 taxes;

23       (5) The income of foreign governments received from  
 24 investments in the United States in stocks, bonds, or other  
 25 domestic securities, owned by such foreign governments, or

<sup>9</sup> For change from Treasury draft see Supplement, note No. 2.

1 from interest on deposits in banks in the United States of  
2 consulates belonging to such foreign governments, or from any  
3 other source within the United States;

4 (6) Amounts received, through accident or health in-  
5 surance or under workmen's compensation acts, as compensa-  
6 tion for personal injuries or sickness, plus the amount of any  
7 damages received whether by suit or agreement on account  
8 of such injuries or sickness;

9 (7) Income derived from any public utility or the  
10 exercise of any essential governmental function and accru-  
11 ing to any State, Territory, or the District of Columbia,  
12 or any political subdivision of a State or Territory, or income  
13 accruing to the Government of any possession of the United  
14 States, or any political subdivision thereof.

15 Whenever any State, Territory, or the District of  
16 Columbia, or any political subdivision of a State or Territory,  
17 prior to September 8, 1916, entered in good faith into a  
18 contract with any person, the object and purpose of which  
19 is to acquire, construct, operate, or maintain a public utility,  
20 no tax shall be levied under the provisions of this title upon  
21 the income derived from the operation of such public utility;  
22 so far as the payment thereof will impose a loss or burden  
23 upon such State, Territory, District of Columbia, or political  
24 subdivision; but this provision is not intended and shall not  
25 be construed to confer upon such person any financial gain



1 or exemption or to relieve such person from the payment  
2 of a tax as provided for in this title upon the part or portion  
3 of such income to which such person is entitled under such  
4 contract; the tax upon the income from the operation of such  
5 public utility shall be collected and paid in the manner and at  
6 the rates prescribed in this title; but there shall be refunded  
7 to such State, Territory, or political subdivision thereof, or  
8 the District of Columbia, under rules and regulations to be  
9 prescribed by the Commissioner, with the approval of the  
10 Secretary, a part of such tax equal to the amount by which  
11 the share of the income from the operation of such public  
12 utility accruing to such State, Territory, or political sub-  
13 division thereof, or the District of Columbia, was reduced by  
14 the imposition of such tax:

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

21 (9) Amounts received as compensation, family allot-  
22 ments and allowances under the provisions of the War Risk  
23 Insurance and the Vocational Rehabilitation Acts, or as pen-  
24 sions from the United States for service of the beneficiary or

1 another in the military or naval forces of the United States  
2 in time of war;

3 (10) ~~So much of the~~ *The* amount received by an indi-  
4 vidual after ~~December 31, 1924,~~ and before January 1, 1927,  
5 as dividends or interest from domestic building and loan assoc-  
6 iations, operated exclusively for the purpose of *substantially*  
7 *all the business of which is confined to making loans to mem-*  
8 *bers, as does but the amount excluded from gross income un-*  
9 *der his paragraph in any taxable year shall not exceed \$300;*

10 (11) The rental value of a dwelling house and appur-  
11 tenances thereof furnished to a minister of the gospel as part  
12 of his compensation;

13 (12) The receipts of shipowners' mutual protection  
14 and indemnity associations, not organized for profit, and no  
15 part of the net earnings of which inures to the benefit of any  
16 private ~~stockholder or member shareholder;~~ but such cor-  
17 porations shall be subject as other persons to the tax upon  
18 their net income from interest, dividends, and rents;

19 (13) In the case of an individual, amounts distributed  
20 as dividends to or for his benefit by a corporation organized  
21 under the China Trade Act, 1922, if, at the time of such dis-  
22 tribution, he is a citizen of China, resident therein, and the  
23 equitable right to the income of the shares of stock of the  
24 corporation is in good faith vested in him.

1 (c) In the case of a nonresident alien individual, gross  
 2 income means only the gross income from sources within the  
 3 United States, determined under the provisions of section  
 4 217.

5 DEDUCTIONS ALLOWED INDIVIDUALS.

6 SEC. 214. (a) That in /a computing net income there  
 7 shall be allowed as deductions:

8 (1) All the ordinary and necessary expenses paid or  
 9 incurred during the taxable year in carrying on any trade  
 10 or business, including a reasonable allowance for salaries or  
 11 other compensation for personal services actually rendered;  
 12 traveling expenses (including the entire amount expended  
 13 for meals and lodging) while away from home in  
 14 the pursuit of a trade or business; and rentals or other pay-  
 15 ments required to be made as a condition to the continued  
 16 use or possession, for purposes of the trade or business, of  
 17 property to which the taxpayer has not taken or is not taking  
 18 title or in which he has no equity:

19 (2) All interest paid or accrued within the taxable  
 20 year on indebtedness, ~~except on indebtedness incurred or~~  
 21 ~~continued to purchase or carry obligations or securities (other~~  
 22 ~~than obligations of the United States issued after September~~  
 23 ~~24, 1917, and originally subscribed for by the taxpayer)~~  
 24 the interest upon which is wholly exempt from taxation under  
 25 this title;

26 NOTE.—The part stricken out of the above paragraph is  
 replaced by subdivision (c) of this section, on page 74 of this  
 print.

1       (3) Taxes paid or accrued within the taxable year  
2 except (A) income, war-profits, and excess-profits taxes  
3 imposed by the authority of the United States. (B) so much  
4 of the income, war-profits and excess-profits taxes, imposed  
5 by the authority of any foreign country or possession of the  
6 United States, as is allowed as a credit under section 222.  
7 (C) taxes assessed against local benefits of a kind tending  
8 to increase the value of the property assessed, and (D) taxes  
9 imposed upon the taxpayer upon his interest as shareholder  
10 or member of a corporation, which are paid by the corpora-  
11 tion without reimbursement from the taxpayer. For the pur-  
12 pose of this paragraph, estate, inheritance, legacy, and succes-  
13 sion taxes accrue on the due date thereof except as otherwise  
14 provided by the law of the jurisdiction imposing such taxes:

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

18       (5) Losses sustained during the taxable year and not  
19 compensated for by insurance or otherwise, if incurred in  
20 any transaction entered into for profit, though not connected  
21 with the trade or business; but in the case of a nonresident  
22 alien individual only if and to the extent that the profit, if  
23 such transaction had resulted in a profit, would be taxable

1 under this title. No deduction shall be allowed under this  
2 paragraph for any loss claimed to have been sustained in  
3 any sale or other disposition of shares of stock or securities  
4 made after the passage of this Act where it appears that  
5 within thirty days before or after the date of such sale or  
6 other disposition the taxpayer has acquired (otherwise than  
7 by bequest or inheritance) or has entered into a contract or  
8 option to acquire substantially identical property, and the  
9 property so acquired is held by the taxpayer for any period  
10 after such sale or other disposition. If such acquisition  
11 or the contract or option to acquire is to the extent of part  
12 only of substantially identical property, then only a propor-  
13 tionate part of the loss shall be disallowed;

14 (6) Losses sustained during the taxable year of prop-  
15 erty not connected with the trade or business (but in the  
16 case of a nonresident alien individual only property within  
17 the United States) if arising from fires, storms, shipwreck,  
18 or other casualty, or from theft, and if not compensated for  
19 by insurance or otherwise. Losses allowed under para-  
20 graphs (4), (5), and (6) of this subdivision shall be de-  
21 ducted as of the taxable year in which sustained unless, in  
22 order to clearly reflect the income, the loss should, in the  
23 opinion of the Commissioner, be accounted for as of a differ-  
24 ent period. In case of losses arising from destruction of or  
25 damage to property, where the property so destroyed or

1 damaged was acquired before March 1, 1913, the deduction  
 2 shall be computed upon the basis of its fair market price or  
 3 value as of March 1, 1913; The basis for determining the  
 4 amount of the deduction under this paragraph, or paragraph  
 5 (4) or (5), shall be the same as is provided in section 204  
 6 for determining the gain or loss from the sale or other dispo-  
 7 sition of property:

8 **NOTE.**—The second sentence of the above paragraph, here  
 9 stricken out, is replaced by the last part of section 200 (d),  
 on page 5 of this print.

10 (7) Debts ascertained to be worthless and charged  
 11 off within the taxable year (or, in the discretion of the Com-  
 12 missioner, a reasonable addition to a reserve for bad debts);  
 13 and when satisfied that a debt is recoverable only in part,  
 14 the Commissioner may allow such debt to be charged off  
 15 in part;

16 (8) A reasonable allowance for the exhaustion, wear  
 17 and tear of property used in the trade or business, including  
 18 a reasonable allowance for obsolescence.—In the case of  
 19 such property acquired before March 1, 1913, this deduc-  
 20 tion shall be computed upon the basis of its fair market price  
 21 or value as of March 1, 1913;

22 **NOTE.**—The sentence stricken out of the above paragraph  
 is replaced by section 204 (c), on page 27 of this print.

23 (9) In the case of buildings, machinery, equipment,  
 24 other facilities, constructed, erected, installed, or acquired  
 25 on or after April 6, 1917, for the production of articles con-

1 tributing to the prosecution of the war against the German  
2 Government, and in the case of vessels constructed or ac-  
3 quired on or after such date for the transportation of articles  
4 or men contributing to the prosecution of such war, there  
5 shall be allowed, for any taxable year ending before March  
6 2, 1924 (if claim therefor was made at the time of filing  
7 return for the taxable year 1914, 1916, 1920, or 1921) a  
8 reasonable deduction for the amortization of such part of the  
9 cost of such facilities or vessels as has been borne by the  
10 taxpayer, but not again including any amount otherwise  
11 allowed under this title or previous Act of Congress as a  
12 deduction in computing net income. At any time before  
13 March 2, 1924, the Commissioner may, and at the request  
14 of the taxpayer shall, reexamine the return, and if he then  
15 finds as a result of an appraisal or from other evidence that  
16 the deduction originally allowed was incorrect, the income,  
17 war profits, and excess profits taxes for the year or years  
18 affected shall be redetermined; and the amount of tax due  
19 upon such redetermination, if any, shall be paid upon notice  
20 and demand by the collector, or the amount of tax overpaid,  
21 if any, shall be credited or refunded to the taxpayer in ac-  
22 cordance with the provisions of section 2521;

23       ~~(10)~~ (9) In the case of mines, oil and gas wells, other  
24 natural deposits, and timber, a reasonable allowance for de-  
25 pletion and for depreciation of improvements, according to

1 the peculiar conditions in each case,—based upon cost includ-  
 2 ing cost of development not otherwise deducted: *Provided*,  
 3 That in the case of such properties acquired prior to March  
 4 1, 1913, the fair market value of the property (or the tax-  
 5 payer's interest therein) on that date shall be taken in lieu  
 6 of cost up to that date: *Provided further*, That in the case  
 7 of mine, oil and gas wells discovered by the taxpayer, on or  
 8 after March 1, 1913, and not acquired as the result of pur-  
 9 chase of a proven tract or lease, where the fair market value  
 10 of the property is materially disproportionate to the cost,  
 11 the depletion allowance shall be based upon the fair market  
 12 value of the property at the date of the discovery, or within  
 13 thirty days thereafter: *and provided further*, That such  
 14 depletion allowance based on discovery value shall not ex-  
 15 ceed the net income, computed without allowance for deple-  
 16 tion, from the property upon which the discovery is made,  
 17 except where such net income so computed is less than the  
 18 depletion allowance based on cost or fair market value as of  
 19 March 1, 1913; such reasonable allowance in all the above  
 20 cases to be made under rules and regulations to be prescribed  
 21 by the Commissioner, with the approval of the Secretary.  
 22 In the case of leases the deduction allowed by this paragraph  
 23 shall be equitably apportioned between the lessor and lessee;

24 **NOTE.**—The provisions as to discovery value stricken out  
 25 above are superseded by section 204 (c) on page 27 of this  
 print.



1        ~~(11)~~ (10) Contributions or gifts made within the tax-  
2        able year to or for the use of: (A) The United States, any  
3        State, Territory, or any political subdivision thereof, or the  
4        District of Columbia, for exclusively public purposes; (B)  
5        any corporation, or community chest, fund, or foundation,  
6        organized and operated exclusively for religious, charitable,  
7        scientific, literary, or educational purposes, including posts  
8        of the American Legion or the women's auxiliary units  
9        thereof, or for the prevention of cruelty to children or ani-  
10       mals, no part of the net earnings of which inures to the  
11       benefit of any private stockholder shareholder or individual;  
12       or (C) the special fund for vocational rehabilitation author-  
13       ized by section 7 of the Vocational Rehabilitation Act; or  
14       (D) posts or organizations of war veterans, or auxiliary  
15       units or societies of any such posts or organizations, if such  
16       posts, organizations, units, or societies are organized in the  
17       United States or any of its possessions, and if no part of their  
18       net earnings inures to the benefit of any private shareholder  
19       or individual; to an amount which in all the above cases  
20       combined does not exceed 15 per centum of the taxpayer's  
21       net income as computed without the benefit of this para-  
22       graph. In case of a nonresident alien individual this deduc-  
23       tion shall be allowed only as to contributions or gifts made  
24       to domestic corporations, or to community chests, funds, or  
25       foundations, created in the United States; or to such voca-

1 tional rehabilitation fund. Such contributions or gifts shall  
2 be allowable as deductions only if verified under rules and  
3 regulations prescribed by the Commissioner, with the ap-  
4 proval of the Secretary.

5 (12) If property is compulsorily or involuntarily con-  
6 verted into cash or its equivalent as a result of (A) its de-  
7 struction in whole or in part; (B) theft or seizure, or (C)  
8 an exercise of the power of requisition or condemnation, or  
9 the threat or imminence thereof; and if the taxpayer pro-  
10 ceeds forthwith in good faith, under regulations prescribed  
11 by the Commissioner with the approval of the Secretary,  
12 to expend the proceeds of such conversion in the acquisi-  
13 tion of other property of a character similar or related in  
14 service or use to the property so converted, or in the ac-  
15 quisition of 80 per centum or more of the stock or shares  
16 of a corporation owning such other property, or in the es-  
17 tablishment of a replacement fund, then there shall be al-  
18 lowed as a deduction such portion of the gain derived as the  
19 portion of the proceeds so expended bears to the entire pro-  
20 ceeds. The provisions of this paragraph prescribing the  
21 conditions under which a deduction may be taken in respect  
22 of the proceeds or gain derived from the compulsory or in-  
23 voluntary conversion of property into cash or its equiva-  
24 lent, shall apply so far as may be practicable to the exemp-

1 tion or exclusion of such proceeds or gains from gross income  
2 under prior income, war-profits and excess-profits tax acts.

3 **NOTE**—The first sentence of the above paragraph is re-  
4 placed by section 203 (b) (5) on page 18 of this print, and  
5 the last sentence by section 1100 (c) on page 386 of this print.

6 (b) In the case of a nonresident alien individual, the de-  
7 ductions allowed in subdivision (a), except those allowed in  
8 paragraphs (5), (6), and ~~(4)~~ (10), shall be allowed only  
9 if and to the extent that they are connected with income from  
10 sources within the United States; and the proper apportion-  
11 ment and allocation of the deductions with respect to sources  
12 of income within and without the United States shall be  
13 determined as provided in section 217 under rules and regu-  
14 lations prescribed by the Commissioner with the approval  
15 of the Secretary. In the case of a citizen entitled to the  
16 benefits of section 262 the deductions shall be the same and  
17 shall be determined in the same manner as in the case of a  
18 nonresident alien individual.

19 (c) *The amount of the deduction provided for in para-*  
20 *graph (2) of subdivision (a), unless the interest on indebted-*  
21 *ness is paid or incurred in carrying on a trade or business,*  
22 *and the amount of the deduction provided for in paragraph*  
23 *(5) of subdivision (a), shall be allowed as deductions only*  
*if and to the extent that the sum of such amounts exceeds the*

1 amount of interest on obligations or securities the interest upon  
 2 which is wholly exempt from taxation under this title.

3 **NOTE**—The above subdivision takes the place of part of  
 4 section 214 (a) (3) of the present law, shown as stricken out  
 5 of this print.

#### 6 ITEMS NOT DEDUCTIBLE.

7 **SEC. 215. (a)** That in *its* computing net income no  
 8 deduction shall in any case be allowed in respect of—

9 (1) Personal, living, or family expenses;

10 (2) Any amount paid out for new buildings or for per-  
 11 manent improvements or betterments made to increase the  
 12 value of any property or estate;

13 (3) Any amount expended in restoring property or in  
 14 making good the exhaustion thereof for which an allowance  
 15 is or has been made; or

16 (4) Premiums paid on any life insurance policy cover-  
 17 ing the life of any officer or employee, or of any person  
 18 financially interested in any trade or business carried on by  
 19 the taxpayer, when the taxpayer is directly or indirectly a  
 20 beneficiary under such policy.

21 (b) Amounts paid under the laws of any State, Ter-  
 22 ritory, District of Columbia, possession of the United States,  
 23 or foreign country as income to the holder of a life or ter-  
 24 minable interest acquired by gift, bequest, or inheritance shall  
 25 not be reduced or diminished by any deduction for shrink-  
 age (by whatever name called) in the value of such interest

1 due to the lapse of time, nor by any deduction allowed by  
2 this Act for the purpose of computing the net income of  
3 an estate or trust but not allowed under the laws of such  
4 State, Territory, District of Columbia, possession of the  
5 United States, or foreign country for the purpose of com-  
6 puting the income to which such holder is entitled.

7 CREDITS ALLOWED INDIVIDUALS.

8 SEC. 216. ~~That for~~ For the purpose of the normal tax  
9 only there shall be allowed the following credits:

10 (a) The amount received as dividends (1) from a de-  
11 mestic corporation other than a corporation entitled to the  
12 benefits of section 262, and other than a corporation organ-  
13 ized under the China Trade Act, 1922, or (2) from a foreign  
14 corporation when it is shown to the satisfaction of the Com-  
15 missioner that more than 50 per centum of the gross income  
16 of such foreign corporation for the three-year period ending  
17 with the close of its taxable year preceding the declaration of  
18 such dividends (or for such part of such period as the cor-  
19 poration has been in existence) was derived from sources  
20 within the United States as determined under the provisions  
21 of section 217;

22 (b) The amount received as interest upon obligations  
23 of the United States and bonds issued by the War Finance  
24 Corporation which is included in gross income under section  
25 213;

1 (c) In the case of a single person, a personal exemp-  
2 tion of \$1,000; or in the case of the head of a family  
3 or a married person living with husband or wife, a personal  
4 exemption of \$2,500, unless the net income is in excess  
5 of \$5,000, in which case the personal exemption shall be  
6 \$2,000. A husband and wife living together shall receive  
7 but one personal exemption. The amount of such personal  
8 exemption shall be \$2,500, unless the aggregate net income  
9 of such husband and wife is in excess of \$5,000, in which  
10 case the amount of such personal exemption shall be \$2,000.  
11 If such husband and wife make separate returns, the personal  
12 exemption may be taken by either or divided between them.  
13 In no case shall the reduction of the personal exemption from  
14 \$2,500 to \$2,000 operate to increase the tax, which would  
15 be payable if the exemption were \$2,500, by more than the  
16 amount of the net income in excess of \$5,000;

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

22 (e) In the case of a nonresident alien individual or of a  
23 citizen entitled to the benefits of section 262, the personal  
24 exemption shall be only \$1,000. The credit provided in  
25 subdivision (d) shall not be allowed in the case of a non-

1 resident alien individual unless he is a resident of a con-  
 2 tiguous country, nor in the case of a citizen entitled to the  
 3 benefits of section 262.

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

14 **NET INCOME OF NONRESIDENT ALIEN INDIVIDUALS.**

15 **SEC. 217.** (a) ~~That in~~ *In* the case of a nonresident  
 16 alien individual or of a citizen entitled to the benefits of  
 17 section 262, the following items of gross income shall be  
 18 treated as income from sources within the United States:

19 (1) Interest on bonds, notes, or other interest-bearing  
 20 obligations of residents, corporate or otherwise, not includ-  
 21 ing (A) interest on deposits with persons carrying on the  
 22 banking business paid to persons not engaged in business  
 23 within the United States and not having an office or place  
 24 of business therein, or (B) interest received from a resident  
 25 alien individual or a *individual*, a resident foreign corpora-

1 *less than 20 per centum of the gross income of such resi-*  
2 *dent payor or domestic corporation, when*  
3 *it is shown to the satisfaction of the Commissioner that*  
4 *less than 20 per centum of the gross income of such resi-*  
5 *dent payor or domestic corporation has been derived from*  
6 *sources within the United States, as determined under the*  
7 *provisions of this section, for the three-year period ending*  
8 *with the close of the taxable year of such payor preceding*  
9 *the payment of such interest, or for such part of such period*  
10 *immediately preceding the close of such taxable year as may*  
11 *be applicable;*

12 (2) The amount received as dividends (A) from a  
13 domestic corporation other than a corporation entitled to  
14 the benefits of section 262, and other than a corporation  
15 less than 20 per centum of whose gross income is shown to  
16 the satisfaction of the Commissioner to have been derived  
17 from sources within the United States, as determined under  
18 the provisions of this section, for the three-year period ending  
19 with the close of the taxable year of such corporation pre-  
20 ceding the declaration of such dividends (or for such part  
21 of such period as the corporation has been in existence), or  
22 (B) from a foreign corporation unless less than 50 per centum  
23 of the gross income of such foreign corporation for the three-  
24 year period ending with the close of its taxable year preced-  
25 ing the declaration of such dividends (or for such part of such  
period as the corporation has been in existence) was derived



1 from sources within the United States as determined under  
2 the provisions of this section;

3 (3) Compensation for labor or personal services per-  
4 formed in the United States;

5 (4) Rentals or royalties from property located in the  
6 United States or from any interest in such property, includ-  
7 ing rentals or royalties for the use of or for the privilege  
8 of using in the United States, patents, copyrights, secret  
9 processes and formulas, good will, trade-marks, trade  
10 brands, franchises, and other like property; and

11 (5) Gains, profits, and income from the sale of real  
12 property located in the United States.

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

21 (c) The following items of gross income shall be  
22 treated as income from sources without the United States:

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

1       (2) Dividends other than those derived from sources  
2 within the United States as provided in paragraph (2) of  
3 subdivision (a);

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

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

12       (5) Gains, profits, and income from the sale of real  
13 property located without the United States;

14       (d) From the items of gross income specified in sub-  
15 division (c) there shall be deducted the expenses, losses,  
16 and other deductions properly apportioned or allocated  
17 thereto, and a ratable part of any expenses, losses, or other  
18 deductions which can not definitely be allocated to some  
19 item or class of gross income. The remainder, if any, shall  
20 be treated in full as net income from sources without the  
21 United States.

22       (e) Items of gross income, expenses, losses and de-  
23 ductions, other than those specified in subdivisions (a) and  
24 (c), shall be allocated or apportioned to sources within or

1 without the United States under rules and regulations pre-  
2 scribed by the Commissioner with the approval of the Sec-  
3 retary. Where items of gross income are separately allo-  
4 cated to sources within the United States, there shall be  
5 deducted (for the purpose of computing the net income  
6 therefrom) the expenses, losses and other deductions prop-  
7 erly apportioned or allocated thereto and a ratable part of  
8 other expenses, losses or other deductions which can not  
9 definitely be allocated to some item or class of gross income.  
10 The remainder, if any, shall be included in full as net in-  
11 come from sources within the United States. In the case  
12 of gross income derived from sources partly within and  
13 partly without the United States, the net income may first  
14 be computed by deducting the expenses, losses or other  
15 deductions apportioned or allocated thereto and a ratable  
16 part of any expenses, losses or other deductions which can  
17 not definitely be allocated to some item or class of gross  
18 income; and the portion of such net income attributable to  
19 sources within the United States may be determined by  
20 processes or formulas of general apportionment prescribed  
21 by the Commissioner with the approval of the Secretary.  
22 Gains, profits and income from (1) transportation or other  
23 services rendered partly within and partly without the  
24 United States, or (2) from the sale of personal property  
25 produced (in whole or in part) by the taxpayer within and

1 sold without the United States, or produced (in whole or  
2 in part) by the taxpayer without and sold within the  
3 United States, shall be treated as derived partly from  
4 sources within and partly from sources without the United  
5 States. Gains, profits and income derived from the pur-  
6 chase of personal property within and its sale without the  
7 United States or from the purchase of personal property  
8 without and its sale within the United States, shall be treated  
9 as derived entirely from the country in which sold.

10 (f) As used in this section the words "sale" or  
11 "sold" include "exchange" or "exchanged"; and the  
12 word "produced" includes "created," "fabricated,"  
13 "manufactured," "extracted," "processed," "cured," or  
14 "aged."

15 (g) (1) *Except as provided in paragraph (2)* a non-  
16 resident alien individual or a citizen entitled to the benefits  
17 of section 262 shall receive the benefit of the deductions  
18 and credits allowed in this title only by filing or causing  
19 to be filed with the collector a true and accurate return of  
20 his total income received from all sources ~~corporate or~~  
21 ~~otherwise~~ in the United States, in the manner prescribed in  
22 this title; including therein all the information which the  
23 Commissioner may deem necessary for the calculation of such  
24 deductions and credits. *Provided, That the*

1       (2) *The benefit of the credit credits allowed in sub-*  
 2 *division subdivisions (d) and (e) of section 216, and of the*  
 3 *reduced rate of tax provided for in paragraph (1) of sub-*  
 4 *division (b) of section 210, may, in the discretion of the*  
 5 *Commissioner and under regulations prescribed by him*  
 6 *with the approval of the Secretary, be received by a non-*  
 7 *resident alien individual entitled thereto, by filing a claim*  
 8 *therefor with the withholding agent. In case of failure to*  
 9 *file a return, the collector shall collect the tax on such in-*  
 10 *come, and all property belonging to such nonresident alien*  
 11 *individual or foreign trader shall be liable to distraint for*  
 12 *the tax.*

13 **PARTNERSHIPS AND PERSONAL SERVICE CORPORATIONS.**

14       **SEC. 218. (a)** *That individuals Individuals carrying*  
 15 *on business in partnership shall be liable for income tax only*  
 16 *in their individual capacity. There shall be included in com-*  
 17 *puting the net income of each partner his distributive share,*  
 18 *whether distributed or not, of the net income of the part-*  
 19 *nership for the taxable year, or, if his net income for such*  
 20 *taxable year is computed upon the basis of a period differ-*  
 21 *ent from that upon the basis of which the net income of the*  
 22 *partnership is computed, then his distributive share of the*  
 23 *net income of the partnership for any accounting period of*  
 24 *the partnership ending within the fiscal or calendar taxable*

1 year upon the basis of which the partner's net income is  
2 computed.

3 (b) The partner shall, for the purpose of the normal  
4 tax, be allowed as credits, in addition to the credits allowed  
5 to him under section 216, his proportionate share of such  
6 amounts specified in subdivisions (a) and (b) of section  
7 216 as are received by the partnership.

8 (c) The net income of the partnership shall be com-  
9 puted in the same manner and on the same basis as pro-  
10 vided in section 212 except that the deduction provided in  
11 paragraph ~~(11)~~ (10) of subdivision (a) of section 214 shall  
12 not be allowed.

13 ~~(d) Personal service corporations~~ shall not be subject  
14 to taxation under this title, but the individual stockholders  
15 thereof shall be taxed in the same manner as the members  
16 of partnerships. All the provisions of this title relating to  
17 partnerships and the members thereof shall so far as practi-  
18 cable apply to ~~personal service corporations~~ and the stock-  
19 holders thereof: *Provided*, That for the purpose of this sub-  
20 division amounts distributed by a personal service corpora-  
21 tion during its taxable year shall be accounted for by the  
22 distributees; and any portion of the net income remaining  
23 undistributed at the close of its taxable year shall be ac-  
24 counted for by the stockholders of such corporation at the

1 close of its taxable year in proportion to their respective  
2 shares.

3 This subdivision shall not be in effect after December  
4 31, 1921. In the case of a personal service corporation  
5 having a fiscal year beginning in 1921 and ending in 1922,  
6 amounts distributed prior to January 1, 1922, to its stock-  
7 holders out of earnings or profits accumulated after December  
8 31, 1920, shall be taxed to the distributees; and the stock-  
9 holders of record on December 31, 1921, shall be taxed upon  
10 their distributive shares of the difference (if any) between  
11 such distributive profits and the portion of the corporation's  
12 net income assignable to the calendar year 1921, determined  
13 in the manner provided in clause (1) of subdivision (c) of  
14 section 205 of this Act.

#### 15 ESTATES AND TRUSTS.

16 SEC. 219. (a) That the tax imposed by sections  
17 210 and 211 Parts I and II of this title shall apply to the in-  
18 come of estates or of any kind of property held in trust, in-  
19 cluding—

20 (1) Income received by estates of deceased persons dur-  
21 ing the period of administration or settlement of the estate;

22 (2) Income accumulated in trust for the benefit of un-  
23 born or unascertained persons or persons with contingent  
24 interests;

1       **(3) Income held for future distribution under the terms**  
2 **of the will or trust; and**

3       **(4) Income which is to be distributed to the benefi-**  
4 **ciaries periodically, whether or not at regular intervals, and**  
5 **the income collected by a guardian of an infant to be held**  
6 **or distributed as the court may direct.**

7       **(1) Income accumulated in trust for the benefit of un-**  
8 **born or unascertained persons or persons with contingent in-**  
9 **terests, and income accumulated or held for future distribu-**  
10 **tion under the terms of the will or trust;**

11       **(2) Income which is to be distributed currently by the**  
12 **fiduciary to the beneficiaries, and income collected by a**  
13 **guardian of an infant which is to be held or distributed as**  
14 **the court may direct;**

15       **(3) Income received by estates of deceased persons dur-**  
16 **ing the period of administration or settlement of the estate;**  
17 **and**

18       **(4) Income which, in the discretion of the fiduciary,**  
19 **may be either distributed to the beneficiaries or accumulated.**

20       **(b) The fiduciary shall be responsible for making the**  
21 **return of income for the estate or trust for which he acts.**  
22 **The net income of the estate or trust shall be computed in**  
23 **the same manner and on the same basis as provided in sec-**  
24 **tion 212, except that (in lieu of the deduction authorized by**  
25 **paragraph (11) of subdivision (a) of section 214) there**



1 shall also be allowed as a deduction, without limitation, any  
2 part of the gross income which, pursuant to the terms of the  
3 will or deed creating the trust, is during the taxable year  
4 paid or permanently set aside for the purposes and in the  
5 manner specified in paragraph (1) of subdivision (a) of  
6 section 214. In cases in which there is any income of the  
7 class described in paragraph (4) of subdivision (a) of this  
8 section the fiduciary shall include in the return a statement  
9 of the income of the estate or trust which, pursuant to the  
10 instrument or order governing the distribution, is distrib-  
11 able to each beneficiary, whether or not distributed before  
12 the close of the taxable year for which the return is made.

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

1 (d) In cases under paragraph (4) of subdivision (a),  
2 and in the case of any income of an estate during the period  
3 of administration or settlement permitted by subdivision (a)  
4 to be deducted from the net income upon which tax is to be  
5 paid by the fiduciary, the tax shall not be paid by the fidu-  
6 ciary, but there shall be included in computing the net income  
7 of each beneficiary that part of the income of the estate or  
8 trust for its taxable year which, pursuant to the instrument or  
9 order governing the distribution, is distributable to such  
10 beneficiary, whether distributed or not; or, if his taxable year  
11 is different from that of the estate or trust, then there shall  
12 be included in computing his net income his distributive share  
13 of the income of the estate or trust for its taxable year ending  
14 within the taxable year of the beneficiary. In such cases the  
15 beneficiary shall, for the purpose of the normal tax, be  
16 allowed as credits, in addition to the credits allowed to him  
17 under section 246, his proportionate share of such amounts  
18 specified in subdivisions (a) and (b) of section 246 as are  
19 received by the estate or trust.

20 (e) In the case of an estate or trust the income of  
21 which consists both of income of the class described in para-  
22 graph (4) of subdivision (a) of this section and other in-  
23 come, the net income of the estate or trust shall be com-  
24 puted and a return thereof made by the fiduciary in accord-  
25 ance with subdivision (b) and the tax shall be imposed,

1 and shall be paid by the fiduciary in accordance with sub-  
2 division (c), except that there shall be allowed as an ad-  
3 ditional deduction in computing the net income of the estate  
4 or trust that part of its income of the class described in para-  
5 graph (4) of subdivision (a) which, pursuant to the instru-  
6 ment or order governing the distribution, is distributable  
7 during its taxable year to the beneficiaries. In cases under  
8 this subdivision there shall be included, as provided in sub-  
9 division (d) of this section, in computing the net income of  
10 each beneficiary, that part of the income of the estate or  
11 trust which, pursuant to the instrument or order governing  
12 the distribution, is distributable during the taxable year to  
13 such beneficiary.

14 (b) *The tax shall be computed upon the net income of*  
15 *the estate or trust, and shall be paid by the fiduciary. The*  
16 *net income of the estate or trust shall be computed in the same*  
17 *manner and on the same basis as provided in section 212, ex-*  
18 *cept that—*

19 (1) *There shall be allowed as a deduction (in lieu of the*  
20 *deduction authorized by paragraph (10) of subdivision (a)*  
21 *of section 214) any part of the gross income, without limita-*  
22 *tion, which pursuant to the terms of the will or deed creating*  
23 *the trust, is during the taxable year paid or permanently set*  
24 *aside for the purposes and in the manner specified in para-*  
25 *graph (10) of subdivision (a) of section 214, or is to be*

1 used exclusively for religious, charitable, scientific, literary,  
2 or educational purposes;

3 (2) There shall be allowed as an additional deduction  
4 in computing the net income of the estate or trust the amount  
5 of the income of the estate or trust for its taxable year which  
6 is to be distributed currently by the fiduciary to the bene-  
7 ciaries, and the amount of the income collected by a guardian  
8 of an infant which is to be held or distributed as the court  
9 may direct, but the amount so allowed as a deduction shall be  
10 included in computing the net income of the beneficiaries  
11 whether distributed to them or not. Any amount allowed  
12 as a deduction under this paragraph shall not be allowed as a  
13 deduction under paragraph (3) in the same or any succeed-  
14 ing taxable year;

15 (3) In the case of income received by estates of deceased  
16 persons during the period of administration or settlement of  
17 the estate, and in the case of income which, in the discretion  
18 of the fiduciary, may be either distributed to the beneficiary  
19 or accumulated, there shall be allowed as an additional de-  
20 duction in computing the net income of the estate or trust the  
21 amount of the income of the estate or trust for its taxable year  
22 which is properly paid or credited during such year to any  
23 legatee, heir, or beneficiary, but the amount so allowed as a  
24 deduction shall be included in computing the net income of the  
25 legatee, heir, or beneficiary.

1       (c) For the purpose of the normal tax the estate or  
2 trust shall be allowed the same credit as is allowed to a single  
3 person under subdivision (c) of section 216, and, if no part  
4 of the income of the estate or trust is included in computing  
5 the net income of any legatee, heir, or beneficiary, then in ad-  
6 dition the same credits as are allowed by subdivisions (a) and  
7 (b) of section 216.

8       (d) If any part of the income of an estate or trust is  
9 included in computing the net income of any legatee, heir, or  
10 beneficiary, such legatee, heir, or beneficiary, shall, for the  
11 purpose of the normal tax, be allowed as credits, in addition  
12 to the credits allowed to him under section 216, his propor-  
13 tionate share of such amounts specified in subdivisions (a)  
14 and (b) of section 216 as are, under this section, required  
15 to be included in computing his net income. Any remaining  
16 portion of such amounts specified in subdivisions (a) and (b)  
17 of section 216 shall, for the purpose of the normal tax, be  
18 allowed as credits to the estate or trust.

19       (e) If the taxable year of a beneficiary is different from  
20 that of the estate or trust, the amount which he is required,  
21 under paragraph (2) of subdivision (b) of this section, to in-  
22 clude in computing his net income, shall be based upon the in-  
23 come of the estate or trust for its taxable year ending within his  
24 taxable year.

1           (f) A trust created by an employer as a part of a  
2 stock bonus or profit-sharing plan for the exclusive benefit  
3 of some or all of his employees, to which contributions are  
4 made by such employer, or employees, or both, for the pur-  
5 pose of distributing to such employees the earnings and  
6 principal of the fund accumulated by the trust in accordance  
7 with such plan, shall not be taxable under this section, but  
8 the amount actually distributed or made available to any  
9 distributee shall be taxable to him in the year in which so  
10 distributed or made available to the extent that it exceeds  
11 the amounts paid in by him. Such distributees shall for the  
12 purpose of the normal tax be allowed as credits ~~that~~ *such*  
13 part of the amount so distributed or made available as rep-  
14 resents the items specified in subdivisions (a) and (b) of  
15 section 216.

16           (g) *Where the grantor of a trust reserves a power of*  
17 *revocation which, if exercised, would revert in him title to*  
18 *any part of the corpus of the trust, then the income of such*  
19 *part of the trust shall be included in computing the net income*  
20 *of the grantor.*

21           (h) *Where any part of the income of a trust may,*  
22 *in the discretion of any person, including the grantor of the*  
23 *trust, be distributed to the grantor or be held or accumu-*  
24 *lated for future distribution to him, or where any part of*  
25 *the income of a trust is or may be applied to the pay-*

1 *ment of premiums upon policies of insurance on the life of*  
 2 *the grantor, whether payable to his estate or otherwise, such*  
 3 *part of the income of the trust shall be included in computing*  
 4 *the net income of the grantor.*

5 **EVASION OF SURTAXES BY INCORPORATION.**

6 **SEC. 220.** *That if (a) If any corporation, however*  
 7 *created or organized, is formed or availed of for the purpose*  
 8 *of preventing the imposition of the surtax upon its ~~stock-~~*  
 9 *~~holders or members~~ shareholders through the medium of*  
 10 *permitting its gains and profits to accumulate instead of*  
 11 *being divided or distributed, there shall be levied, collected,*  
 12 *and paid for each taxable year upon the net income of such*  
 13 *corporation a tax equal to 25 per centum of the amount*  
 14 *thereof, which shall be in addition to the tax imposed by*  
 15 *section 230 of this title and shall (except as provided in sub-*  
 16 *division (d) of this section) be computed, collected, and paid*  
 17 *upon the same basis and in the same manner and subject to*  
 18 *the same provisions of law, including penalties, as that tax:*  
 19 *Provided, That if all the ~~stockholders or members~~ share-*  
 20 *holders of such corporation agree thereto, the Commissioner*  
 21 *may, in lieu of all income, ~~war profits and excess profits~~*  
 22 *taxes imposed upon the corporation for the taxable year,  $\frac{1}{2}$*   
 23 *the ~~stockholders or members~~ shareholders of such corpora-*  
 24 *tion upon their distributive shares in the net income of the*  
 25 *corporation for the taxable year in the same manner as pro-*

1 vided in subdivision (a) of section 218 in the case of mem-  
2 bers of a partnership.

3 (b) The fact that any corporation is a mere holding  
4 or investment company, or that the gains and or profits  
5 are permitted to accumulate beyond the reasonable needs of  
6 the business, shall be prima facie evidence of a purpose to  
7 escape the surtax; but the fact that the gains and profits  
8 are in any case permitted to accumulate and become surplus  
9 shall not be construed as evidence of a purpose to escape the  
10 tax in such case unless the Commissioner certifies that in his  
11 opinion such accumulation is unreasonable for the purposes of  
12 the business.<sup>10</sup>

13 (c) When requested by the Commissioner, or any col-  
14 lector, every corporation shall forward to him a correct  
15 statement of such gains and profits and the names and  
16 addresses of the individuals or shareholders who would be  
17 entitled to the same if divided or distributed, and of the  
18 amounts that would be payable to each.

19 (d) As used in this section the term "net income"  
20 means the net income as defined in section 232, increased by  
21 the sum of the amount of the deduction allowed under para-  
22 graph (6) of subdivision (a) of section 234, and the amount  
23 of the interest on obligations of the United States issued after  
24 September 1, 1917, which would be subject to tax in whole  
25 or in part in the hands of an individual owner.

\* For change from Treasury draft see Supplement, note No. 10.



## 1 PAYMENT OF INDIVIDUAL'S TAX AT SOURCE.

2 SEC. 221. (a) That all individuals, corporations, and  
3 partnerships ~~all persons~~, in whatever capacity acting, in-  
4 cluding lessees or mortgagors of real or personal property,  
5 fiduciaries, employers, and all officers and employees of the  
6 United States having the control, receipt, custody, disposal,  
7 or payment of interest (except interest on deposits with  
8 persons carrying on the banking business paid to persons not  
9 engaged in business in the United States and not having  
10 an office or place of business therein), rent, salaries, wages,  
11 premiums, annuities, compensations, remunerations, emolu-  
12 ments, or other fixed or determinable annual or periodical  
13 gains, profits, and income, of any nonresident alien indi-  
14 ~~vidual or individual~~, or of any partnership not engaged in  
15 trade or business within the United States and not having any  
16 office or place of business therein and composed in whole or in  
17 part of nonresident aliens (other than income received as  
18 dividends of the class allowed as a credit by subdivision (a)  
19 of section 216) shall (except in the cases provided for in sub-  
20 division (b) and except as otherwise provided in regulations  
21 prescribed by the Commissioner under section 217) deduct  
22 and withhold from such annual or periodical gains, profits,  
23 and income a tax equal to 6 per centum thereof: *Provided*,  
24 That the Commissioner may authorize such tax to be de-

1 ducted and withheld from the interest upon any securities the  
2 owners of which are not known to the withholding agent.

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,  
7 or to reimburse the obligee for any portion of the tax, or to  
8 pay the interest without deduction for any tax which the  
9 obligor may be required or permitted to pay thereon, or to  
10 retain therefrom under any law of the United States, the  
11 obligor shall deduct and withhold a tax equal to 2 per centum  
12 of the interest upon such bonds, mortgages, deeds of trust,  
13 or other obligations, whether such interest is payable annu-  
14 ally or at shorter or longer periods and whether payable to  
15 a nonresident alien individual or to an individual citizen or  
16 resident of the United States or to a partnership: *Provided,*  
17 That the Commissioner may authorize such tax to be de-  
18 ducted and withheld in the case of interest upon any such  
19 bonds, mortgages, deeds of trust, or other obligations, the  
20 owners of which are not known to the withholding agent.  
21 Such deduction and withholding shall not be required in the  
22 case of a citizen or resident entitled to receive such interest,  
23 if he files with the withholding agent on or before February  
24 1 a signed notice in writing claiming the benefit of the credits

1 provided in subdivisions (c) and (d) of section 216; nor in  
2 the case of a nonresident alien individual if so provided for  
3 in regulations prescribed by the Commissioner under sub-  
4 division (g) of section 217.

5 (c) Every ~~individual, corporation, or partnership per-~~  
6 ~~son~~ required to deduct and withhold any tax under this sec-  
7 tion shall make return thereof on or before March 15 of each  
8 year and shall on or before June 15 pay the tax to the official  
9 of the United States Government authorized to receive it.  
10 Every such ~~individual, corporation, or partnership person~~ is  
11 hereby made liable for such tax and is hereby indemnified  
12 against the claims and demands of any ~~individual, corpora-~~  
13 ~~tion, or partnership person~~ for the amount of any payments  
14 made in accordance with the provisions of this section.

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

20 (e) If any tax required under this section to be de-  
21 ducted and withheld is paid by the recipient of the income,  
22 it shall not be re-collected from the withholding agent; nor  
23 in cases in which the tax is so paid shall any penalty be im-  
24 posed upon or collected from the recipient of the income or  
25 the withholding agent for failure to return or pay the same,

1 unless such failure was fraudulent and for the purpose of  
2 evading payment.

3 CREDIT FOR TAXES IN CASE OF INDIVIDUALS.

4 SEC. 222. (a) ~~That the~~ *The* tax computed under ~~Part~~  
5 *Parts I and II* of this title shall be credited with:

6 (1) In the case of a citizen of the United States the  
7 amount of any income, war-profits and excess-profits taxes  
8 paid *or accrued* during the taxable year to any foreign  
9 country or to any possession of the United States; and

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

13 (3) In the case of an alien resident of the United  
14 States, the amount of any such taxes paid *or accrued* during  
15 the taxable year to any foreign country, if the foreign  
16 country of which such alien resident is a citizen or subject,  
17 in imposing such taxes, allows a similar credit to citizens of  
18 the United States residing in such country; and

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

1           (5) The above credits shall not be allowed in the case  
2 of a citizen entitled to the benefits of section 262; and in no  
3 other case shall the amount of credit taken under this subdi-  
4 vision exceed the same proportion of the tax, ~~against which~~  
5 ~~such credit is taken,~~ which the taxpayer's net income (~~com-~~  
6 ~~puted without deduction for any income, war-profits and ex-~~  
7 ~~cess-profits taxes imposed by any foreign country or possession~~  
8 ~~of the United States)~~ from sources without the United States  
9 ~~bears to his entire net income (computed without such deduc-~~  
10 ~~tion)~~ for the same taxable year (*computed on the basis of*  
11 *the taxpayer's net income without the deduction of any*  
12 *income, war-profits, or excess-profits tax any part of which*  
13 *may be allowed to him as a credit by this section), against*  
14 *which such credit is taken, which the taxpayer's net income*  
15 *(computed without the deduction of any such income, war-*  
16 *profits, or excess-profits tax) from sources without the United*  
17 *States bears to his entire net income (computed without such*  
18 *deduction) for the same taxable year.*

19           (b) If accrued taxes when paid differ from the  
20 amounts claimed as credits by the taxpayer, or if any tax  
21 paid is refunded in whole or in part, the taxpayer shall notify  
22 the Commissioner, who shall redetermine the amount of the  
23 tax due under ~~Part~~ *Parts I and II* of this title for the year or  
24 years affected, and the amount of tax due upon such redeter-  
25 mination, if any, shall be paid by the taxpayer upon notice

1 and demand by the collector, or the amount of tax overpaid,  
2 if any, shall be credited or refunded to the taxpayer in ac-  
3 cordance with the provisions of section ~~252~~ 281. In the  
4 case of such a tax accrued but not paid, the Commissioner as  
5 a condition precedent to the allowance of this credit may re-  
6 quire the taxpayer to give a bond with sureties satisfactory to  
7 and to be approved by the Commissioner in such ~~penal~~ sum  
8 as the Commissioner may require, conditioned ~~for~~ upon the  
9 payment by the taxpayer of any amount of tax found due  
10 upon any such redetermination; and the bond herein pre-  
11 scribed shall contain such further conditions as the Commis-  
12 sioner may require.

13 *(c) The credits provided for in subdivision (a) of this*  
14 *section may, at the option of the taxpayer and irrespective*  
15 *of the method of accounting employed in keeping his books,*  
16 *be taken in the year in which the taxes of the foreign country*  
17 *or the possession of the United States accrued, subject, how-*  
18 *ever, to the conditions prescribed in subdivision (b) of this*  
19 *section. If the taxpayer elects to take such credits in the year*  
20 *in which the taxes of the foreign country or the possession of*  
21 *the United States accrued, the credits for all subsequent years*  
22 *shall be taken upon the same basis.*

23 *(e) (d) These credits shall be allowed only if the*  
24 *taxpayer furnishes evidence satisfactory to the Commissioner*  
25 *showing the amount of income derived from sources without*

1 the United States, and all other information necessary for  
2 the verification and computation of such credits.

3 (d) If the taxpayer makes a return for a fiscal year  
4 beginning in 1920 and ending in 1921, the credit for the  
5 entire fiscal year shall, notwithstanding any provision of  
6 this Act, be determined under the provisions of this section;  
7 and the Commissioner is authorized to disallow, in whole or  
8 part, any such credit which he finds has already been taken  
9 by the taxpayer.

10 INDIVIDUAL RETURNS.

11 SEC. 223. (a) ~~That the~~ *The* following individuals shall  
12 each make under oath a return stating specifically the items  
13 of his gross income and the deductions and credits allowed  
14 under this title—

15 (1) Every individual having a net income for the tax-  
16 able year of \$1,000 or over, if single, or if married and not  
17 living with husband or wife;

18 (2) Every individual having a net income for the tax-  
19 able year of \$2,000 or over, if married and living with  
20 husband or wife; and

21 (3) Every individual having a gross income for the  
22 taxable year of \$5,000 or over, regardless of the amount of  
23 his net income.

24 (b) If a husband and wife living together have an  
25 aggregate net income for the taxable year of \$2,000

1 or over, or an aggregate gross income for such year of  
2 \$5,000 or over—

3 (1) Each shall make such a return, or

4 (2) The income of each shall be included in a single  
5 joint return, in which case the tax shall be computed on the  
6 aggregate income.

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

11 PARTNERSHIP RETURNS.

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

20 FIDUCIARY RETURNS.

21 SEC. 225. (a) ~~That every~~ *Every* fiduciary (except a  
22 receiver appointed by authority of law in possession of part  
23 only of the property of an individual) shall make under oath  
24 a return for any of the following individuals, estates, or trusts  
25 for which he acts, stating specifically the items of gross in-



1 come thereof and the deductions and credits allowed under  
2 this title—

3 (1) Every individual having a net income for the tax-  
4 able year of \$1,000 or over, if single, or if married and not  
5 living with husband or wife;

6 (2) Every individual having a net income for the tax-  
7 able year of \$2,000 or over, if married and living with  
8 husband or wife;

9 (3) Every individual having a gross income for the  
10 taxable year of \$5,000 or over, regardless of the amount of  
11 his net income;

12 (4) Every estate or trust the net income of which for  
13 the taxable year is \$1,000 or over; and

14 (5) *Every estate or trust the gross income of which for*  
15 *the taxable year is \$5,000 or over, regardless of the amount*  
16 *of the net income; and*

17 ~~(5)~~ (6) Every estate or trust of which any beneficiary  
18 is a nonresident alien.

19 (b) Under such regulations as the Commissioner with  
20 the approval of the Secretary may prescribe a return  
21 made by one of two or more joint fiduciaries and filed in the  
22 office of the collector of the district where such fiduciary  
23 resides shall be sufficient compliance with the above re-  
24 quirement. Such fiduciary shall make oath (1) that he has  
25 sufficient knowledge of the affairs of the individual, estate or

1 trust for which the return is made, to enable him to make  
 2 the return, and (2) that the return is, to the best of his  
 3 knowledge and belief, true and correct. Any fiduciary re-  
 4 quired to make a return under this Act shall be subject to all  
 5 the provisions of this Act which apply to individuals.

6 RETURNS FOR A PERIOD OF LESS THAN TWELVE MONTHS.

7 SEC. 226. (a) ~~That if~~ If a taxpayer, with the approval  
 8 of the Commissioner, changes the basis of computing net  
 9 income from fiscal year to calendar year a separate return  
 10 shall be made for the period between the close of the last  
 11 fiscal year for which return was made and the following  
 12 December 31. If the change is from calendar year to fiscal  
 13 year, a separate return shall be made for the period between  
 14 the close of the last calendar year for which return was made  
 15 and the date designated as the close of the fiscal year. If  
 16 the change is from one fiscal year to another fiscal year a  
 17 separate return shall be made for the period between the  
 18 close of the former fiscal year and the date designated as the  
 19 close of the new fiscal year.

20 (b) In all cases where a separate return is made for a  
 21 part of a taxable year the net income shall be computed on  
 22 the basis of such period for which separate return is made,  
 23 and the tax shall be paid thereon at the rate for the calendar  
 24 year in which such period is included.

1           **(b)** Where a separate return is so made, and in all other  
2 cases where a separate return is required or permitted, by  
3 regulations prescribed by the Commissioner with the approval  
4 of the Secretary, to be made for a fractional part of a year,  
5 then the income shall be computed on the basis of the period  
6 for which separate return is made.

7           **(c)** In the case of a return for a period of less than one  
8 year the net income shall be placed on an annual basis by  
9 multiplying the amount thereof by twelve and dividing by  
10 the number of months included in such period; and the tax  
11 shall be such part of a tax computed on such annual basis  
12 as the number of months in such period is of twelve months.

13           **(c)** If a separate return is made under subdivision (a)  
14 the net income, computed in accordance with the provisions  
15 of subdivision (b), shall be placed on an annual basis by  
16 multiplying the amount thereof by twelve and dividing by the  
17 number of months included in the period for which the separ-  
18 ate return is made. The tax shall be such part of the tax  
19 computed on such annual basis as the number of months in  
20 such period is of twelve months.

21           **(d)** The Commissioner with the approval of the Secre-  
22 tary shall by regulations prescribe the method of applying  
23 the provisions of subdivisions (b) and (c) to cases where the  
24 taxpayer makes a separate return under subdivision (a) and  
25 it appears that for the period for which the return is so made

1 *he has derived a capital net gain, or sustained a capital net*  
2 *loss, or received earned income.*

3 *(c) In the case of a return made for a fractional part*  
4 *of a year, except a return made under subdivision (a), the*  
5 *credits provided in subdivisions (c), (d), and (e) of section*  
6 *216 shall be reduced respectively to amounts which bear the*  
7 *same ratio to the full credits provided in such subdivisions as*  
8 *the number of months in the period for which return is made*  
9 *bears to twelve months.*

10 **TIME AND PLACE FOR FILING INDIVIDUAL, PARTNERSHIP,**  
11 **AND FIDUCIARY RETURNS.**

12 **SEC. 227. (a)** *That returns Returns (except in the*  
13 *case of nonresident aliens) shall be made on or before the*  
14 *fifteenth day of the third month following the close of the*  
15 *fiscal year, or, if the return is made on the basis of the cal-*  
16 *endar year, then the return shall be made on or before the*  
17 *15th day of March. In the case of a nonresident alien*  
18 *individual returns shall be made on or before the fifteenth*  
19 *day of the sixth month following the close of the fiscal year,*  
20 *or, if the return is made on the basis of the calendar year,*  
21 *then the return shall be made on or before the 15th day of*  
22 *June. The Commissioner may grant a reasonable extension*  
23 *of time for filing returns, if application therefor is made be-*  
24 *fore the date prescribed by law for filing the return, whenever*  
25 *in his judgment good cause exists, and shall keep a record*

1 of every such extension and the reason therefor. Except in  
2 the case of taxpayers who are abroad, no such extension shall  
3 be for more than six months.

4 (b) Returns shall be made to the collector for the  
5 district in which is located the legal residence or principal  
6 place of business of the person making the return, or, if he  
7 has no legal residence or principal place of business in the  
8 United States, then to the collector at Baltimore, Maryland;  
9 *but the returns provided for in sections 224 and 225 on which*  
10 *no tax is shown to be due shall, regardless of the legal residence*  
11 *or place of business of the person making the return, be made*  
12 *to the Commissioner.*

13 **UNDERSTATEMENT IN RETURNS.**

14 ~~SEC. 228.~~ That if the collector or deputy collector has  
15 reason to believe that the amount of any income returned is  
16 understated, he shall give due notice to the taxpayer making  
17 the return to show cause why the amount of the return  
18 should not be increased, and upon proof of the amount under-  
19 stated, may increase the same accordingly. Such taxpayer  
20 may furnish sworn testimony to prove any relevant facts and  
21 if dissatisfied with the decision of the collector may appeal  
22 to the Commissioner for his decision, under such rules of  
23 procedure as may be prescribed by the Commissioner with  
24 the approval of the Secretary.

1           **INCORPORATION OF INDIVIDUAL OR PARTNERSHIP**  
2                           **BUSINESS.**

3           **SEC. 220.** That in the case of the organization as a  
4 corporation within four months after the passage of this act  
5 of any trade or business in which capital is a material income  
6 producing factor, and which was previously owned by a part-  
7 nership or individual, the net income of such trade or business  
8 from January 1, 1921, to the date of such organization may  
9 at the option of the individual or partnership be taxed as  
10 the net income of a corporation is taxed under Titles II and  
11 III; in which event the net income and invested capital of  
12 such trade or business shall be computed as if such corpora-  
13 tion had been in existence on and after January 1, 1921,  
14 and the undistributed profits or earnings of such trade or  
15 business shall not be subject to the surtaxes imposed in sec-  
16 tion 211, but amounts distributed on and after January 1,  
17 1921, from the earnings or profits of such trade or business  
18 accumulated after December 31, 1920, shall be taxed to the  
19 recipients as dividends; and all the provisions of Titles II  
20 and III relating to corporations shall so far as practicable  
21 apply to such trade or business; *Provided*, That this section  
22 shall not apply to any trade or business, the net income of  
23 which for the taxable year 1921 was less than 80 per centum  
24 of its invested capital for such year; *Provided further*, That  
25 any taxpayer who takes advantage of this section shall pay

1 the tax imposed by section 1000 of the Revenue Act of 1918  
 2 as if such taxpayer had been a corporation on and after  
 3 January 1, 1921.

4 PART III.—CORPORATIONS.

5 TAX ON CORPORATIONS.

6 SEC. 230. That, in lieu of the tax imposed by section  
 7 230 of the Revenue Act of 1918 1921 there shall be levied,  
 8 collected, and paid for each taxable year upon the net in-  
 9 come of every corporation a tax at the following rates:

10 (a) For the calendar year 1921, 10 per centum of the  
 11 amount of the net income in excess of the credits provided  
 12 in section 236; and

13 (b) For each calendar year thereafter, of 12½ per  
 14 centum of the amount of the net income in excess of the  
 15 credits provided in sections 236 and 264 263.

16 CONDITIONAL AND OTHER EXEMPTIONS OF CORPORATIONS.

17 SEC. 231. That the The following organizations shall  
 18 be exempt from taxation under this title—

19 (1) Labor, agricultural, or horticultural organization

20 (2) Mutual savings banks not having a capital or  
 21 represented by shares;

22 (3) Fraternal beneficiary societies, orders,  
 23 tions, (a) operating under the lodge system  
 24 exclusive benefit of the members of such societies,  
 25 ating under the lodge system; and

11 payment of life, sick, accident, or other benefits to the mem-  
12 bers of such society, order, or association or their depend-

13  
14 (4) Domestic building and loan associations substan-  
15 tially all the business of which is confined to making loans to  
16 members; and cooperative banks without capital stock or-  
17 ganized and operated for mutual purposes and without profit;

18 (5) Cemetery companies owned and operated exclu-  
19 sively for the benefit of their members or which are not op-  
20 erated for profit; and any corporation chartered solely for  
21 burial purposes as a cemetery corporation and not permitted  
22 by its charter to engage in any business not necessarily inci-  
23 dent to that purpose, no part of the net earnings of which  
24 inures to the benefit of any private ~~stockholder~~ *shareholder*  
25 or individual;

26 (6) Corporations, and any community chest, fund, or  
27 foundation, organized and operated exclusively for religious,  
28 charitable, scientific, literary, or educational purposes, or for  
29 the prevention of cruelty to children or animals, no part of  
30 the net earnings of which inures to the benefit of any private  
31 ~~stockholder~~ *shareholder* or individual;

32 (7) Business leagues, chambers of commerce, or boards  
33 of trade, not organized for profit and no part of the net earn-  
34 ings of which inures to the benefit of any private ~~stockholder~~  
35 *shareholder* or individual;



1           (8) Civic leagues or organizations  
2 profit but operated exclusively for the common  
3 welfare, or local associations of employees, the  
4 which is limited to the employees of designated persons  
5 sons in a particular municipality, and the net earnings  
6 which are devoted exclusively to charitable, educational  
7 recreational purposes, whether or not for the benefit  
8 members and their families;

9           (9) Clubs organized and operated exclusively  
10 pleasure, recreation, and other nonprofitable purposes,  
11 part of the net earnings of which inures to the benefit of  
12 private stockholder or member shareholder;

13           (10) Farmers' or other mutual hail, cyclone  
14 insurance companies, mutual ditch or irrigation com-  
15 mutual or cooperative telephone companies, or like  
16 nations of a purely local character, the income of which  
17 consists solely of assessments, dues, and fees collected from  
18 bers for the sole purpose of meeting expenses; Farm  
19 other mutual hail, cyclone, casualty, or fire insurance  
20 panies, mutual ditch or irrigation companies, mutual  
21 operative telephone companies, or like organizations; b  
22 if substantially all the income consists of amounts o  
23 from members for the sole purpose of meeting losses  
24 penses. Also benevolent mutual life insurance assoc

1 *not operated for profit, whose business is purely local and*  
 2 *wholly for benefit of its members;*

3 (11) Farmers', fruit growers', or like associations,  
 4 organized and operated as sales agents for the purpose of  
 5 marketing the products of members and turning back to  
 6 them the proceeds of sales, less the necessary selling  
 7 expenses, on the basis of the quantity of produce furnished  
 8 by them; or organized and operated as purchasing agents  
 9 for the purpose of purchasing supplies and equipment for  
 10 the use of members and turning over such supplies and  
 11 equipment to such members at actual cost, plus necessary  
 12 expenses;

13 (12) Corporations organized for the exclusive purpose  
 14 of holding title to property, collecting income therefrom, and  
 15 turning over the entire amount thereof, less expenses, to an  
 16 organization which itself is exempt from the tax imposed by  
 17 this title; and

18 ~~(13)~~ Federal land banks and national farm-loan asso-  
 19 ciations, as provided in section 26 of the Act approved July  
 20 17, 1916, entitled "An Act to provide capital for agricul-  
 21 tural development, to create standard forms of investment  
 22 based upon farm mortgage, to equalize rates of interest upon  
 23 farm loans, to furnish a market for United States bonds, to  
 24 create Government depositories and financial agents for the  
 25 United States, and for other purposes";

1           (13) Federal land banks, national farm-loan a  
2           tions, and Federal intermediate credit banks, as provided  
3           in the Federal Farm Loan Act, as amended.

4           (14) Personal service corporations. This subdivision  
5           shall not be in effect after December 31, 1991.

6           NET INCOME OF CORPORATIONS DEFINED.

7           SEC. 232. That in *the* case of a corporation subject  
8           to the tax imposed by section 230 the term "net income"  
9           means the gross income as defined in section 233 less  
10          deductions allowed by section sections 234 and 206, and  
11          net income shall be computed on the same basis as is pro-  
12          vided in subdivision (b) of section 212 or in section 230.  
13          In the case of a foreign corporation or of a corporation  
14          entitled to the benefits of section 262 the computation shall  
15          also be made in the manner provided in section 217.

16          GROSS INCOME OF CORPORATIONS DEFINED.

17          SEC. 233. (a) That in *the* case of a corporation sub-  
18          ject to the tax imposed by section 230 the term "gross  
19          income" means the gross income as defined in sections 1  
20          and 217, except that mutual marine insurance companies  
21          shall include in gross income the gross premiums collected  
22          and received by them less amounts paid for reinsurance.

23          (b) In the case of a foreign corporation, gross income  
24          means only gross income from sources within the United  
25          States, determined (except in the case of insurance on

1 . panies subject to the tax imposed by sections 243 or 246)  
2 . in the manner provided in section 217.

3                   **DEDUCTIONS ALLOWED CORPORATIONS.**

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

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

15           (2) All interest paid or accrued within the taxable  
16 year on its indebtedness, except on indebtedness incurred or  
17 continued to purchase or carry obligations or securities (other  
18 than obligations of the United States issued after September  
19 24, 1917, and originally subscribed for by the taxpayer)  
20 the interest upon which is wholly exempt from taxation  
21 under this title;

22           (3) Taxes paid or accrued within the taxable year  
23 except (A) income, war-profits, and excess-profits taxes  
24 imposed by the authority of the United States, (B) so much  
25 of the income, war-profits and excess-profits taxes imposed

1 by the authority of any foreign country or possession of  
 2 United States as is allowed as a credit under section 2  
 3 and (C) taxes assessed against local benefits of a kind ta  
 4 ing to increase the value of the property assessed. In  
 5 case of obligors specified in subdivision (b) of section 2  
 6 no deduction for the payment of the tax imposed by  
 7 title, or any other tax paid pursuant to the contract or  
 8 vision referred to in that subdivision *tax-free covenant class*  
 9 shall be allowed, nor shall such tax be included in the gro  
 10 income of the obligee. The deduction allowed by this pa  
 11 graph shall be allowed in the case of taxes imposed upon  
 12 shareholder or member of a corporation upon his interest  
 13 shareholder or member, which are paid by the corporati  
 14 without reimbursement from the shareholder or member, b  
 15 in such cases no deduction shall be allowed the shareholde  
 16 or member for the amount of such taxes. For the purpo  
 17 of this paragraph, estate, inheritance, legacy, and success  
 18 taxes accrue on the due date thereof except as otherwi  
 19 provided by law of the jurisdiction imposing such taxes

20 (4) Losses sustained during the taxable year and no  
 21 compensated for by insurance or otherwise, ~~unless~~ in ord  
 22 to clearly reflect the income, the loss should in the opinio  
 23 of the Commissioner be accounted for as of a different y  
 24 ried. No deduction shall be allowed under this paragraph  
 25 for any loss claimed to have been sustained in any sale

1 other disposition of shares of stock or securities made after  
 2 the passage of this Act where it appears that within thirty  
 3 days before or after the date of such sale or other disposi-  
 4 tion the taxpayer has acquired (otherwise than by bequest  
 5 or inheritance) or has entered into a contract or option to  
 6 acquire substantially identical property, and the property so  
 7 acquired is held by the taxpayer for any period after such  
 8 sale or other disposition, unless such claim is made by a  
 9 dealer in stock or securities and with respect to a transaction  
 10 made in the ordinary course of its business. If such ac-  
 11 quisition or the contract or option to acquire is to the extent  
 12 of part only of substantially identical property, then only a  
 13 proportionate part of the loss shall be disallowed. In case  
 14 of losses arising from destruction of or damage to property,  
 15 where the property so destroyed or damaged was acquired  
 16 before March 1, 1918, the deduction shall be computed upon  
 17 the basis of its fair market price or value as of March 1,  
 18 1918; The basis for determining the amount of the deduction  
 19 for losses sustained shall be the same as is provided in sec-  
 20 tion 204 for determining the gain or loss from the sale or  
 21 other disposition of property;

22 ~~NOTE.—The clause in this paragraph stricken out on page~~  
 23 ~~116, reading "unless, in order to clearly reflect the income,"~~  
 24 ~~etc., is replaced by section 200 (4) of this bill, on page 5 of~~  
 25 ~~this print.~~

24 (5) Debts ascertained to be worthless and charged off  
 25 within the taxable year (or in the discretion of the Com-

1   missioner, a reasonable addition to a reserve for bad debts;  
2   and when satisfied that a debt is recoverable only in part,  
3   the Commissioner may allow such debt to be charged off in  
4   part;

5       (6) The amount received as dividends (A) from a  
6   domestic corporation other than a corporation entitled to the  
7   benefits of section 262, and other than a corporation organ-  
8   ized under the China Trade Act, 1922, or (B) from any  
9   foreign corporation when it is shown to the satisfaction of  
10   the Commissioner that more than 50 per centum of the gross  
11   income of such foreign corporation for the three-year period  
12   ending with the close of its taxable year preceding the  
13   declaration of such dividends (or for such part of such period  
14   as the foreign corporation has been in existence) was de-  
15   rived from sources within the United States as determined  
16   under section 217;

17       (7) A reasonable allowance for the exhaustion, wear  
18   and tear of property used in the trade or business, including  
19   a reasonable allowance for obsolescence.—In the case of such  
20   property acquired before March 1, 1918, this deduction shall  
21   be computed upon the basis of its fair market price or value  
22   as of March 1, 1918;

23       NOTE.—The last sentence of the above paragraph, here  
24   stricken out is replaced by section 204 (c), on page 27 of this  
  print.

1       (8) In the case of buildings, machinery, equipment, or  
2 other facilities, constructed, erected, installed, or acquired;  
3 on or after April 6, 1917, for the production of articles con-  
4 tributing to the prosecution of the war against the German  
5 Government, and in the case of vessels constructed or ac-  
6 quired on or after such date for the transportation of articles  
7 or men contributing to the prosecution of such war, there  
8 shall be allowed, for any taxable year ending before March  
9 3, 1924 (if claim therefor was made at the time of filing  
10 return for the taxable year 1918, 1919, 1920, or 1921) a  
11 reasonable deduction for the amortization of such part of the  
12 cost of such facilities or vessels as has been borne by the  
13 taxpayer, but not again including any amount otherwise  
14 allowed under this title or previous Acts of Congress as a  
15 deduction in computing net income. At any time before  
16 March 3, 1924, the Commissioner may, and at the request  
17 of the taxpayer shall, reexamine the return, and if he then  
18 finds as a result of an appraisal or from other evidence that  
19 the deduction originally allowed was incorrect, the income,  
20 war profits, and excess-profits taxes for the year or years  
21 affected shall be redetermined and the amount of tax due  
22 upon such redetermination, if any, shall be paid upon notice  
23 and demand by the collector, or the amount of tax overpaid,  
24 if any, shall be credited or refunded to the taxpayer in accord-  
25 ance with the provisions of section 252;



1        ~~(9)~~ (8) In the case of mines, oil and gas wells, other  
2 natural deposits, and timber, a reasonable allowance for de-  
3 pletion and for depreciation of improvements, according to  
4 the peculiar conditions in each case—based upon cost in-  
5 cluding cost of development not otherwise deducted: *Pro-*  
6 *vided*, That in the case of such properties acquired prior to  
7 March 1, 1918, the fair market value of the property (or  
8 the taxpayer's interest therein) on that date shall be taken  
9 in lieu of cost up to that date: *Provided further*, That in  
10 the case of mines, oil and gas wells, discovered by the tax-  
11 payer, on or after March 1, 1918, and not acquired as the  
12 result of purchase of a proven tract or lease, where the fair  
13 market value of the property is materially disproportionate  
14 to the cost, the depletion allowance shall be based upon the  
15 fair market value of the property at the date of the discovery,  
16 or within thirty days thereafter: *And provided further*,  
17 That such depletion allowance based on discovery value  
18 shall not exceed the net income, computed without allow-  
19 ance for depletion, from the property upon which the dis-  
20 covery is made, except where such net income so computed  
21 is less than the depletion allowance based on cost or fair  
22 market value as of March 1, 1918; such reasonable allow-  
23 ance in all the above cases to be made under rules and regu-  
24 lations to be prescribed by the Commissioner with the ap-  
25 proval of the Secretary. In the case of leases the deductions

1 allowed by this paragraph shall be equitably apportioned  
2 between the lessor and lessee;

3 **NOTE**—The above provisions relating to discovery value  
4 here stricken out are superseded by section 804 (c), on page 87  
of this print.

5 ~~(10)~~ (9) In the case of insurance companies (other  
6 than life insurance companies), in addition to the above  
7 (unless otherwise allowed): (A) The net addition required  
8 by law to be made within the taxable year to reserve funds  
9 (including in the case of assessment insurance companies  
10 the actual deposit of sums with State or Territorial officers  
11 pursuant to law as additions to guarantee or reserve funds);  
12 and (B) the sums other than dividends paid within the tax-  
13 able year on policy and annuity contracts. After December  
14 31, 1921, this subdivision *This paragraph* shall apply only  
15 to mutual insurance companies other than life insurance  
16 companies;

17 ~~(11)~~ In the case of corporations (except those taxed  
18 under section 243) issuing policies covering life, health, and  
19 accident insurance combined in one policy issued on the  
20 weekly premium payment plan continuing for life and not  
21 subject to cancellation, in addition to the above, such por-  
22 tion of the net addition (not required by law) made within  
23 the taxable year to reserve funds as the Commissioner finds  
24 to be required for the protection of the holders of such poli-

1 ~~rick only.~~ This subdivision shall not be in effect after De-  
2 cember 31, 1991;

3 ~~(10)~~ (10) In the case of mutual marine insurance  
4 companies, there shall be allowed, in addition to the deduc-  
5 tions allowed in paragraphs (1) to ~~(10)~~ (9), inclusive, and  
6 paragraph ~~(11)~~, unless otherwise allowed, amounts paid  
7 to policyholders on account of premiums previously paid by  
8 them, and interest paid upon such amounts between the  
9 ascertainment and the payment thereof;

10 ~~(11)~~ (11) In the case of mutual insurance companies  
11 (including interinsurers and reciprocal underwriters, but not  
12 including mutual life or mutual marine insurance companies)  
13 requiring their members to make premium deposits to pro-  
14 vide for losses and expenses, there shall be allowed, in addi-  
15 tion to the deductions allowed in paragraphs (1) to ~~(10)~~ (9),  
16 inclusive, and paragraph ~~(11)~~, unless otherwise allowed,  
17 the amount of premium deposits returned to their policy-  
18 holders and the amount of premium deposits retained for the  
19 payment of losses, expenses, and reinsurance reserves.

20 ~~(14)~~ If property is compulsorily or involuntarily con-  
21 verted into cash or its equivalent as a result of ~~(A)~~ its  
22 destruction in whole or in part, ~~(B)~~ theft or seizure, or ~~(C)~~  
23 an exercise of the power of requisition or condemnation,  
24 the threat or imminence thereof; and if the transferee ac-  
25 ceeds forthwith in good faith, under regulations prescribed

21. ...with the approval of the Secretary, to  
22. ...proceeds of such conversion in the acquisition of  
23. other property of a character similar or related in service or  
24. to the property so converted, or in the acquisition of 84  
25. per centum or more of the stock or shares of a corporation  
26. owning such other property, or in the establishment of a  
27. replacement fund; then there shall be allowed as a deduction  
28. such portion of the gain derived as the portion of the proceeds  
29. so expended bears to the entire proceeds. The provisions of  
30. this paragraph prescribing the conditions under which a  
31. deduction may be taken in respect of the proceeds or gains  
32. derived from the compulsory or involuntary conversion of  
33. property into cash or its equivalent, shall apply so far as  
34. may be practicable to the exemption or exclusion of such  
35. proceeds or gains from gross income under prior income,  
36. war profits and excess-profits tax Acts.

37. **NOTE.**—The first sentence of the above paragraph is super-  
38. seded by section 808 (b) (5), on page 18 of this print. The  
39. second sentence is provided for in section 1100 (e), on page 856.

40. (b) In the case of a foreign corporation or of a cor-  
41. poration entitled to the benefits of section 262 the deductions  
42. allowed in subdivision (a) shall be allowed only if and to  
43. the extent that they are connected with income from sources  
44. within the United States; and the proper apportionment and  
45. allocation of the deductions with respect to sources within  
and without the United States shall be determined as pro-

1 vided in section 217 under rules and regulations  
2 by the Commissioner with the approval of the Board

3 **ITEMS NOT DEDUCTIBLE BY CORPORATIONS.**

4 **SEC. 235.** That in *In* computing net income no deduction  
5 tion shall in any case be allowed in respect of any of the  
6 items specified in section 215.

7 **CREDITS ALLOWED CORPORATIONS.**

8 **SEC. 236.** That for *For* the purpose only of the tax  
9 imposed by section 280 there shall be allowed the following  
10 credits:

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

15 (b) In the case of a domestic corporation the net income  
16 of which is \$25,000 or less, a specific credit of \$2,000; but  
17 if the net income is more than \$25,000 the tax imposed by  
18 section 280 shall not exceed the tax which would be payable  
19 if the \$2,000 credit were allowed, plus the amount of the  
20 net income in excess of \$25,000; and \$25,000.

21 (c) The amount of any war-profits and excess-profits  
22 taxes imposed by Act of Congress for the same taxable year.  
23 The credit allowed by this subdivision shall be determined  
24 as follows:

1       (1) In the case of a corporation which makes return  
 2 for a fiscal year beginning in 1920 and ending in 1921, in  
 3 computing the income tax as provided in subdivision (a) of  
 4 section 205, the portion of the war-profits and excess-profits  
 5 tax computed for the entire period under clause (1) of sub-  
 6 division (a) of section 205 shall be credited against the net  
 7 income computed for the entire period as provided in clause  
 8 (1) of subdivision (a) of section 205, and the portion of the  
 9 war-profits and excess-profits tax computed for the entire  
 10 period under clause (2) of subdivision (a) of section 205  
 11 shall be credited against the net income computed for the  
 12 entire period as provided in clause (2) of subdivision (a)  
 13 of section 205.

14       (2) In the case of a corporation which makes return  
 15 for a fiscal year beginning in 1921 and ending in 1922, in  
 16 computing the income tax as provided in subdivision (b)  
 17 of section 205, the war-profits and excess-profits tax com-  
 18 puted under subdivision (a) of section 205 shall be credited  
 19 against the net income computed for the entire period as  
 20 provided in clause (1) of subdivision (b) of section 205.

21       PAYMENT OF CORPORATION INCOME TAX AT SOURCE.

22       SEC. 237. That in the case of foreign corporations  
 23 subject to taxation under this title not engaged in trade or  
 24 business within the United States and not having any  
 25 office or place of business therein, there shall be deducted

1 and withheld at the source in the same manner and upon the  
 2 same items of income as is provided in section 221 a tax  
 3 equal to 12½ per centum thereof ~~(but during the calendar~~  
 4 ~~year 1924 only 10 per centum)~~, and such tax shall be re-  
 5 turned and paid in the same manner and subject to the same  
 6 conditions as provided in that section: *Provided*, That in  
 7 the case of interest described in subdivision (b) of that sec-  
 8 tion the deduction and withholding shall be at the rate of  
 9 2 per centum.

10 CREDIT FOR TAXES IN CASE OF CORPORATIONS.

11 SEC. 238. (a) ~~That in~~ *In* the case of a domestic cor-  
 12 poration the tax imposed by this title, ~~plus the war-profits~~  
 13 ~~and excess-profits taxes, if any,~~ shall be credited with the  
 14 amount of any income, war-profits, and excess-profits taxes  
 15 paid *or accrued* during the same taxable year to any foreign  
 16 country, or to any possession of the United States: *Provided*,  
 17 That the amount of *such credit taken under this subdivision*  
 18 *shall in no case exceed the same proportion of the taxes, tax*  
 19 *(computed on the basis of the taxpayer's net income without*  
 20 *the deduction of any income, war-profits, or excess-profits*  
 21 *taxes imposed by any foreign country or possession of the*  
 22 *United States), against which such credit is taken, which the*  
 23 *taxpayer's net income (computed without the deduction for of*  
 24 *any such income, war-profits, and or excess-profits taxes im-*  
 25 *posed by any foreign country or possession of the United*

1 **State tax) from source without the United States bears to**  
2 **the entire net income (computed without such deduction) for**  
3 **the same taxable year. In the case of domestic insurance**  
4 **companies subject to the tax imposed by section 243 or 246,**  
5 **the term "net income" as used in this subdivision means**  
6 **net income as defined in sections 245 and 246, respectively.**

7 (1) **If accrued taxes when paid differ from the**  
8 **amounts claimed as credits by the corporation, or if any tax**  
9 **paid is refunded in whole or in part, the corporation shall at**  
10 **once notify the Commissioner, who shall redetermine the**  
11 **amount of the income, war-profits and excess-profits taxes**  
12 **for the year or years affected, and the amount of taxes due**  
13 **upon such redetermination, if any, shall be paid by the cor-**  
14 **poration upon notice and demand by the collector, or the**  
15 **amount of taxes overpaid, if any, shall be credited, or re-**  
16 **funded to the corporation in accordance with the provisions of**  
17 **section 259-261. In the case of such a tax accrued but**  
18 **not paid, the Commissioner as a condition precedent to the**  
19 **allowance of this credit may require the corporation to give a**  
20 **bond with sureties satisfactory to and to be approved by him**  
21 **in such penal sum as he may require, conditioned for upon**  
22 **the payment by the taxpayer of any amount of taxes found**  
23 **due upon any such redetermination; and the bond herein**  
24 **prescribed shall contain such further conditions as the Com-**  
25 **missioner may require.**



1       (c) The credits provided for in subdivision (a) of this  
2 section may, at the option of the taxpayer and irrespective of  
3 the method of accounting employed in keeping its books, be  
4 taken in the year in which the taxes of the foreign country  
5 or the possession of the United States accrued, subject, how-  
6 ever, to the conditions prescribed in subdivision (b) of this  
7 section. If the taxpayer elects to take such credits in the  
8 year in which the taxes of the foreign country or the pos-  
9 session of the United States accrued, the credits for all  
10 subsequent years shall be taken upon the same basis.

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

18       ~~(+)~~ (d) These credits shall be allowed only if the tax-  
19 payer furnishes evidence satisfactory to the Commissioner  
20 showing the amount of income derived from sources without  
21 the United States, and all other information necessary for  
22 the verification and computation of such credit.

23       (e) For the purposes of this section a domestic cor-  
24 poration which owns a majority of the voting stock of a  
25 foreign corporation from which it receives dividends (not

1 deductible under section 284) in any taxable year shall be  
2 deemed to have paid the same proportion of any income,  
3 war-profits, or excess-profits taxes paid by such foreign  
4 corporation to any foreign country or to any possession of  
5 the United States, upon or with respect to the accumulated  
6 profits of such foreign corporation from which such dividends  
7 were paid, which the amount of such dividends bears to the  
8 amount of such accumulated profits: *Provided*, That the  
9 credit allowed to any domestic corporation under this sub-  
10 division shall in no case exceed the same proportion of the  
11 taxes against which it is credited, which the amount of such  
12 dividends bears to the amount of the entire net income of  
13 the domestic corporation in which such dividends are in-  
14 cluded. The term "accumulated profits" when used in this  
15 subdivision in reference to a foreign corporation, means the  
16 amount of its gains, profits, or income in excess of the in-  
17 come, war-profits, and excess-profits taxes imposed upon or  
18 with respect to such profits or income; and the Commissioner  
19 with the approval of the Secretary shall have full power to  
20 determine from the accumulated profits of what year or years  
21 such dividends were paid; treating dividends paid in the first  
22 sixty days of any year as having been paid from the accumu-  
23 lated profits of the preceding year or years (unless to his  
24 satisfaction shown otherwise), and in other respects treating  
25 dividends as having been paid from the most recently accu-

1 mulated gains, profits, or earnings. In the case of a foreign  
2 corporation, the income, war-profits, and excess-profits taxes  
3 of which are determined on the basis of an accounting period  
4 of less than one year, the word "year" as used in this sub-  
5 division shall be construed to mean such accounting period.

6 (f) For the purposes of this section a corporation en-  
7 titled to the benefits of section 262 or 264 263 shall be  
8 treated as a foreign corporation.

9 CORPORATION RETURNS.

10 SEC. 289. (a) That every Every corporation subject  
11 to taxation under this title and every personal service cor-  
12 poration shall make a return, stating specifically the items  
13 of its gross income and the deductions and credits allowed  
14 by this title. The return shall be sworn to by the presi-  
15 dent, vice president, or other principal officer and by the  
16 treasurer or assistant treasurer. If any foreign corporation  
17 has no office or place of business in the United States but  
18 has an agent in the United States, the return shall be made  
19 by the agent. In cases where receivers, trustees in bank-  
20 ruptcy, or assignees are operating the property or business  
21 of corporations, such receivers, trustees, or assignees shall  
22 make returns for such corporations in the same manner and  
23 form as corporations are required to make returns. Any tax  
24 due on the basis of such returns made by receivers, trustees,  
25 or assignees shall be collected in the same manner as if col-

1 lected from the corporations of whose business or property  
2 they have custody and control.

3 (b) Returns made under this section shall be subject  
4 to the provisions of ~~sections section~~ 226 and 228. ~~When re-~~  
5 ~~turn is made under~~ *In the case of a return made for a frac-*  
6 *tional part of a year, except a return made under subdivision*  
7 *(a) of section 226, the credit provided in subdivision (b) of*  
8 *section 226 shall be reduced to an amount which bears the*  
9 *same ratio to the full credit therein provided as the number*  
10 *of months in the period for which ~~such the~~ return is made*  
11 *bears to twelve months.*

12 (c) There shall be included in the return or appended  
13 thereto a statement of such facts as will enable the Commis-  
14 sioner to determine the portion of the earnings or profits  
15 of the corporation (including gains, profits and income not  
16 taxed) accumulated during the taxable year for which the  
17 return is made, which have been distributed or ordered to  
18 be distributed, respectively, to its ~~stockholders or members~~  
19 *shareholders* during such year.

20 CONSOLIDATED RETURNS OF CORPORATIONS.

21 **Suc. 240.** (a) ~~That corporations~~ *Corporations* which  
22 are affiliated within the meaning of this section may, for any  
23 taxable year, ~~beginning on or after January 1, 1922,~~ make  
24 separate returns or, under regulations prescribed by the  
25 Commissioner with the approval of the Secretary, make a

1 consolidated return of net income for the purpose of this title,  
2 in which case the taxes thereunder shall be computed and  
3 determined upon the basis of such return. If return is made  
4 on either of such bases, all returns thereafter made shall be  
5 upon the same basis unless permission to change the basis  
6 is granted by the Commissioner.

7 (b) In any case in which a tax is assessed upon the  
8 basis of a consolidated return, the total tax shall be computed  
9 in the first instance as a unit and shall then be assessed upon  
10 the respective affiliated corporations in such proportions as  
11 may be agreed upon among them, or, in the absence of any  
12 such agreement, then on the basis of the net income properly  
13 assignable to each. There shall be allowed in computing  
14 the income tax only one specific credit computed as  
15 provided in subdivision (b) of section 236.

16 (c) For the purpose of this section two or more  
17 domestic corporations shall be deemed to be affiliated (1)  
18 if one corporation owns directly or controls through closely  
19 affiliated interests or by a nominee or nominees substan-  
20 tially all the stock of the other or others, or (2) if substan-  
21 tially all the stock of two or more corporations is owned or  
22 controlled by the same interests. For the purpose of this sec-  
23 tion two or more domestic corporations shall be deemed to be  
24 affiliated (1) if one corporation owns at least 85 per centum  
25 of the voting stock of the other or others, or (2) if at least

1. 85 per centum of the voting stock of two or more corporations  
2 in owned by the same interests.<sup>11</sup> A corporation organized  
3 under the China Trade Act, 1922, shall not be deemed to  
4 be affiliated with any other corporation within the meaning  
5 of this section.

6 ~~(d)~~ For the purposes of this section a corporation en-  
7 titled to the benefits of section 2462 shall be treated as a for-  
8 eign corporation. ~~Provided, That in (d)~~ In any case of two  
9 or more related trades or businesses (whether unincorporated  
10 or incorporated and whether organized in the United States  
11 or not) owned or controlled directly or indirectly by the same  
12 interests, the Commissioner ~~may~~ shall consolidate the ac-  
13 counts of such related trades and businesses, in any proper  
14 case, for the purpose of making an accurate distribution or  
15 apportionment of gains, profits, income, deductions, or capi-  
16 tal between or among such related trades or businesses.

17 **NOTE.**—The first part of the above paragraph here shown  
18 as stricken out is found as subdivision (e) of this section,  
printed on page 184 of this print.

19 ~~(e)~~ Corporations which are affiliated within the mean-  
20 ing of this section shall make consolidated returns for any tax-  
21 able year beginning prior to January 1, 1922, in the same  
22 manner and subject to the same conditions as provided by the  
23 Revenue Act of 1918.

<sup>11</sup> For change from Treasury draft see Supplement, note No. 11.

1       (e) For the purposes of this section a corporation en-  
 2       titled to the benefits of section 262 shall be treated as a foreign  
 3       corporation.

4       NOTE.—The above subdivision is found in the present law  
 5       as the first portion of subdivision (d) of this section, shown  
 6       on page 188 of this print.

#### 6       TIME AND PLACE FOR FILING CORPORATE RETURNS.

7       SEC. 241. (a) That returns *Returms* of corporations  
 8       shall be made at the same time as is provided in subdivision  
 9       (a) of section 227, except that in the case of foreign cor-  
 10       porations not having any office or place of business in the  
 11       United States returns shall be made at the same time as  
 12       provided in section 227 in the case of a nonresident alien  
 13       individual.

14       (b) Returns shall be made to the collector of the dis-  
 15       trict in which is located the principal place of business or  
 16       principal office or agency of the corporation, or, if it has no  
 17       principal place of business or principal office or agency in  
 18       the United States, then to the collector at Baltimore, Mary-  
 19       land.

#### 20       TAXES ON INSURANCE COMPANIES.

21       SEC. 242. That when ~~When~~ used in this title the term  
 22       "life insurance company" means an insurance company en-  
 23       gaged in the business of issuing life insurance and annuity  
 24       contracts (including contracts of combined life, health, and  
 25       accident insurance), the reserve funds of which held for the

1 fulfillment of such contracts comprise more than 50 per  
2 centum of its total reserve funds.

3       SEC. 243. ~~That in~~ *In* lieu of the taxes imposed by  
4 sections 230 and ~~4000~~ 800, ~~and by Title III,~~ there shall  
5 be levied, collected, and paid for the calendar year 1924 and  
6 for each taxable year thereafter upon the net income of every  
7 life insurance company a tax as follows:

8       (1) In the case of a domestic life insurance company,  
9 the same percentage of its net income as is imposed upon  
10 other corporations by section 230;

11       (2) In the case of a foreign life insurance company,  
12 the same percentage of its net income from sources within  
13 the United States as is imposed upon the net income of  
14 other corporations by section 230.

15       SEC. 244. (a) ~~That in~~ *In* the case of a life insurance  
16 company the term "gross income" means the gross amount  
17 of income received during the taxable year from interest,  
18 dividends, and rents.

19       (b) The term "reserve funds required by law" in-  
20 cludes, in the case of assessment insurance, sums actually  
21 deposited by any company or association with State or  
22 Territorial officers pursuant to law as guaranty or reserve  
23 funds, and any funds maintained under the charter or ar-  
24 ticles of incorporation of the company or association ex-  
25 clusively for the payment of claims arising under certifi-



1 rates of membership or policies issued upon the assessment  
2 plan and not subject to any other use.

3       Sec. 245. (a) ~~That in~~ *In* the case of a life insurance  
4 company the term "net income" means the gross income  
5 less—

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

9       (2) An amount equal to the excess, if any, over the  
10 deduction specified in paragraph (1) of this subdivision, of  
11 4 per centum of the mean of the reserve funds required by  
12 law and held at the beginning and end of the taxable year,  
13 plus (in case of life insurance companies issuing policies cov-  
14 ering life, health, and accident insurance combined in one  
15 policy issued on the weekly premium payment plan, con-  
16 tinuing for life and not subject to cancellation) 4 per centum  
17 of the mean of such reserve funds (not required by law)  
18 held at the beginning and end of the taxable year, as the  
19 Commissioner finds to be necessary for the protection of the  
20 holders of such policies only;

21       (3) The amount received as dividends (A) from a  
22 domestic corporation other than a corporation entitled to  
23 the benefits of section 262, and other than a corporation  
24 organized under the China Trade Act, 1922, or (B) from  
25 any foreign corporation when it is shown to the satisfaction

1 of the Commissioner that more than 50 per centum of the  
2 gross income of such foreign corporation for the three-year  
3 period ending with the close of its taxable year preceding the  
4 declaration of such dividends (or for such part of such period  
5 as the foreign corporation has been in existence) was de-  
6 rived from sources within the United States as determined  
7 under section 217;

8 (4) An amount equal to 2 per centum of any sums  
9 held at the end of the taxable year as a reserve for dividends  
10 (other than dividends payable during the year following the  
11 taxable year) the payment of which is deferred for a period  
12 of not less than five years from the date of the policy  
13 contract;

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

20 (6) Taxes and other expenses paid during the tax-  
21 able year exclusively upon or with respect to the real estate  
22 owned by the company, not including taxes assessed against  
23 local benefits of a kind tending to increase the value of the  
24 property assessed, and not including any amount paid out  
25 for new buildings, or for permanent improvements or bet-

1    gements made to increase the value of any property. The  
 2    deduction allowed by this paragraph shall be allowed in  
 3    the case of taxes imposed upon a shareholder or member  
 4    of a company upon his interest as shareholder or member,  
 5    which are paid by the company without reimbursement  
 6    from the shareholder or member, but in such cases no  
 7    deduction shall be allowed the shareholder or member for  
 8    the amount of such taxes;

9       (7) A reasonable allowance for the exhaustion, wear  
 10    and tear of property, including a reasonable allowance for  
 11    obsolescence.—In the case of property acquired before  
 12    March 1, 1913, this deduction shall be computed upon the  
 13    basis of its fair market price or value as of March 1, 1913;

14       NOTE.—The sentence stricken out of the above paragraph is  
 replaced by section 204 (c), on page 27 of this print.

15       (8) All interest paid or accrued within the taxable  
 16    year on its indebtedness, except on indebtedness incurred  
 17    or continued to purchase or carry obligations or securities  
 18    (other than obligations of the United States issued after  
 19    September 24, 1917, and originally subscribed for by the  
 20    taxpayer) the interest upon which is wholly exempt from  
 21    taxation under this title; and

22       (9) In the case of a domestic life insurance company,  
 23    the net income of which (computed without the benefit of  
 24    this paragraph) is \$25,000 or less, the sum of \$2,000; but  
 25    if the net income is more than \$25,000 the tax imposed by

1 Section 243 shall not exceed the tax which would be payable  
2 if the \$2,000 credit were allowed, plus the amount of the net  
3 income in excess of \$25,000.

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

15 (c) In the case of a foreign life insurance company  
16 the amount of its net income for any taxable year from  
17 sources within the United States shall be the same pro-  
18 portion of its net income for the taxable year from sources  
19 within and without the United States, which the reserve  
20 funds required by law and held by it at the end of the tax-  
21 able year upon business transacted within the United States  
22 is of the reserve funds held by it at the end of the taxable  
23 year upon all business transacted.

24 SEC. 246. (a) ~~That in~~ In lieu of the taxes imposed by  
25 sections 230 and ~~4000~~ 800, there shall be levied, collected,

1 and paid for the calendar year 1922, and for each taxable  
2 year thereafter, upon the net income of every insurance com-  
3 pany (other than a life or mutual insurance company) a  
4 tax as follows:

5 (1) In the case of such a domestic insurance company  
6 the same percentage of its net income as is imposed upon  
7 other corporations by section 230;

8 (2) In the case of such a foreign insurance company  
9 the same percentage of its net income from sources within  
10 the United States as is imposed upon the net income of other  
11 corporations by section 230.

12 (b) In the case of an insurance company subject to  
13 the tax imposed by this section—

14 (1) The term "gross income" means the combined  
15 gross amount, earned during the taxable year, from invest-  
16 ment income and from underwriting income as provided in  
17 this subdivision, computed on the basis of the underwriting  
18 and investment exhibit of the annual statement approved by  
19 the National Convention of Insurance Commissioners;

20 (2) The term "net income" means the gross income  
21 as defined in paragraph (1) of this subdivision less the de-  
22 ductions allowed by section 247;

23 (3) The term "investment income" means the gross  
24 amount of income earned during the taxable year from in-  
25 terest, dividends and rents, computed as follows:

1 To all interest, dividends and rents received during the  
 2 taxable year, add interest, dividends and rents due and  
 3 accrued at the end of the taxable year, and deduct all in-  
 4 terest, dividends and rents due and accrued at the end of the  
 5 preceding taxable year;

6 (4) The term "underwriting income" means the pre-  
 7 miums earned on insurance contracts during the taxable year  
 8 less losses incurred and expenses incurred;

9 (5) The term "premiums earned on insurance con-  
 10 tracts during the taxable year" means an amount computed  
 11 as follows:

12 From the amount of gross premiums written on insur-  
 13 ance contracts during the taxable year, deduct return pre-  
 14 miums and premiums paid for reinsurance. To the result so  
 15 obtained add unearned premiums on outstanding business at  
 16 the end of the preceding taxable year and deduct unearned  
 17 premiums on outstanding business at the end of the taxable  
 18 year;

19 (6) The term "losses incurred" means losses incurred  
 20 during the taxable year on insurance contracts, computed as  
 21 follows:

22 To losses paid during the taxable year, add salvage and  
 23 reinsurance recoverable outstanding at the end of the preced-  
 24 ing taxable year, and deduct salvage and reinsurance recov-  
 25 erable outstanding at the end of the taxable year. To the

1 result so obtained add all unpaid losses outstanding at the  
2 end of the taxable year and deduct unpaid losses outstanding  
3 at the end of the preceding taxable year;

4 (7) The term "expenses incurred" means all ex-  
5 penses shown on the annual statement approved by the  
6 National Convention of Insurance Commissioners, and shall  
7 be computed as follows:

8 To all expenses paid during the taxable year add ex-  
9 penses unpaid at the end of the taxable year and deduct  
10 expenses unpaid at the end of the preceding taxable year.

11 For the purpose of computing the net income subject to  
12 the tax imposed by this section there shall be deducted from  
13 expenses incurred as defined in this paragraph all expenses  
14 incurred which are not allowed as deductions by section  
15 247.

16 SEC. 247. (a) ~~That in~~ In computing the net income  
17 of an insurance company subject to the tax imposed by  
18 section 246 there shall be allowed as deductions:

19 (1) All ordinary and necessary expenses incurred, as  
20 provided in paragraph (1) of subdivision (a) of section  
21 234;

22 (2) All interest as provided in paragraph (2) of sub-  
23 division (a) of section 234;

24 (3) Taxes as provided in paragraph (3) of subdivision  
25 (a) of section 234;

1 (4) Losses incurred;

2 (5) Bad debts in the nature of agency balances and  
3 bills receivable ascertained to be worthless and charged  
4 off within the taxable year;

5 (6) The amount received as dividends from corpora-  
6 tions as provided in paragraph (6) of subdivision (a) of  
7 section 284;

8 (7) The amount of interest earned during the taxable  
9 year which under paragraph (4) of subdivision (b) of  
10 section 213 is exempt from taxation under this title, and the  
11 amount of interest allowed as a credit under ~~subdivision (a)~~  
12 of section 236;

13 (8) A reasonable ~~allowance~~, allowance for the ex-  
14 haustion, wear and tear of property, as provided in paragraph  
15 (7) of subdivision (a) of section 234;

16 (9) In the case of such a domestic insurance company,  
17 the net income of which (computed without the benefit of  
18 this paragraph) is \$25,000 or less, the sum of \$2,000; but  
19 if the net income is more than \$25,000 the tax imposed by  
20 section 246 shall not exceed the tax which would be payable  
21 if the \$2,000 credit were allowed, plus the amount of the  
22 net income in excess of \$25,000.

23 (b) In the case of a foreign corporation the deduc-  
24 tions allowed in this section shall be allowed to the extent  
25 provided in subdivision (b) of section 234.



1 (c) Nothing in this section or in section 246 shall be  
2 construed to permit the same item to be twice deducted.

3 PART IV.—ADMINISTRATIVE PROVISIONS.

4 PAYMENT OF TAXES.

5 SEC. 250. (a) That except as otherwise provided in  
6 this section and sections 291 and 297 the tax shall be paid  
7 in four installments, each consisting of one-fourth of the total  
8 amount of the tax. The first installment shall be paid at  
9 the time fixed by law for filing the return, and the second  
10 installment shall be paid on the fifteenth day of the third  
11 month, the third installment on the fifteenth day of the sixth  
12 month, and the fourth installment on the fifteenth day of  
13 the ninth month, after the time fixed by law for filing the  
14 return. Where an extension of time for filing a return is  
15 granted the time for payment of the first installment shall  
16 be postponed until the date of the expiration of the period  
17 of the extension, but the time for payment of the other  
18 installments shall not be postponed unless the Commissioner  
19 so provides in granting the extension. In any case in which  
20 the time for the payment of any installment is at the request  
21 of the taxpayer thus postponed, there shall be added as a  
22 part of such installment interest thereon at the rate of one-  
23 half of 1 per centum per month from the time it would have  
24 been due if no extension had been granted, until paid. If  
25 any installment is not paid when due, the whole amount of

1 the tax unpaid shall become due and payable upon notice  
2 and demand by the collector.

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

9 **NOTE.**—The above two paragraphs are superseded by sec-  
10 tion 270 on pages 165-167 of this print. The second sentence  
11 of the first paragraph is superseded by section 270 (b) (1);  
the third and fourth sentences by section 270 (c); the last sen-  
12 tence by section 270 (b) (2).

13 ~~(b) As soon as practicable after the return is filed, the~~  
14 ~~Commissioner shall examine it. If it then appears that~~  
15 ~~the correct amount of the tax is greater or less than that~~  
16 ~~shown in the return, the installments shall be recomputed.~~  
17 ~~If the amount already paid exceeds that which should have~~  
18 ~~been paid on the basis of the installments as recomputed,~~  
19 ~~the excess so paid shall be credited against the subsequent~~  
20 ~~installments; and if the amount already paid exceeds the~~  
21 ~~correct amount of the tax, the excess shall be credited or~~  
22 ~~refunded to the taxpayer in accordance with the provisions~~  
23 ~~of section 252.~~

24 **NOTE.**—The first sentence of the above paragraph is super-  
25 seded by section 271, on page 167 of this print, and the second  
sentence by section 274 (e), on page 170 of this print. The  
third sentence of the above paragraph is substantially the same  
as section 272, on page 167 of this print.

1 If the amount already paid is less than that which  
2 should have been paid, the difference, to the extent not  
3 covered by any credits due to the taxpayer under section  
4 252 (hereinafter called "deficiency"), together with in-  
5 terest thereon at the rate of one-half of 1 per centum per  
6 month from the time the tax was due (or, if paid on the  
7 installment basis, on the deficiency of each installment from  
8 the time the installment was due), shall be paid upon notice  
9 and demand by the collector. If any part of the defi-  
10 ciency is due to negligence or intentional disregard of  
11 authorized rules and regulations with knowledge thereof,  
12 but without intent to defraud, there shall be added as  
13 part of the tax 5 per centum of the total amount of the  
14 deficiency in the tax, and interest in such a case shall be  
15 collected at the rate of 1 per centum per month on the  
16 amount of such deficiency in the tax from the time it was due  
17 (or, if paid on the installment basis, on the amount of the  
18 deficiency in each installment from the time the installment  
19 was due), which penalty and interest shall become due and  
20 payable upon notice and demand by the collector. If any  
21 part of the deficiency is due to fraud with intent to evade  
22 tax, then, in lieu of the penalty provided by section 2176 of  
23 the Revised Statutes, as amended, for false or fraudulent re-  
24 turns willfully made, but in addition to other penalties pro-  
25 vided by law for false or fraudulent returns, there shall be

1 added as part of the tax 50 per centum of the total amount  
2 of the deficiency in the tax. In such case the whole amount  
3 of the tax unpaid, including the penalty so added, shall be-  
4 come due and payable upon notice and demand by the col-  
5 lector.

6 **NOTE.**—The first sentence of the above paragraph down to  
7 “together” is superseded by section 273, on page 168 of this  
8 print. The remainder of such first sentence is superseded by  
9 section 274 (f), on page 171 of this print. The second sen-  
10 tence is superseded by section 275 (a), on page 172 of this  
11 print. The third sentence is superseded by section 275 (b), on  
12 page 173 of this print.

13 (c) If the return is made pursuant to section 2476  
14 of the Revised Statutes as amended, the amount of tax de-  
15 termined to be due under such return shall be paid upon  
16 notice and demand by the collector.

17 **NOTE.**—The substance of the above paragraph is covered in  
18 section 273 (2) and section 274 (a), (b), and (c), on pages  
19 168 and 169 of this print.

20 (d) The amount of income, excess profits, or war  
21 profits taxes due under any return made under this Act for  
22 the taxable year 1921 or succeeding taxable years shall be  
23 determined and assessed by the Commissioner within four  
24 years after the return was filed, and the amount of any such  
25 taxes due under any return made under this Act for prior  
taxable years or under prior income, excess-profits, or war-  
profits tax Acts, or under section 28 of the Act entitled  
“An Act to provide revenue, equalize duties, and encourage  
the industries of the United States, and for other purposes,”

1 approved August 5, 1909, shall be determined and assessed  
2 within five years after the return was filed, unless both the  
3 Commissioner and the taxpayer consent in writing to a  
4 later determination, assessment, and collection of the tax;  
5 and no suit or proceeding for the collection of any such taxes  
6 due under this Act or under prior income, excess profits, or  
7 war-profits tax Acts, or of any taxes due under section 28 of  
8 such Act of August 5, 1909, shall be begun, after the ex-  
9 piration of five years after the date when such return was  
10 filed; but this shall not affect suits or proceedings begun at  
11 the time of the passage of this Act: *Provided*, That in the  
12 case of income received during the lifetime of a decedent,  
13 all taxes due thereon shall be determined and assessed by  
14 the Commissioner within one year after written request  
15 therefor by the executor, administrator, or other fiduciary  
16 representing the estate of such decedent: *Provided further*,  
17 That in the case of a false or fraudulent return with intent to  
18 evade tax, or of a failure to file a required return, the amount  
19 of tax due may be determined, assessed, and collected, and a  
20 suit or proceeding for the collection of such amount  
21 may be begun, at any time after it becomes due: *Provided*  
22 *further*, That in cases coming within the scope of paragraph  
23 (b) of subdivision (a) of section 214, or of paragraph (b)  
24 of subdivision (a) of section 215, or in cases of final settle-  
25 ment of losses and other deductions tentatively allowed

1 by the Commissioner pending a determination of the exact  
 2 amount deductible, the amount of tax or deficiency in tax  
 3 due may be determined, assessed, and collected at any time;  
 4 but prior to the assessment thereof the taxpayer shall be  
 5 notified and given a period of not less than thirty days in  
 6 which to file an appeal and be heard as hereinafter provided  
 7 in this subdivision:

8 **NOTE.**—The above paragraph, down to the first proviso, is  
 9 covered with respect to assessments and suits without assess-  
 10 ment in section 277 (a) (1) and (2), on page 175 of this  
 11 print, and with respect to suits and proceedings after assess-  
 12 ment in section 278 (d), on page 177; the language "unless  
 13 both the Commissioner and the taxpayer consent in writing to  
 14 a later determination, assessment, and collection of the tax," is  
 15 replaced by section 278 (c), on page 177 of this print.

16 The first proviso in the above paragraph is superseded by  
 17 section 277 (a) (3), on page 176 of this print. The second  
 18 proviso is superseded by section 278 (a) and (d), on pages 176  
 19 and 177, and the third proviso by section 278 (b), on page 176.

20 If upon examination of a return made under the Rev-  
 21 enue Act of 1914, the Revenue Act of 1917, the Revenue  
 22 Act of 1918, or this Act, a tax or a deficiency in tax is dis-  
 23 covered, the taxpayer shall be notified thereof and given a  
 24 period of not less than thirty days after such notice is sent  
 25 by registered mail in which to file an appeal and show cause  
 or reason why the tax or deficiency should not be paid. Op-  
 portunity for hearing shall be granted and a final decision  
 thereon shall be made as quickly as practicable. Any tax  
 or deficiency in tax then determined to be due shall be as-  
 sessed and paid, together with the penalty and interest, if  
 any, applicable thereto, within ten days after notice and de-

1 mand by the collector as hereinafter provided, and in such  
 2 cases no claim in abatement of the amount so assessed shall  
 3 be entertained: *Provided*, That in cases where the Commis-  
 4 sioner believes that the collection of the amount due will be  
 5 jeopardized by such delay he may make the assessment  
 6 without giving such notice or awaiting the conclusion of such  
 7 hearing.

8 NOTE.—The first sentence of the above paragraph corre-  
 9 sponds to section 274 (a), on page 169 of this print. The re-  
 10 mainder of the paragraph, except the proviso, is superseded by  
 11 section 274 (b) and (c), on page 169 of this print. The pro-  
 12 viso is superseded by section 274 (d), on page 170 of this  
 13 print.

14 (c) If any tax remains unpaid after the date when it  
 15 is due, and for ten days after notice and demand by the  
 16 collector, then, except in the case of estates of insane, de-  
 17 ceased, or insolvent persons, there shall be added as part  
 18 of the tax the sum of 5 per centum on the amount due but  
 19 unpaid, plus interest at the rate of 1 per centum per month  
 20 upon such amount from the time it became due: *Provided*,  
 21 That as to any such amount which is the subject of a bona  
 22 fide claim for abatement filed within ten days after notice  
 23 and demand by the collector, where the taxpayer has not  
 had the benefit of the provisions of 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

1 shall be at the rate of one-half of 1 per centum per month on  
2 that part of the claim rejected.

3 NOTE.—The above paragraph down to the proviso is super-  
4 seded by section 276 (a) and (b), on pages 173 and 174 of this  
5 print, the exception in cases of estates of incompetents, etc.,  
6 being taken care of in section 276 (c), on page 174 of this  
7 print. The remainder of the paragraph is superseded by section  
8 276 (d), on page 174, and section 279 (c), on page 179.

9 In the case of the first installment provided for in  
10 subdivision (a) the instructions printed on the return shall  
11 be sufficient notice of the date when the tax is due and suf-  
12 ficient demand; and the taxpayer's computation of the tax  
13 on the return shall be sufficient notice of the amount due.  
14 In the case of each subsequent installment the collector may,  
15 within thirty days and not later than ten days before the  
16 installment becomes due, mail to the taxpayer notice of the  
17 amount of the installment and the date on which it is due  
18 for payment. Such notice of the collector shall be sufficient  
19 notice and sufficient demand under this section.

20 (f) In the case of any deficiency (except where the  
21 deficiency is due to negligence or to fraud with intent to  
22 evade tax) where it is shown to the satisfaction of the Com-  
23 missioner that the payment of such deficiency would result  
24 in undue hardship to the taxpayer, the Commissioner may,  
25 with the approval of the Secretary, extend the time for the  
26 payment of such deficiency or any part thereof for such  
27 period not in excess of eighteen months from the passage of  
28 this Act as the Commissioner may determine. In such case



1 the Commissioner may require the taxpayer to furnish a  
 2 bond with sufficient sureties conditioned upon the payment  
 3 of the deficiency in accordance with the terms of the exten-  
 4 sion granted. There shall be added in lieu of other interest  
 5 provided by law, as a part of such deficiency, interest thereon  
 6 at the rate of two-thirds of 1 per centum per month from  
 7 the time such extension is granted; except where such other  
 8 interest provided by law is in excess of interest at the rate  
 9 of two-thirds of 1 per centum per month. If the deficiency  
 10 or any part thereof is not paid in accordance with the terms  
 11 of the extension granted, there shall be added as part of the  
 12 deficiency, in lieu of other interest and penalties provided by  
 13 law, the sum of 5 per centum of the deficiency and interest  
 14 on the deficiency at the rate of 1 per centum per month from  
 15 the time it becomes payable in accordance with the terms of  
 16 such extension.

17 **NOTE.**—The above paragraph is superseded by section  
 274 (g), on page 171 of this print.

18 **NOTE.**—At this point in the existing law appears subdivi-  
 19 sion (g) of section 250. In this print it appears as section  
 282 (pages 183-185), where the changes from existing law are  
 shown.

20 (h) The provisions of subdivisions (e), (f) and (g)  
 21 of this section shall apply to the assessment and collection of  
 22 taxes which have accrued or may accrue under the Revenue  
 23 Act of 1917, the Revenue Act of 1918 or this Act.

24 **NOTE.**—The above subdivision is provided for in section  
 1100 (b), on page 355 of this print.

1 **NOTE.**—At this point in the existing law appears section  
 2 251, relating to receipts for income taxes. In this print it  
 3 appears as subdivision (b) of section 1021 (page 336), where  
 4 the changes from existing law are shown.

5 **IMPUNITY.**

6 **Sec. 252. (a)** That if, upon examination of any return  
 7 of income made pursuant to this Act, the Act of August 7,  
 8 1900, entitled "An Act to provide revenue, equalize duties,  
 9 and encourage the industries of the United States, and for  
 10 other purposes;" the Act of October 3, 1913, entitled "An  
 11 Act to reduce tariff duties and to provide revenue for the  
 12 Government, and for other purposes;" the Revenue Act of  
 13 1916, as amended; the Revenue Act of 1917; or the Revenue  
 14 Act of 1918; it appears that an amount of income, war-  
 15 profits or excess-profits tax has been paid in excess of that  
 16 properly due, then, notwithstanding the provisions of section  
 17 2228 of the Revised Statutes, the amount of the excess shall  
 18 be credited against any income, war-profits or excess-profits  
 19 taxes, or installment thereof, then due from the taxpayer  
 20 under any other return; and any balance of such excess shall  
 21 be immediately refunded to the taxpayer: *Provided*, That  
 22 no such credit or refund shall be allowed or made after five  
 23 years from the date when the return was due, unless before  
 24 the expiration of such five years a claim therefor is filed by  
 25 the taxpayer; or unless before the expiration of two years  
 from the time the tax was paid a claim therefor is filed by  
 the taxpayer: *Provided further*, That if the taxpayer has;

1 within five years from the time the return for the taxable  
2 year 1917 was due, filed a waiver of his right to have the  
3 taxes due for such taxable year determined and assessed  
4 within five years after the return was filed, such credit or  
5 refund shall be allowed or made if claim therefor is filed  
6 either within six years from the time the return for such  
7 taxable year 1917 was due or within two years from the time  
8 the tax was paid: *Provided further*, That if upon examination  
9 of any return of income made pursuant to the Revenue Act  
10 of 1917, the Revenue Act of 1918, or this Act, the invested  
11 capital of a taxpayer is decreased by the Commissioner, and  
12 such decrease is due to the fact that the taxpayer failed to  
13 take adequate deductions in previous years, with the result  
14 that an amount of income tax in excess of that properly due  
15 was paid in any previous year or years, then, notwith-  
16 standing any other provision of law and regardless of the  
17 expiration of such five-year period, the amount of such excess  
18 shall, without the filing of any claim therefor, be credited or  
19 refunded as provided in this section: *And provided further*,  
20 That nothing in this section shall be construed to bar from  
21 allowance claims for refund filed prior to the passage of the  
22 Revenue Act of 1918 under subdivision (a) of section 14  
23 of the Revenue Act of 1916, or filed prior to the passage of  
24 this Act under section 252 of the Revenue Act of 1918.

1 (b) Where a tax has been paid under the provisions  
2 of section 221 or 227 in excess of that properly due, any  
3 refund or credit made under the provisions of this section or  
4 section 2228 of the Revised Statutes shall be made to the  
5 withholding agent unless the amount of such tax was actually  
6 withheld by the withholding agent.

7 **NOTE.**—The above section 252 is superseded by section 281,  
on page 180 of this print.

#### 8 PENALTIES.

9 **Sec. 253.** That any individual, corporation, or part-  
10 nership required under this title to pay or collect any tax;  
11 to make a return or to supply information, who fails to pay  
12 or collect such tax; to make such return; or to supply such  
13 information at the time or times required under this title;  
14 shall be liable to a penalty of not more than \$1,000. Any  
15 individual, corporation, or partnership, or any officer or  
16 employee of any corporation or member or employee of a  
17 partnership, who willfully refuses to pay or collect such tax;  
18 to make such return; or to supply such information at the  
19 time or times required under this title, or who willfully  
20 attempts in any manner to defeat or evade the tax imposed  
21 by this title, shall be guilty of a misdemeanor and shall be  
22 fined not more than \$10,000 or imprisoned for not more  
23 than one year, or both, together with the costs of prosecution.

24 **NOTE.**—The above section is superseded by section  
1017 (a) on page 326 of this print.

1                   **RETURNS OF PAYMENTS OF DIVIDENDS.**

2           **SEC. 254.** ~~That every~~ *Every* corporation subject to the  
3 tax imposed by this title ~~and every personal service cor-~~  
4 ~~poration~~ shall, when required by the Commissioner, render  
5 a correct return, duly verified under oath, of its payments  
6 of dividends, stating the name and address of each ~~stock-~~  
7 ~~holder shareholder~~, the number of shares owned by him,  
8 and the amount of dividends paid to him.

9                   **RETURNS OF BROKERS.**

10           **SEC. 255.** ~~That every~~ *Every* ~~individual, corporation,~~  
11 ~~or partnership person~~ doing business as a broker shall,  
12 when required by the Commissioner, render a correct  
13 return duly verified under oath, under such rules and  
14 regulations as the Commissioner, with the approval of  
15 the Secretary, may prescribe, showing the names of cus-  
16 tomers for whom such ~~individual, corporation, or partner-~~  
17 ~~ship person~~ has transacted any business, with such details  
18 as to the profits, losses, or other information which the  
19 Commissioner may require, as to each of such customers,  
20 as will enable the Commissioner to determine whether all  
21 income tax due on profits or gains of such customers has  
22 been paid.

23                   **INFORMATION AT SOURCE.**

24           **SEC. 256.** ~~That all individuals, corporations, and part-~~  
25 ~~nerships~~ *All persons*, in whatever capacity acting, including

1 lessees or mortgagors of real or personal property, fiduciaries,  
2 and employers, making payment to another ~~individual, cor-~~  
3 ~~poration, or partnership~~ *person*, of interest, rent, salaries,  
4 wages, premiums, annuities, compensations, remunerations,  
5 emoluments, or other fixed or determinable gains, profits,  
6 and income (other than payments described in sections 254  
7 and 255), of \$1,000 or more in any taxable year, or, in the  
8 case of such payments made by the United States, the offi-  
9 cers or employees of the United States having information  
10 as to such payments and required to make returns in regard  
11 thereto by the regulations hereinafter provided for, shall  
12 render a true and accurate return to the Commissioner, under  
13 such regulations and in such form and manner and to such  
14 extent as may be prescribed by him with the approval of  
15 the Secretary, setting forth the amount of such gains, profits,  
16 and income, and the name and address of the recipient of  
17 such payment.

18 Such returns may be required, regardless of amounts,  
19 (1) in the case of payments of interest upon bonds, mort-  
20 gages, deeds of trust, or other similar obligations of corpora-  
21 tions, and (2) in the case of collections of items (not payable  
22 in the United States) of interest upon the bonds of foreign  
23 countries and interest upon the bonds of and dividends from  
24 foreign corporations by ~~individuals, corporations, or partner-~~  
25 ~~ships, persons~~ *persons* undertaking as a matter of business or for profit

1 the collection of foreign payments of such interest or divi-  
2 dends by means of coupons, checks, or bills of exchange.

3 When necessary to make effective the provisions of  
4 this section the name and address of the recipient of income  
5 shall be furnished upon demand of the ~~individual, corpora-~~  
6 ~~tion, or partnership person~~ paying the income.

7 The provisions of this section shall ~~apply to the calen-~~  
8 ~~dar year 1924 and each calendar year thereafter, but shall~~  
9 not apply to the payment of interest on obligations of the  
10 United States.

11 RETURNS TO BE PUBLIC RECORDS.

12 SEC. 257. (a) ~~That returns~~ Returns upon which the tax  
13 has been determined by the Commissioner shall constitute  
14 public records; but they shall be open to inspection only  
15 upon order of the President and under rules and regulations  
16 prescribed by the Secretary and approved by the President:  
17 *Provided, That the Committee on Ways and Means of the*  
18 *House of Representatives, the Committee on Finance of*  
19 *the Senate, or a special committee of the Senate or*  
20 *House, shall have the right to call on the Secretary*  
21 *of the Treasury, and it shall be his duty to furnish*  
22 *any data of any character contained in or shown*  
23 *by the returns or any of them, that may be required*  
24 *by the committee; and any such committee shall have the*  
25 *right, acting directly as a committee, or by and through such*

1 *examiners or agents as it may designate or appoint, to inspect*  
 2 *all or any of the returns at such times and in such manner*  
 3 *as it may determine; and any relevant or useful informa-*  
 4 *tion thus obtained may be submitted by the committee*  
 5 *obtaining it to the Senate or the House, or to both*  
 6 *the Senate and House, as the case may be:*<sup>12</sup> *Provided*  
 7 *further, That the proper officers of any State imposing an*  
 8 *income tax*<sup>13</sup> *may, upon the request of the governor thereof,*  
 9 *have access to the returns of any corporation, or to an ab-*  
 10 *stract thereof showing the name and income of the corpora-*  
 11 *tion, at such times and in such manner as the Secretary may*  
 12 *prescribe: Provided further, That all bona fide stockholders*  
 13 *shareholders of record owning 1 per centum or more of the*  
 14 *outstanding stock of any corporation shall, upon making*  
 15 *request of the Commissioner, be allowed to examine the*  
 16 *annual income returns of such corporation and of its subsid-*  
 17 *iaries. Any stockholder shareholder who pursuant to the*  
 18 *provisions of this section is allowed to examine the return of*  
 19 *any corporation, and who makes known in any manner what-*  
 20 *ever not provided by law the amount or source of income,*  
 21 *profits, losses, expenditures, or any particular thereof, set*  
 22 *forth or disclosed in any such return, shall be guilty of a mis-*  
 23 *demeanor and be punished by a fine not exceeding \$1,000*  
 24 *or by imprisonment not exceeding one year, or both.*

25 (b) The Commissioner shall as soon as practicable in  
 26 each year cause to be prepared and made available to public

<sup>12</sup> For change from Treasury draft see Supplement, note No. 12.

<sup>13</sup> For change from Treasury draft see Supplement, note No. 13.



1 inspection in such manner as he may determine, in the office  
2 of the collector in each internal-revenue district and in such  
3 other places as he may determine, lists containing the names  
4 and the post-office addresses of all individuals making income-  
5 tax returns in such district.

6 PUBLICATION OF STATISTICS.

7 SEC. 258. That ~~the~~ *The* Commissioner, with the ap-  
8 proval of the Secretary, shall prepare and publish annually  
9 statistics reasonably available with respect to the operation of  
10 the income, war-profits and excess-profits tax laws, including  
11 classifications of taxpayers and of income, the amounts al-  
12 lowed as deductions, exemptions, and credits, and any other  
13 facts deemed pertinent and valuable.

14 COLLECTION OF FOREIGN ITEMS.

15 SEC. 259. That all individuals, corporations, or partner-  
16 ships ~~All persons~~ undertaking as a matter of business or for  
17 profit the collection of foreign payments of interest or div-  
18 idends by means of coupons, checks, or bills of exchange  
19 shall obtain a license from the Commissioner and shall be  
20 subject to such regulations enabling the Government to ob-  
21 tain the information required under this title as the Commis-  
22 sioner, with the approval of the Secretary, shall prescribe:  
23 and whoever knowingly undertakes to collect such pay-  
24 ments without having obtained a license therefor, or without  
25 complying with such regulations, shall be guilty of a mis-

1 demeanor and shall be fined not more than \$5,000, or im-  
 2 prisoned for not more than one year, or both.

3 CITIZENS OF POSSESSIONS OF THE UNITED STATES.

4 SEC. 260. ~~That any~~ Any individual who is a citizen of  
 5 any possession of the United States (but not otherwise a  
 6 citizen of the United States) and who is not a resident of the  
 7 United States, shall be subject to taxation under this title  
 8 only as to income derived from sources within the United  
 9 States, and in such case the tax shall be computed and paid  
 10 in the same manner and subject to the same conditions as  
 11 in the case of other persons who are taxable only as to income  
 12 derived from such sources.

13 Nothing in this section shall be construed to alter or  
 14 amend the provisions of the Act entitled "An Act making  
 15 appropriations for the naval service for the fiscal year ending  
 16 June 30, 1922, and for other purposes," approved July 12,  
 17 1921, relating to the imposition of income taxes in the Vir-  
 18 gin Islands of the United States.

19 PORTO RICO AND THE PHILIPPINE ISLANDS.

20 SEC. 261. ~~That in~~ In Porto Rico and the Philippine  
 21 Islands the income tax shall be levied, assessed, collected,  
 22 and paid as provided by law prior to the ~~passage~~ enactment  
 23 of this Act.

24 The Porto Rican or the Philippine Legislature shall  
 25 have power by due enactment to amend, alter, modify, or

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

3 INCOME FROM SOURCES WITHIN THE POSSESSIONS OF THE  
4 UNITED STATES.

5 SEC. 262. (a) ~~That in~~ *In* the case of citizens of the  
6 United States or domestic corporations, satisfying the follow-  
7 ing conditions, gross income means only gross income from  
8 sources within the United States—

9 (1) If 80 per centum or more of the gross income of  
10 such citizen or domestic corporation (computed without  
11 the benefit of this section) for the three-year period im-  
12 mediately preceding the close of the taxable year (or for  
13 such part of such period immediately preceding the close  
14 of such taxable year as may be applicable) was derived from  
15 sources within a possession of the United States; and

16 (2) If, in the case of such corporation, 50 per centum  
17 or more of its gross income (computed without the benefit  
18 of this section) for such period or such part thereof was  
19 derived from the active conduct of a trade or business within  
20 a possession of the United States; or

21 (3) If, in the case of such citizen, 50 per centum or  
22 more of his gross income (computed without the benefit of  
23 this section) for such period or such part thereof was  
24 derived from the active conduct of a trade or business within

1 a possession of the United States either on his own account  
2 or as an employee or agent of another.

3 (b) Notwithstanding the provisions of subdivision (a)  
4 there shall be included in gross income all amounts received  
5 by such citizens or corporations within the United States,  
6 whether derived from sources within or without the United  
7 States.

8 (c) As used in this section the term "possession of the  
9 United States" does not include the Virgin Islands of the  
10 United States.

11 **EFFECTIVE DATE OF TITLE.**

12 ~~SEC. 263.~~ That this title shall take effect as of January  
13 1, 1921.

14 **CHINA TRADE ACT CORPORATIONS.**

15 ~~SEC. 264 263.~~ (a) ~~That for~~ For the purpose only of the  
16 tax imposed by section 230 there shall be allowed, in the case  
17 of a corporation organized under the China Trade Act, 1922,  
18 a credit of an amount equal to the proportion of the net  
19 income derived from sources within China (determined in a  
20 similar manner to that provided in section 217) which the  
21 par value of the shares of stock of the corporation owned on  
22 the last day of the taxable year by individual citizens of the  
23 United States or China, resident in China, bears to the par  
24 value of the whole number of shares of stock of the corpora-  
25 tion outstanding on such date: *Provided*, That in no case

1 shall the amount by which the tax imposed by section 230  
2 is diminished by reason of such credit exceed the amount of  
3 the special dividend certified under subdivision (b) of this  
4 section.

5 (b) Such credit shall not be allowed unless the Sec-  
6 retary of Commerce has certified to the Commissioner—

7 (1) The amount which, during the year ending on the  
8 date ~~of fixed by law~~ for filing the return, the corporation has  
9 distributed as a special dividend to or for the benefit of such  
10 individuals as on the last day of the taxable year were citi-  
11 zens of the United States or China, resident in China, and  
12 owned shares of stock of the corporation;

13 (2) That such special dividend was in addition to all  
14 other amounts, payable or to be payable to such individuals  
15 or for their benefit, by reason of their interest in the corpora-  
16 tion; and

17 (3) That such distribution has been made to or for the  
18 benefit of such individuals in proportion to the par value of  
19 the shares of stock of the corporation owned by each; except  
20 that if the corporation has more than one class of stock, the  
21 certificate shall contain a statement that the articles of in-  
22 corporation provide a method for the apportionment of such  
23 special dividend among such individuals, and that the amount  
24 certified has been distributed in accordance with the method  
25 so provided.

1           (c) For the purposes of this section shares or stock of  
2 a corporation shall be considered to be owned by the person  
3 in whom the equitable right to the income from such shares  
4 is in good faith vested.

5           (d) As used in this section the term "China" shall  
6 have the same meaning as when used in the China Trade  
7 Act, 1922.

8 **PART V.—PAYMENT, COLLECTION, AND REFUND OF TAX**  
9 **AND PENALTIES.**

10 **DATE ON WHICH TAX SHALL BE PAID.**

11 *SEC. 270. (a) Except as provided in subdivisions*  
12 *(b), (c), and (d) of this section the total amount of tax*  
13 *imposed by this title shall be paid—*

14 *(1) In the case of a taxpayer, other than a nonresident*  
15 *alien individual, and other than a foreign corporation not*  
16 *having an office or place of business in the United States,*  
17 *on or before the fifteenth day of March following the close*  
18 *of the calendar year, or, if the return should be made on the*  
19 *basis of a fiscal year, then on or before the fifteenth day of the*  
20 *third month following the close of the fiscal year; and*

21 *(2) In the case of a nonresident alien individual, and*  
22 *of a foreign corporation not having an office or place of*  
23 *business in the United States, on or before the fifteenth day*  
24 *of June following the close of the calendar year, or, if the*  
25 *return should be made on the basis of a fiscal year, then on*

1 or before the fifteenth day of the sixth month following the  
2 close of the fiscal year.

3 **NOTE.**—The above subdivision deals with the same subject  
4 matter as sections 250(a) and 237 of the existing law, on  
pages 144 and 107 of this print.

5 (b) (1) The taxpayer may elect to pay the tax in four  
6 equal installments, in which case the first installment shall be  
7 paid on or before the date prescribed in subdivision (a) for  
8 the payment of the tax, the second installment shall be paid  
9 on or before the fifteenth day of the third month, the third  
10 installment on or before the fifteenth day of the sixth month,  
11 and the fourth installment on or before the fifteenth day of the  
12 ninth month, after such date.

13 (2) If any installment is not paid on the date fixed for  
14 its payment, the whole amount of the tax unpaid shall be paid  
15 upon notice and demand from the collector.

16 **NOTE.**—The above subdivision supersedes the second and  
17 fifth sentences of the first paragraph of section 250(a) of the  
existing law, shown on page 144 of this print.

18 (c) (1) At the request of the taxpayer, the Commis-  
19 sioner may extend the time for payment of the amount deter-  
20 mined as the tax by the taxpayer, or any installment thereof,  
21 for a period not to exceed six months from the date prescribed  
22 in subdivision (a) or (b) for the payment of the tax or an  
23 installment thereof. In such case the amount in respect of  
24 which the extension is granted shall be paid on or before the  
25 date of the expiration of the period of the extension.

1       (2) *If the time for payment is thus extended there shall*  
 2 *be collected, as a part of such amount, interest thereon at the*  
 3 *rate of 5 per centum per annum from the date when such*  
 4 *payment should have been made if no extension had been*  
 5 *granted, until the expiration of the period of the extension.*

6       **NOTE.**—The above subdivision supersedes the third and  
 7 fourth sentences of the first paragraph of section 250 (a) of  
 8 the existing law, shown on page 144 of this print, and that  
 part, beginning “where an extension,” of the second para-  
 graph of such section, on page 145 of this print.

9       *(d) The provisions of this section shall not apply to*  
 10 *the payment of a tax required to be withheld at the source*  
 11 *under section 221 or 237.*

12       **NOTE.**—The above subdivision supersedes part of the first  
 13 sentence of the first paragraph of section 250 (a) of existing  
 law, on page 144 of this print.

14       **EXAMINATION OF RETURN AND DETERMINATION OF TAX.**

15       **SEC. 271.** *As soon as practicable after the return is*  
 16 *filed the Commissioner shall examine it and shall determine*  
 17 *the correct amount of the tax.*

18       **NOTE.**—The above section supersedes the first and second  
 19 sentences of the first paragraph of section 250(b) of the exist-  
 ing law, on page 145 of this print.

20       **OVERPAYMENTS.**

21       **SEC. 272.** *If the taxpayer has paid as an installment*  
 22 *of the tax more than the amount determined to be the correct*  
 23 *amount of such installment, the excess shall be credited*  
 24 *against the unpaid installments, if any. If the amount*  
 25 *already paid, whether or not on the basis of installments, ex-*



1 *credits the amount determined to be the correct amount of*  
2 *the tax, the excess shall be credited or refunded as provided*  
3 *in section 281.*

4 **NOTE.**—The substance of the above section appears in the  
5 present law as the last sentence of the first paragraph of section  
250 (b), on page 145 of this print.

6 **DEFICIENCY IN TAX.**

7 **SEC. 273.** *As used in this title the term "deficiency"*  
8 *means—*

9 (1) *The amount by which the tax imposed by this title*  
10 *exceeds the amount shown as the tax by the taxpayer upon*  
11 *his return; but the amount so shown on the return shall*  
12 *first be increased by the amounts previously assessed (or col-*  
13 *lected without assessment) as a deficiency, and decreased by*  
14 *the amounts previously abated, credited, refunded, or other-*  
15 *wise repaid in respect of such tax; or*

16 (2) *If no amount is shown as the tax by the taxpayer*  
17 *upon his return, or if no return is made by the taxpayer,*  
18 *then the amount by which the tax exceeds the amounts pre-*  
19 *viously assessed (or collected without assessment) as a defi-*  
20 *ciency; but such amounts previously assessed, or collected*  
21 *without assessment, shall first be decreased by the amounts*  
22 *previously abated, credited, refunded, or otherwise repaid in*  
23 *respect of such tax.*

24 **NOTE.**—The above section takes the place of the definition  
25 of "deficiency" in the first part of the second paragraph of  
section 250 (b) of the existing law, on page 146 of this print.

1        *SEC. 274. (a) If, in the case of any taxpayer, the*  
2 *Commissioner determines that there is a deficiency in re-*  
3 *spect of the tax imposed by this title, the taxpayer, except*  
4 *as provided in subdivision (d), shall be notified of such de-*  
5 *ficiency by registered mail. Within 60 days after such*  
6 *notice is mailed the taxpayer may file an appeal with the*  
7 *Board of Tax Appeals established by section 900.*

8        *(b) If the Board determines that there is a deficiency,*  
9 *the amount so determined shall be assessed and shall be paid*  
10 *upon notice and demand from the collector. A proceeding*  
11 *in court may be begun, without assessment, for any part of the*  
12 *excess of the amount determined as the deficiency by the Com-*  
13 *missioner over the amount assessed, or for any part of the*  
14 *amount determined by the Commissioner if the Board de-*  
15 *termines that there is no deficiency. Such proceeding shall*  
16 *be begun within one year after the final decision of the Board,*  
17 *and may be begun within such year even though the period*  
18 *of limitation prescribed in section 277 has expired.*

19        **NOTE.**—The above subdivisions (a) and (b) of this section  
20 **supersede the second paragraph of section 250(d) of the exist-**  
21 **ing law through the words "as hereinafter provided," shown**  
22 **on page 149 of this print.**

23        *(c) If the taxpayer does not file an appeal with the*  
24 *Board within the time prescribed in subdivision (a) of this*  
25 *section, the deficiency of which the taxpayer has been notified*  
*shall be assessed, and shall be paid upon notice and demand*  
*from the collector.*

1       (d) If the Commissioner believes that the assessment or  
2 collection of a deficiency will be jeopardized by delay such  
3 deficiency shall be assessed immediately and notice and de-  
4 mand shall be made by the collector for the payment thereof.  
5 In such case the assessment may be made (1) without giving  
6 the notice provided in subdivision (a) of this section, or (2)  
7 before the expiration of the 60-day period provided in sub-  
8 division (a) of this section even though such notice has been  
9 given, or (3) at any time prior to the final decision by the  
10 Board upon such deficiency even though the taxpayer has  
11 filed an appeal. If the taxpayer does not file a claim in  
12 abatement as provided in section 279 the deficiency so assessed  
13 (or, if the claim so filed covers only a part of the deficiency,  
14 then the amount not covered by the claim) shall be paid upon  
15 notice and demand from the collector.

16       NOTE.—The above subdivision supersedes the proviso of  
17 the second paragraph of section 250 (d) of the existing law,  
shown on page 150 of this print.

18       (c) If the taxpayer has elected to pay the tax in in-  
19 stallments and a deficiency has been assessed, the deficiency  
20 shall be prorated to the four installments. Except as pro-  
21 vided in subdivision (d) of this section, that part of the  
22 deficiency so prorated to any installment the date for pay-  
23 ment of which has not arrived, shall be collected at the same  
24 time as and as part of such installment. That part of the  
25 deficiency so prorated to any installment the date for pay-

1 ment of which has arrived, shall be paid upon notice and  
2 demand from the collector.

3 (f) Interest upon the amount determined as a de-  
4 ficiency, or, if the tax is paid in installments, upon the part  
5 of the deficiency prorated to each installment, shall be assessed  
6 at the same time as the deficiency, shall be paid upon notice  
7 and demand from the collector, and shall be collected as a  
8 part of the tax, at the rate of 5 per centum per annum from  
9 the date prescribed for the payment of the tax, or the payment  
10 of such installment, to the date the deficiency is assessed.

11 **NOTE.**—The above subdivision takes the place of part of  
12 the first sentence of the second paragraph of section 250 (b) of  
the existing law, shown on page 146 of this print.

13 (g) Where it is shown to the satisfaction of the Com-  
14 missioner that the payment of a deficiency upon the date  
15 prescribed for the payment thereof will result in undue hard-  
16 ship to the taxpayer the Commissioner, with the approval of  
17 the Secretary (except where the deficiency is due to negligence,  
18 to intentional disregard of rules and regulations, or to fraud  
19 with intent to evade tax), may grant an extension for the pay-  
20 ment of such deficiency or any part thereof for a period not  
21 in excess of eighteen months. If an extension is granted, the  
22 Commissioner may require the taxpayer to furnish a bond in  
23 such amount, not exceeding double the amount of the defi-  
24 ciency, and with such sureties, as the Commissioner deems  
25 necessary, conditioned upon the payment of the deficiency in

1 accordance with the terms of the extension. In such case  
 2 there shall be collected, as a part of the tax, interest on the  
 3 part of the deficiency the time for payment of which is so  
 4 extended, at the rate of 5 per centum per annum for the  
 5 period of the extension, and no other interest shall be collected  
 6 on such part of the deficiency for such period. If the part of  
 7 the deficiency the time for payment of which is so extended is  
 8 not paid in accordance with the terms of the extension, there  
 9 shall be collected, as a part of the tax, interest on such unpaid  
 10 amount at the rate of 1 per centum a month for the period  
 11 from the time fixed by the terms of the extension for its pay-  
 12 ment until it is paid, and no other interest shall be collected  
 13 on such unpaid amount for such period.

14 **NOTE.**—The above subdivision takes the place of section  
 250 (f) of the existing law, shown on page 151 of this print.

15 **ADDITIONS TO THE TAX IN CASE OF DEFICIENCY.**

16 **SEC. 275. (a)** If any part of the deficiency is due to  
 17 negligence, or intentional disregard of rules and regulations  
 18 but without intent to defraud, 5 per centum of the total  
 19 amount of the deficiency (in addition to such deficiency)  
 20 shall be assessed, collected, and paid in the same manner as  
 21 if it were a deficiency, except that the provisions of subdivi-  
 22 sions (c) and (f) of section 274 shall not be applicable.

23 **NOTE.**—The above subdivision supersedes the second sen-  
 24 tence of the second paragraph of section 250 (b) of the existing  
 law, shown on page 146 of this print.

1        *(b) If any part of the deficiency is due to fraud with*  
 2 *intent to evade tax, then 50 per centum of the total amount*  
 3 *of the deficiency (in addition to such deficiency) shall be so*  
 4 *assessed, collected, and paid, in lieu of the 50 per centum*  
 5 *addition to the tax provided in section 3176 of the Revised*  
 6 *Statutes, as amended.*

7        **NOTE.**—The above subdivision supersedes the last two sen-  
 8 tences of the second paragraph of section 250(b) of the exist-  
 ing law, shown on page 146 of this print.

9        **ADDITIONS TO THE TAX IN CASE OF DELINQUENCY.**

10        **SEC. 276. (a) (1)** *Where the amount determined by*  
 11 *the taxpayer as the tax imposed by this title, or any install-*  
 12 *ment thereof, or any part of such amount or installment, is*  
 13 *not paid at the time prescribed for its payment, there shall*  
 14 *be collected as a part of the tax, interest upon such unpaid*  
 15 *amount at the rate of 1 per centum a month from the date*  
 16 *prescribed for its payment until it is paid.*

17        **(2)** *Where an extension of time for payment of the*  
 18 *amount so determined as the tax by the taxpayer, or any in-*  
 19 *stallment thereof, has been granted, and the amount the time*  
 20 *for payment of which has been extended, and the interest*  
 21 *thereon determined under paragraph (2) of subdivision (c)*  
 22 *of section 270, is not paid in full prior to the expiration of*  
 23 *the period of the extension, then, in lieu of the interest pro-*  
 24 *vided for in paragraph (1) of this subdivision, interest at*  
 25 *the rate of 1 per centum a month shall be collected on such*

1 unpaid amount from the date of the expiration of the period  
2 of the extension until it is paid.

3 (b) Where a deficiency, or any interest or additional  
4 amounts assessed in connection therewith under subdivision  
5 (f) of section 274, or under section 275, or any addition to  
6 the tax in case of delinquency provided for in section 3176  
7 of the Revised Statutes, as amended, is not paid in full within  
8 ten days from the date of notice and demand from the col-  
9 lector, there shall be collected as part of the tax, interest upon  
10 the unpaid amount at the rate of 1 per centum a month from  
11 the date of such notice and demand until it is paid.

12 (c) In the case of estates of incompetent, deceased, or  
13 insolvent persons, there shall be collected interest at the rate of  
14 5 per centum per annum in lieu of the interest provided in  
15 subdivisions (a) and (b) of this section.

16 **NOTE.**—The preceding subdivisions of this section take the  
17 place of the first paragraph, down to the proviso, of section  
250 (e) of the existing law, shown on page 150 of this print.

18 (d) If a claim in abatement is filed, as provided in sec-  
19 tion 279, the provisions of subdivisions (b) and (c) of this  
20 section shall not apply to the amount covered by the claim in  
21 abatement.

22 **NOTE.**—The substance of the above subdivision is found in  
the present law in the proviso of the first paragraph of section  
23 250 (e) of the existing law, shown on page 150 of this print.

1 **PERIOD OF LIMITATION UPON ASSESSMENT AND COLLEC-**  
2 **TION OF TAX.**

3 **SEC. 277. (a) Except as provided in section 278 and**  
4 **in subdivision (b) of section 274 and in subdivision (b) of**  
5 **section 279—**

6 **(1) The amount of income, excess-profits, and war-**  
7 **profits taxes imposed by the Revenue Act of 1921, and by**  
8 **such Act as amended, for the taxable year 1921 and succeed-**  
9 **ing taxable years, and the amount of income taxes imposed**  
10 **by this Act, shall be assessed within four years after the re-**  
11 **turn was filed, and no proceeding in court for the collection**  
12 **of such taxes shall be begun after the expiration of such**  
13 **period.**

14 **(2) The amount of income, excess-profits, and war-**  
15 **profits taxes imposed by the Act entitled "An Act to provide**  
16 **revenue, equalize duties, and encourage the industries of the**  
17 **United States, and for other purposes," approved August 5,**  
18 **1909, the Act entitled "An Act to reduce tariff duties and to**  
19 **provide revenue for the Government, and for other pur-**  
20 **poses," approved October 3, 1913, the Revenue Act of 1916,**  
21 **the Revenue Act of 1917, the Revenue Act of 1918, and by**  
22 **any such Act as amended, shall be assessed within five years**  
23 **after the return was filed, and no proceeding in court for the**  
24 **collection of such taxes shall be begun after the expiration of**  
25 **such period.**



1       (3) *In the case of income received during the lifetime*  
 2 *of a decedent, the tax shall be assessed within one year after*  
 3 *written request therefor by the executor, administrator, or*  
 4 *other fiduciary representing the estate of such decedent, but*  
 5 *not after the expiration of the period prescribed for the assess-*  
 6 *ment of the tax in paragraph (1) or (2) of this subdivision.*

7       **NOTE.**—The substance of the above three paragraphs ap-  
 8 pears in the present law in section 250 (d) (down to the second  
 proviso), shown on pages 147-148 of this print.

9       (b) *The period within which an assessment is required*  
 10 *to be made by subdivision (a) of this section in respect of*  
 11 *any deficiency shall be extended (1) by 60 days if a notice of*  
 12 *such deficiency has been mailed to the taxpayer under sub-*  
 13 *division (d) of section 274 and no appeal has been filed with*  
 14 *the Board of Tax Appeals, or, (2) if an appeal has been*  
 15 *filed, then by the number of days between the date of the*  
 16 *mailing of such notice and the date of the final decision by*  
 17 *the Board.*

18       **Sec. 278.** (a) *In the case of a false or fraudulent*  
 19 *return with intent to evade tax or of a failure to file a*  
 20 *return the tax may be assessed at any time.*

21       **NOTE.**—The above subdivision supersedes the second pre-  
 22 viso of the first paragraph of section 250 (d) of the existing  
 law, shown on page 148 of this print.

23       (b) *Any deficiency attributable to a change in a deduc-*  
 24 *tion tentatively allowed under paragraph (9) of subdivision*  
 25 *(a) of section 214, or paragraph (8) of subdivision (a)*

1 of section 254, of the Revenue Act of 1918 or the Revenue  
2 Act of 1921, may be assessed at any time.

3 **NOTE.**—The above subdivision supersedes the third proviso  
4 of the first paragraph of section 250 (d) of the existing law,  
shown on page 148 of this print.

5 (c) Where both the Commissioner and the taxpayer  
6 have consented in writing to the assessment of the tax after  
7 the time prescribed in section 277 for its assessment the tax  
8 may be assessed at any time prior to the expiration of the  
9 period agreed upon.

10 **NOTE.**—The above subdivision supersedes the language  
11 "unless both the Commissioner and the taxpayer consent in  
12 writing to a later determination, assessment, and collection of  
the tax," of the first paragraph of section 250 (d) of the  
existing law, shown on page 148 of this print.

13 (d) Where the assessment of the tax is made within the  
14 period prescribed in section 277 or in this section, such tax  
15 may be collected at any time by distraint or by a proceeding  
16 in court, but nothing in this section shall be construed as  
17 preventing the beginning, without assessment, of a proceeding  
18 in court for the collection of the tax before the expiration of  
19 such period.

20 (e) This section shall not (1) authorize the assessment  
21 of a tax or the beginning of a proceeding in court for the  
22 collection of a tax if at the time of the enactment of this Act  
23 such assessment or proceeding was barred by the period of  
24 limitation then in existence, or (2) affect any assessment

1 made, or proceeding in court begun, before the enactment of  
2 this Act.

3 **CLAIMS IN ABATEMENT.**

4 **SEC. 279. (a)** If a deficiency has been assessed under  
5 subdivision (d) of section 274, the taxpayer, within 10  
6 days after notice and demand from the collector for the  
7 payment thereof, may file with the collector a claim for the  
8 abatement of such deficiency, or any part thereof, or of any  
9 interest or additional amounts assessed in connection there-  
10 with, or of any part of any such interest or additional  
11 amounts. Such claim shall be accompanied by a bond, in  
12 such amount, not exceeding double the amount of the claim,  
13 and with such sureties, as the collector deems necessary, con-  
14 ditioned upon the payment of so much of the amount of the  
15 claim as is not abated, together with interest thereon as pro-  
16 vided in subdivision (c) of this section. Upon the filing of  
17 such claim and bond, the collection of so much of the amount  
18 assessed as is covered by such claim and bond shall be stayed  
19 pending the final disposition of the claim.

20 (b) If a claim is filed as provided in subdivision (a)  
21 of this section the collector shall transmit the claim immedi-  
22 ately to the Commissioner who shall by registered mail  
23 notify the taxpayer of his decision on the claim. The tax-  
24 payer may within 60 days after such notice is mailed

1 file an appeal with the Board of Tax Appeals. If the claim  
2 is denied in whole or in part by the Commissioner (or by the  
3 Board in case an appeal has been filed) the amount, the claim  
4 for which is denied, shall be collected as part of the tax upon  
5 notice and demand from the collector, and the amount, the  
6 claim for which is allowed, shall be abated. A proceeding  
7 in court may be begun for any part of the amount, claim for  
8 which is allowed by the Board. Such proceeding shall be  
9 begun within one year after the final decision of the Board,  
10 and may be begun within such year even though the period  
11 of limitation prescribed in section 277 has expired.

12 (c) If the claim in abatement is denied in whole or in  
13 part, there shall be collected, at the same time as the part  
14 of the claim denied, and as a part of the tax, interest at the  
15 rate of 5 per centum per annum upon the amount of the  
16 claim denied, from the date of notice and demand from the  
17 collector under subdivision (d) of section 274 to the date of  
18 the notice and demand under subdivision (b) of this section.  
19 If the amount included in the notice and demand from the col-  
20 lector under subdivision (b) of this section is not paid in full  
21 within 10 days after such notice and demand, then there  
22 shall be collected, as part of the tax, interest upon the unpaid  
23 amount at the rate of 1 per centum a month (or, in the case  
24 of estates of incompetent, deceased, or insolvent persons, at

1 *the rate of 5 per centum per annum) from the date of such*  
 2 *notice and demand until it is paid.*

3 **NOTE.**—The above subdivision supersedes the proviso in  
 4 the first paragraph of section 250 (e) of the existing law,  
 shown on page 150 of this print.

5 (d) *Except as provided in this section, no claim in*  
 6 *abatement shall be filed in respect of any assessment made*  
 7 *after the enactment of this Act in respect of any income, war-*  
 8 *profits, or excess-profits tax.*

#### 9 **TAXES UNDER PRIOR ACTS.**

10 **SEC. 280.** *If after the enactment of this Act the Com-*  
 11 *missioner determines that any assessment should be made in*  
 12 *respect of any income, war-profits, or excess-profits tax im-*  
 13 *posed by the Revenue Act of 1916, the Revenue Act of 1917,*  
 14 *the Revenue Act of 1918, or the Revenue Act of 1921, or by*  
 15 *any such Act as amended, the amount which should be as-*  
 16 *essed (whether as deficiency or as interest, penalty, or other*  
 17 *addition to the tax) shall be computed as if this Act had not*  
 18 *been enacted, but the amount so computed shall be assessed,*  
 19 *collected, and paid in the same manner and subject to the*  
 20 *same provisions and limitations (including the provisions in*  
 21 *case of delinquency in payment after notice and demand) as*  
 22 *in the case of the taxes imposed by this title.*

#### 23 **CREDITS AND REFUNDS.**

24 **SEC. 281.** (a) *Where there has been an overpay-*  
 25 *ment of any income, war-profits, or excess-profits tax*

1 imposed by this Act, the Act entitled "An Act to pro-  
2 vide revenue, equalize duties, and encourage the industries  
3 of the United States, and for other purposes," approved  
4 August 5, 1909, the Act entitled "An Act to reduce tariff  
5 duties and to provide revenue for the Government, and for  
6 other purposes," approved October 3, 1913, the Revenue  
7 Act of 1916, the Revenue Act of 1917, the Revenue Act of  
8 1918, or the Revenue Act of 1921, or any such Act as  
9 amended, the amount of such overpayment shall be credited  
10 against any income, war-profits, or excess-profits tax or  
11 installment thereof then due from the taxpayer under any  
12 other return, and any balance of such excess shall be re-  
13 funded immediately to the taxpayer.

14 (b) Except as provided in subdivisions (c) and (d) no  
15 such credit or refund shall be allowed or made after four  
16 years from the time the tax was paid, unless before the ex-  
17 piration of such four years a claim therefor is filed by the  
18 taxpayer.

19 (c) If the invested capital of a taxpayer is decreased by  
20 the Commissioner, and such decrease is due to the fact that  
21 the taxpayer failed to take adequate deductions in previous  
22 years, with the result that there has been an overpayment of  
23 income, war-profits, or excess-profits taxes in any previous  
24 year or years, then the amount of such overpayment shall  
25 be credited or refunded, without the filing of a claim therefor.

1 notwithstanding the period of limitation provided for in sub-  
2 division (b) has expired.

3 (d) Where any provision of any Act specified in sub-  
4 division (a) of this section or the application thereof to any  
5 person or circumstances has been held by the Supreme Court  
6 of the United States to be invalid, any amount of income,  
7 war-profits or excess-profits tax illegally collected pursuant  
8 to such provision shall be credited or refunded if a claim  
9 therefor is filed by the taxpayer within four years after the  
10 decision, notwithstanding the period of limitation provided  
11 for in subdivision (b) has expired.

12 (e) Where there has been an overpayment of tax under  
13 section 221 or 237 any refund or credit made under the pro-  
14 visions of this section shall be made to the withholding agent  
15 unless the amount of such tax was actually withheld by the  
16 withholding agent.

17 (f) This section shall not (1) bar from allowance a  
18 claim for credit or refund filed prior to the enactment of this  
19 Act which but for such enactment would have been allowable,  
20 or (2) bar from allowance a claim in respect of a tax for  
21 the taxable year 1919 if such claim is filed before the ex-  
22 piration of five years after the date the return was due.

23 **NOTE.**—The above section 281 supersedes section 252 of  
24 the existing law, on page 153 of this print.

1            *CLOSING BY COMMISSIONER OF TAXABLE YEAR.*

2            **NOTE.**—The following section 282 appears as section  
3            280 (g) of the existing law. The changes proposed are shown  
4            below.

4            ~~(g)~~ *Sec. 282. (a)* If the Commissioner finds that a  
5            taxpayer designs quickly to depart from the United States  
6            or to remove his property therefrom, or to conceal himself  
7            or his property therein, or to do any other act tending to  
8            prejudice or to render wholly or partly ineffectual proceed-  
9            ings to collect the tax for the taxable year then last past or  
10            the taxable year then current unless such proceedings be  
11            brought without delay, the Commissioner shall declare the  
12            taxable period for such taxpayer immediately terminated  
13            and shall cause notice of such finding and declaration to be  
14            given the taxpayer, together with a demand for immediate  
15            payment of the tax for the taxable period so declared termi-  
16            nated and of the tax for the preceding taxable year or so much  
17            of ~~said~~ such tax as is unpaid, whether or not the time other-  
18            wise allowed by law for filing return and paying the tax has  
19            expired; and such taxes shall thereupon become immediately  
20            due and payable. In any ~~action or suit~~ proceeding in court  
21            brought to enforce payment of taxes made due and payable  
22            by virtue of the provisions of this ~~subdivision~~ section the  
23            finding of the Commissioner, made as herein provided,  
24            whether made after notice to the taxpayer or not, shall be



1 for all purposes presumptive evidence of the taxpayer's  
2 design.

3 (b) A taxpayer who is not in default in making any  
4 return or paying income, war-profits, or excess-profits tax  
5 under any Act of Congress may furnish to the United States,  
6 under regulations to be prescribed by the Commissioner, with  
7 the approval of the Secretary, security approved by the  
8 Commissioner that he will duly make the return next there-  
9 after required to be filed and pay the tax next thereafter  
10 required to be paid. The Commissioner may approve and  
11 accept in like manner security for return and payment of  
12 taxes made due and payable by virtue of the provisions of  
13 this ~~subdivision~~ section, provided the taxpayer has paid  
14 in full all other income, war-profits, or excess-profits taxes  
15 due from him under any Act of Congress.

16 (c) If security is approved and accepted pursuant to  
17 the provisions of this ~~subdivision~~ section and such further  
18 or other security with respect to the tax or taxes covered  
19 thereby is given as the Commissioner shall from time to  
20 time find necessary and require, payment of such taxes shall  
21 not be enforced by any proceedings under the provisions of  
22 this ~~subdivision~~ section prior to the expiration of the time  
23 otherwise allowed for paying such respective taxes.

24 (d) In the case of a citizen of the United States about  
25 to depart from the United States the Commissioner may, at

1 his discretion, waive any or all of the requirements placed  
2 on the taxpayer by this ~~subdivision section~~.

3 (e) No alien shall depart from the United States unless  
4 he first ~~secures~~ *procures* from the collector or agent in charge  
5 a certificate that he has complied with all the obligations  
6 imposed upon him by the income, war-profits, and excess-  
7 profits tax laws.

8 (f) If a taxpayer violates or attempts to violate this  
9 ~~subdivision section~~ there shall, in addition to all other penal-  
10 ties, be added as part of the tax 25 per centum of the total  
11 amount of the tax or deficiency in the tax, together with  
12 interest at the rate of 1 per centum ~~per~~ a month from the  
13 time the tax became due.

14 **NOTE.**—The above section 283 appears as section 250(g)  
of the existing law. The changes proposed are shown above.

15 **EFFECTIVE DATE OF TITLE.**

16 **SEC. 283.** *This title shall take effect as of January 1,*  
17 **1924.**

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

19 ~~TAX FOR 1924.~~

20 **NOTE.**—The excess-profits tax (Title III of the Revenue  
21 Act of 1921) expired by its own terms with the calendar year  
22 1921. It is not proposed to be repealed by the present bill,  
but is here printed in stricken-through type for purposes of  
information.

23 **PART I.—GENERAL DEFINITIONS.**

24 **SEC. 200.** That when used in this title the terms "tax-  
25 able year," "fiscal year," "personal service corporation,"

1 "paid or received" and "dividend" shall have the same  
 2 meaning as provided for the purposes of income tax in sec-  
 3 tions 240 and 241.

4 **PART II.—IMPOSITION OF TAX.**

5 **Sec. 242.** (a) That in lieu of the tax imposed by Title  
 6 III of the Revenue Act of 1914, but in addition to the other  
 7 taxes imposed by this Act, there shall be levied, collected  
 8 and paid for the calendar year 1917 upon the net income  
 9 of every corporation (except corporations taxable under  
 10 subdivision (b) of this section) a tax equal to the sum of  
 11 the followings:

12 **FIXED RATES:**

13 20 per centum of the amount of the net income in  
 14 excess of the excess-profit credit (determined under sec-  
 15 tion 212) and not in excess of 20 per centum of the in-  
 16 vested capital.

17 **EXCESS RATES:**

18 40 per centum of the amount of the net income in  
 19 excess of 20 per centum of the invested capital.

20 (b) For the calendar year 1917 there shall be levied,  
 21 collected, and paid upon the net income of every corporation  
 22 which derives in such year a net income of more than  
 23 \$10,000 from any Government contract or contracts made  
 24 between April 6, 1917, and November 11, 1918, both  
 25 dates inclusive, a tax equal to the sum of the followings:

1           (1) Such a portion of the tax computed at the rates  
 2 specified in subdivision (a) of section 333 of the Revenue  
 3 Act of 1944, as the part of the net income attributable to  
 4 such Government contract or contracts bears to the entire net  
 5 income. In computing such tax the excess-profits credit  
 6 and the war-profits credit which would be applicable to such  
 7 calendar year under the Revenue Act of 1944 if it had  
 8 been continued in force, shall be used.

9           (2) Such a portion of the tax computed at the rates  
 10 specified in subdivision (a) of this section as the part of the  
 11 net income not attributable to such Government contract or  
 12 contracts bears to the entire net income.

13           For the purpose of determining the part of the net  
 14 income attributable to such Government contract or con-  
 15 tracts, the proper apportionment and allocation of the deduc-  
 16 tions with respect to gross income derived from such Govern-  
 17 ment contract or contracts and from other sources, respec-  
 18 tively, shall be determined under rules and regulations  
 19 prescribed by the Commissioner with the approval of the  
 20 Secretary.

21           (c) In any case where the full amount of the excess-  
 22 profits credit is not allowed under the first bracket of sub-  
 23 division (a), by reason of the fact that such credit is in  
 24 excess of 20 per centum of the invested capital, the part

1 not so allowed shall be deducted from the amount in the  
2 second bracket:

3 Sec. 202. That the tax imposed by subdivision (a)  
4 of section 201 shall in no case be more than 20 per centum  
5 of the amount of the net income in excess of \$2,000 and  
6 not in excess of \$20,000, plus 40 per centum of the amount  
7 of the net income in excess of \$20,000; and the limitations  
8 imposed by section 202 of the Revenue Act of 1914 (upon  
9 taxes computed under subdivision (c) of section 201 of that  
10 Act) are hereby made applicable to taxes computed under  
11 subdivision (b) of section 201 of this Act. Nothing in this  
12 section shall be construed in such manner as to increase the  
13 tax imposed by section 201 of this Act.

14 Sec. 203. That if part of the net income of a corporation  
15 is derived (1) from a trade or business (or a branch of a trade  
16 or business) in which the employment of capital is necessary;  
17 and (2) a part (constituting not less than 20 per centum of  
18 its total net income) is derived from a separate trade or busi-  
19 ness (or a distinctly separate branch of the trade or business)  
20 which if constituting the sole trade or business would bring  
21 it within the class of "personal service corporations;" then  
22 (under regulations prescribed by the Commissioner with the  
23 approval of the Secretary) the tax upon the first part of such  
24 net income shall be separately computed (following in such  
25 computation only the same proportionate part of the credits

1 authorized in section 212), and the tax upon the second part  
2 shall be the same percentage thereof as the tax so computed  
3 upon the first part is of such first part: *Provided*, That the  
4 tax upon such second part shall in no case be less than 24  
5 per centum thereof; unless the tax upon the entire net income,  
6 if computed without benefit of this section, would constitute  
7 less than 20 per centum of such entire net income, in which  
8 event the tax shall be determined upon the entire net income,  
9 without reference to this section, as other taxes are deter-  
10 mined under this title. The total tax computed under this  
11 section shall be subject to the limitations provided in sec-  
12 tion 202.

13 **SEC. 204. (a)** That the corporations enumerated in  
14 section 221 shall, to the extent that they are exempt from  
15 income tax under Title II, be exempt from taxation under  
16 this title.

17 **(b)** Any corporation whose net income for the taxable  
18 year is less than \$2,000 shall be exempt from taxation under  
19 this title.

20 **(c)** In the case of any corporation engaged in the  
21 mining of gold, the portion of the net income derived from  
22 the mining of gold shall be exempt from the tax imposed by  
23 this title or any tax imposed by Title II of the Revenue Act  
24 of 1917, and the tax on the remaining portion of the net  
25 income shall be the same proportion of a tax computed

1 without the consent of this subdivision which shall retain  
2 portion of the net income herein to the entire net income.

3 **SEC. 2115.** That if a tax is computed under this title for  
4 a period of less than twelve months, the specific exemption  
5 of §17,111, whenever referred to in this title, shall be reduced  
6 to an amount which in the same proportion of §17,111 as the  
7 number of months in the period is of twelve months.

8 **PART III.—INVENTED PROPERTY CREDIT.**

9 **SEC. 2117.** That the excess-profit credit shall consist of  
10 a specific exemption of §17,111 plus an amount equal to 4  
11 per centum of the invested capital for the taxable year.

12 A foreign corporation or a corporation entitled to the  
13 benefits of section 242 shall not be entitled to the specific  
14 exemption of §17,111.

15 **PART IV.—NET INCOME.**

16 **SEC. 2118.** That for the purpose of this title the net in-  
17 come of a corporation shall be ascertained and returned for  
18 the taxable year upon the same basis and in the same man-  
19 ner as provided for income tax purposes in Title 11 of this  
20 Act.

21 **PART V.—INTANGIBLE CAPITAL.**

22 **SEC. 2119.** (a) That as used in this title—

23 The term "intangible property" means patents, copy-  
24 rights, secret processes and formulas, good will, trade-  
25 marks, trade-brands, franchises, and other like property;

1       The term "tangible property" means stocks, bonds,  
2 notes, and other evidences of indebtedness, bills and ac-  
3 counts receivable, franchises, and other property other than  
4 intangible property.

5       The term "borrowed capital" means money or other  
6 property borrowed, whether represented by bonds, notes,  
7 open accounts, or otherwise.

8       The term "inadmissible assets" means stocks, bonds,  
9 and other obligations (other than obligations of the United  
10 States); the dividends or interest from which is not included  
11 in computing net income, but where the income derived  
12 from such assets consists in part of gain or profit derived  
13 from the sale or other disposition thereof, or where all or  
14 part of the interest derived from such assets is in effect in-  
15 cluded in the net income because of the limitation on the de-  
16 duction of interest under paragraph (2) of subdivision (a)  
17 of section 234, a corresponding part of the capital invested  
18 in such assets shall not be deemed to be inadmissible assets.

19       The term "admissible assets" means all assets other  
20 than inadmissible assets, valued in accordance with the pro-  
21 visions of subdivision (a) of section 226 and section 234.

22       (b) For the purposes of this title the par value of  
23 stock or shares shall in the case of stock or shares issued at a  
24 nominal value or having no par value, be deemed to be the



1 fair market value as of the date or dates of issue of such  
2 stock or shares.

3 Sec. 316. (a) That as used in this title the term "in-  
4 vested capital" for any year means (except as provided in  
5 subdivision (b) and (c) of this section):

6 (1) Actual cash bona fide paid in for stock or shares;

7 (2) Actual cash value of tangible property, other than  
8 realty, bona fide paid in for stock or shares, at the time of  
9 such payment, but in no case to exceed the par value of the  
10 original stock or shares specifically issued therefor, unless the  
11 actual cash value of such tangible property at the time paid  
12 in is shown to the satisfaction of the Commissioner to have  
13 been clearly and substantially in excess of such par value, in  
14 which case such excess shall be treated as paid in surplus.  
15 *Provided:* That the Commissioner shall keep a record of all  
16 cases in which tangible property is included in invested  
17 capital at a value in excess of the stock or shares issued  
18 therefor, containing: the name and address of such taxpayer,  
19 the business in which engaged, the amount of invested capital  
20 and net income shown by the return, the value of the tangible  
21 property at the time paid in, the par value of the stock or  
22 shares specifically issued therefor, and the amount included  
23 under this paragraph as paid-in surplus. The Commissioner  
24 shall furnish a copy of such record and other detailed infor-  
25 mation with respect to such cases when required by resolu-

1 tion of either House of Congress, without regard to the re-  
 2 strictions contained in section 257;

3 (3) Paid-in or earned surplus and undivided profits;  
 4 not including surplus and undivided profits earned during  
 5 the year;

6 (4) Intangible property bona fide paid in for stock or  
 7 shares prior to March 3, 1917, in an amount not exceeding  
 8 (a) the actual cash value of such property at the time paid  
 9 in; (b) the par value of the stock or shares issued therefor;  
 10 or (c) in the aggregate 25 per centum of the par value of  
 11 the total stock or shares of the corporation outstanding on  
 12 March 3, 1917, whichever is lowest;

13 (5) Intangible property bona fide paid in for stock or  
 14 shares on or after March 3, 1917, in an amount not exceed-  
 15 ing (a) the actual cash value of such property at the time  
 16 paid in; (b) the par value of the stock or shares issued there-  
 17 for; or (c) in the aggregate 25 per centum of the par value  
 18 of the total stock or shares of the corporation outstanding at  
 19 the beginning of the taxable year, whichever is lowest;  
 20 *Provided*, That in no case shall the total amount included  
 21 under paragraphs (4) and (5) exceed in the aggregate 25  
 22 per centum of the par value of the total stock or shares of  
 23 the corporation outstanding at the beginning of the taxable  
 24 year; but

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

3 (c) There shall be deducted from invested capital as  
4 above defined a percentage thereof equal to the percentage  
5 which the amount of inadmissible assets is of the amount of  
6 admissible and inadmissible assets held during the taxable  
7 year.

8 (d) The invested capital for any period shall be the  
9 average invested capital for such period, but in the case of a  
10 corporation making a return for a fractional part of a year, it  
11 shall be the same fractional part of such average invested  
12 capital.

13 **SEC. 227.** That in the following cases the tax shall be  
14 determined as provided in section 228:

15 (a) Where the commissioner is unable to determine the  
16 invested capital as provided in section 226;

17 (b) In the case of a foreign corporation or of a corpora-  
18 tion entitled to the benefits of section 262;

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

1       (d) Where upon application by the corporation the  
2 commissioner finds and so declares of record that the tax if  
3 determined without benefit of this section would, owing to  
4 abnormal conditions affecting the capital or income of the  
5 corporation, work upon the corporation an exceptional hard-  
6 ship evidenced by gross disproportion between the tax com-  
7 puted without benefit of this section and the tax computed  
8 by reference to the representative corporations specified in  
9 section 228. This subdivision shall not apply to any case  
10 (1) in which the tax (computed without benefit of this sec-  
11 tion) is high merely because the corporation earned within  
12 the taxable year a high rate of profit upon a normal invested  
13 capital, nor (2) in which 50 per centum or more of the gross  
14 income of the corporation for the taxable year (computed  
15 under section 233 of Title II) consists of gains, profits, com-  
16 missions, or other income, derived on a cost plus basis from a  
17 Government contract or contracts made between April 6,  
18 1917, and November 11, 1918, both dates inclusive.

19       Sec. 228. (a) That in the cases specified in sec-  
20 tion 227 the tax shall be the amount which bears the same  
21 ratio to the net income of the taxpayer (in excess of the  
22 specific exemption of \$7,000) for the taxable year, as the  
23 average tax of representative corporations engaged in a like  
24 or similar trade or business, bears to their average net income  
25 (in excess of the specific exemption of \$8,000) for such year.

1 In the case of a foreign corporation or of a corporation enti-  
2 tled to the benefits of section 262 the tax shall be computed  
3 without deducting the specific exemption of \$3,000 either  
4 for the taxpayer or the representative corporations.

5 In computing the tax under this section the Commis-  
6 sioner shall compare the taxpayer only with representative  
7 corporations whose invested capital can be satisfactorily de-  
8 termined under section 226 and which are, as nearly as may  
9 be, similarly circumstanced with respect to gross income, net  
10 income, profits per unit of business transacted and capital  
11 employed, the amount and rate of war profits or excess prof-  
12 its, and all other relevant facts and circumstances.

13 (b) For the purposes of subdivision (a) the ratios be-  
14 tween the average tax and the average net income of repre-  
15 sentative corporations shall be determined by the Commis-  
16 sioner in accordance with regulations prescribed by him with  
17 the approval of the Secretary.

18 (c) The Commissioner shall keep a record of all cases  
19 in which the tax is determined in the manner prescribed in  
20 subdivision (a), containing the name and address of each  
21 taxpayer, the business in which engaged, the amount of in-  
22 vested capital and net income shown by the return, and the  
23 amount of invested capital as determined under such subdivi-  
24 sion. The Commissioner shall furnish a copy of such record  
25 and other detailed information with respect to such cases

1 when required by resolution of either House of Congress,  
2 without regard to the restrictions contained in section 257.

3 **PART VI.—REORGANIZATIONS.**

4 **SEC. 381.** That in the case of the reorganization, con-  
5 solidation, or change of ownership of a trade or business, or  
6 change of ownership of property, after March 3, 1917, if an  
7 interest or control in such trade or business or property of  
8 50 per centum or more remains in the same persons, or any  
9 of them, then no asset transferred or received from the pre-  
10 vious owner shall, for the purpose of determining invested  
11 capital, be allowed a greater value than would have been  
12 allowed under this title in computing the invested capital of  
13 such previous owner if such asset had not been so transferred  
14 or received: *Provided,* That if such previous owner was not  
15 a corporation, then the value of any asset so transferred or  
16 received shall be taken at its cost of acquisition (at the date  
17 when acquired by such previous owner) with proper allow-  
18 ance for depreciation, impairment, betterment, or develop-  
19 ment, but no addition to the original cost shall be made for  
20 any charge or expenditure deducted as expense or otherwise  
21 on or after March 1, 1913, in computing the net income of  
22 such previous owner for purposes of taxation.

23 **PART VII.—MISCELLANEOUS.**

24 **SEC. 385. (a)** That if a corporation (other than a per-  
25 sonal service corporation) makes return for a fiscal year

1 beginning in 1920 and ending in 1921, the war-profits and  
2 excess-profits tax for the taxable year 1921 shall be the sum  
3 of: (1) The same proportion of a tax for the entire period  
4 computed under the Revenue Act of 1918, which the portion  
5 of such period falling within the calendar year 1920 is of  
6 the entire period; and (2) the same proportion of a tax for  
7 the entire period computed under this title, which the portion  
8 of such period falling within the calendar year 1921 is of  
9 the entire period. Any amount heretofore or hereafter paid  
10 on account of the tax imposed for such taxable year by the  
11 Revenue Act of 1918 shall be credited towards the payment  
12 of the tax as above computed, and if the amount so paid  
13 exceeds the amount of such tax, the excess shall be credited  
14 or refunded to the corporation in accordance with the pro-  
15 visions of section 252 of this Act.

16 (b) If a corporation (other than a personal service cor-  
17 poration) makes a return for a fiscal year beginning in 1921  
18 and ending in 1922, the war-profits and excess-profits tax  
19 for the portion of the year falling within the calendar year  
20 1921 shall be an amount equivalent to the same proportion  
21 of a tax for the entire period computed under this title, which  
22 the portion of such period falling within the calendar year  
23 1921 is of the entire period.

24 SEC. 226. That every corporation, not exempt under  
25 section 204, shall make a return for the purposes of this title.

1 Such returns shall be made, and the taxes imposed by this  
 2 title shall be paid, at the same times and places, in the same  
 3 manner, and subject to the same conditions, as is provided in  
 4 the case of returns and payment of income tax by corpora-  
 5 tions for the purposes of Title II, and all the provisions of  
 6 that title not inapplicable, including penalties, are hereby  
 7 made applicable to the taxes imposed by this title.

8 **SEC. 337.** That in the case of a bona fide sale of mines,  
 9 oil or gas wells, or any interest therein, where the principal  
 10 value of the property has been demonstrated by prospecting  
 11 or exploration and discovery work done by the taxpayer, the  
 12 portion of the tax imposed by this title attributable to such  
 13 sale shall not exceed 20 per centum of the selling price of  
 14 such property or interest.

15 **EFFECTIVE DATE OF TITLE.**

16 **SEC. 338.** That this title shall take effect as of January  
 17 1, 1921.

18 **NOTE.**—The excess-profits tax (Title III of the Revenue  
 19 Act of 1921) expired by its own terms with the calendar year  
 20 1921. It is not proposed to be repealed by the present bill,  
 but is printed above in stricken-through type for purposes of  
 information.

21 **TITLE IV III.—ESTATE TAX.**

22 **SEC. 400 300.** That when *When* used in this title—

23 The term "executor" means the executor or adminis-  
 24 trator of the decedent, or, if there is no executor or adminis-



1 trator, any person in actual or constructive possession of any  
2 property of the decedent;

3 The term "net estate" means the net estate as deter-  
4 mined under the provisions of section ~~403~~ 303;

5 The term "month" means calendar month; and

6 The term "collector" means the collector of internal  
7 revenue of the district in which was the domicile of the de-  
8 cedent at the time of his death, or, if there was no such  
9 domicile in the United States, then the collector of the dis-  
10 trict in which is situated the part of the gross estate of the  
11 decedent in the United States, or, if such part of the gross  
12 estate is situated in more than one district, then the collector  
13 of internal revenue of such district as may be designated by  
14 the Commissioner.

15 **SEC. ~~404~~ 301.** ~~That in~~ (a) In lieu of the tax imposed  
16 by Title IV of the Revenue Act of ~~1918~~ 1921, a tax equal to  
17 the sum of the following percentages of the value of the net  
18 estate (determined as provided in section ~~403~~ 303) is  
19 hereby imposed upon the transfer of the net estate of every  
20 decedent dying after the ~~passage~~ enactment of this Act,  
21 whether a resident or nonresident of the United States:

22 1 per centum of the amount of the net estate not in  
23 excess of \$50,000;

24 2 per centum of the amount by which the net estate  
25 exceeds \$50,000 and does not exceed \$150,000;

1        3 per centum of the amount by which the net estate  
2 exceeds \$150,000 and does not exceed \$250,000;

3        4 per centum of the amount by which the net estate  
4 exceeds \$250,000 and does not exceed \$450,000;

5        6 per centum of the amount by which the net estate  
6 exceeds \$450,000 and does not exceed \$750,000;

7        8 per centum of the amount by which the net estate  
8 exceeds \$750,000 and does not exceed \$1,000,000;

9        10 per centum of the amount by which the net estate  
10 exceeds \$1,000,000 and does not exceed \$1,500,000;

11       12 per centum of the amount by which the net estate  
12 exceeds \$1,500,000 and does not exceed \$2,000,000;

13       14 per centum of the amount by which the net estate  
14 exceeds \$2,000,000 and does not exceed \$3,000,000;

15       16 per centum of the amount by which the net estate  
16 exceeds \$3,000,000 and does not exceed \$4,000,000;

17       18 per centum of the amount by which the net estate  
18 exceeds \$4,000,000 and does not exceed \$5,000,000;

19       20 per centum of the amount by which the net estate  
20 exceeds \$5,000,000 and does not exceed \$8,000,000;

21       22 per centum of the amount by which the net estate  
22 exceeds \$8,000,000 and does not exceed \$10,000,000; and

23       25 per centum of the amount by which the net estate  
24 exceeds \$10,000,000.

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

3        2 per centum of the amount by which the net estate ex-  
4 ceeds \$50,000 and does not exceed \$100,000;

5        3 per centum of the amount by which the net estate ex-  
6 ceeds \$100,000 and does not exceed \$150,000;

7        4 per centum of the amount by which the net estate ex-  
8 ceeds \$150,000 and does not exceed \$250,000;

9        6 per centum of the amount by which the net estate ex-  
10 ceeds \$250,000 and does not exceed \$450,000;

11       9 per centum of the amount by which the net estate ex-  
12 ceeds \$450,000 and does not exceed \$750,000;

13       12 per centum of the amount by which the net estate ex-  
14 ceeds \$750,000 and does not exceed \$1,000,000;

15       15 per centum of the amount by which the net estate  
16 exceeds \$1,000,000 and does not exceed \$1,500,000;

17       18 per centum of the amount by which the net estate  
18 exceeds \$1,500,000 and does not exceed \$2,000,000;

19       21 per centum of the amount by which the net estate  
20 exceeds \$2,000,000 and does not exceed \$3,000,000;

21       24 per centum of the amount by which the net estate  
22 exceeds \$3,000,000 and does not exceed \$4,000,000;

23       27 per centum of the amount by which the net estate  
24 exceeds \$4,000,000 and does not exceed \$5,000,000;

1 30 per centum of the amount by which the net estate  
2 exceeds \$5,000,000 and does not exceed \$8,000,000;

3 35 per centum of the amount by which the net estate  
4 exceeds \$8,000,000 and does not exceed \$10,000,000;

5 40 per centum of the amount by which the net estate  
6 exceeds \$10,000,000.<sup>14</sup>

7 The taxes imposed by this title or by Title II of the  
8 Revenue Act of 1916 (as amended by the Act entitled "An  
9 Act to provide increased revenue to defray the expenses of  
10 the increased appropriations for the Army and Navy and the  
11 extensions of fortifications, and for other purposes," approved  
12 March 3, 1917) or by Title IX of the Revenue Act of  
13 1917, or by Title IV of the Revenue Act of 1918, shall not  
14 apply to the transfer of the net estate of any decedent who  
15 has died or may die from injuries received or disease con-  
16 tracted in line of duty while serving in the military or naval  
17 forces of the United States in the war against the German  
18 Government, or to the transfer of the net estate of any  
19 citizen of the United States who has died or may die from  
20 injuries received or disease contracted in line of duty while  
21 serving in the military or naval forces of any country while  
22 associated with the United States in the prosecution of such  
23 war, or prior to the entrance therein of the United States; and

<sup>14</sup> For change from Treasury draft see Supplement, note No. 14.

1 any tax collected upon such transfer shall be refunded to the  
2 estate of such decedent.

3 NOTE.—The part stricken out of the above paragraph, in so  
4 far as it relates to taxes imposed by Acts prior to the Revenue  
5 Act of 1931, is provided for in section 1100 (c), on page 356 of  
6 this print.

7 (b) The tax imposed by this section shall be credited  
8 with the amount of any estate, inheritance, legacy, or succes-  
9 sion taxes actually paid to any State or Territory or the Dis-  
10 trict of Columbia, in respect of any property included in  
11 the gross estate. The credit allowed by this subdivision shall  
12 not exceed 25 per centum of the tax imposed by this section.<sup>15</sup>

13 SEC. 402 302. ~~That the~~ The value of the gross estate of  
14 the decedent shall be determined by including the value at  
15 the time of his death of all property, real or personal, tan-  
16 gible or intangible, wherever situated—

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

22 (b) To the extent of any interest therein of the surviv-  
23 ing spouse, existing at the time of the decedent's death as  
24 dower, curtesy, or by virtue of a statute creating an estate in  
25 lieu of dower or curtesy;

(c) To the extent of any interest therein of which the  
decedent has at any time made a transfer, or with respect to

<sup>15</sup> For change from Treasury draft see Supplement, note No. 15.

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

12 *(d) To the extent of any interest therein of which the*  
 13 *decedent has at any time made a transfer, or with respect to*  
 14 *which he has at any time created a trust, where the enjoy-*  
 15 *ment thereof was subject at the date of his death to any*  
 16 *change through the exercise of a power, either by the decedent*  
 17 *alone or in conjunction with any person, to alter, amend, or*  
 18 *revoke, or where the decedent relinquished any such power*  
 19 *in contemplation of his death, except in case of a bona*  
 20 *fide sale for a fair consideration in money or money's worth;*

21 ~~(d)~~ *(e) To the extent of the interest therein held joint-*  
 22 *ly or as tenants in the entirety by the decedent and any other*  
 23 *person, or deposited in banks or other institutions in deposited,*  
 24 *with any person carrying on the banking business, in their*  
 25 *joint names and payable to either or the survivor, except*  
 26 *such part thereof as may be shown to have originally be-*

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

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

23 ~~(f)~~ (g) To the extent of the amount receivable by the  
 24 executor as insurance under policies taken out by the de-  
 25 cedent upon his own life; and to the extent of the excess over  
 26 \$40,000 of the amount receivable by all other beneficiaries

1 as insurance under policies taken out by the decedent upon  
2 his own life.

3 (h) Subdivisions (b), (c), (d), (e), (f), and (g) of  
4 this section shall apply to the transfers, trusts, estates, inter-  
5 ests, right, powers, and relinquishment of powers, as severally,  
6 enumerated and described therein, whether made, created,  
7 arising, existing, exercised, or relinquished before or after  
8 the enactment of this Act.

9 SEC. 408 303. That for ~~For~~ the purpose of the tax the  
10 value of the net estate shall be determined—

11 (a) In the case of a resident, by deducting from the  
12 value of the gross estate—

13 (1) Such amounts for funeral expenses, administration  
14 expenses, claims against the estate, unpaid mortgages upon,  
15 or any indebtedness in respect to, property (except, in the  
16 case of a resident decedent, where such property is not sit-  
17 uated in the United States), to the extent that such claims,  
18 mortgages, or indebtedness were incurred or contracted bonu  
19 fide and for a fair consideration in money or money's worth,  
20 losses incurred during the settlement of the estate arising from  
21 fires, storms, shipwreck, or other casualty, or from theft,  
22 when such losses are not compensated for by insurance or  
23 otherwise, and such amounts reasonably required and actually  
24 expended for the support during the settlement of the estate  
25 of those dependent upon the decedent, as are allowed by



1 the laws of the jurisdiction, whether within or without the  
2 United States, under which the estate is ~~being~~ administered,  
3 but not including any income taxes upon income received  
4 after the death of the decedent, or any estate, succession,  
5 legacy, or inheritance taxes;

6 (2) An amount equal to the value of any property  
7 forming a part of the gross estate situated in the United  
8 States of any person who died within five years prior to the  
9 death of the decedent where such property can be identified  
10 as having been received by the decedent from such prior  
11 decedent by gift, bequest, devise, or inheritance, or which  
12 can be identified as having been acquired in exchange for  
13 property so received: *Provided*, That this deduction shall  
14 be allowed only where an estate tax under this or any prior  
15 Act of Congress was paid by or on behalf of the estate  
16 of such prior decedent, and only in the amount of the value  
17 placed by the Commissioner on such property in determin-  
18 ing the value of the gross estate of such prior decedent, and  
19 only to the extent that the value of such property is in-  
20 cluded in the decedent's gross estate and not deducted under  
21 paragraph (1) or (3) of subdivision (a) of this section.  
22 This deduction shall be made in case of the estates of all  
23 decedents who have died since September 8, 1916;

24 NOTE.—The part stricken out of the above paragraph is  
25 provided for in section 1100(c), on page 356 of this print.

1           (8) The amount of all bequests, legacies, devises, or  
 2 transfers, except bona fide sales for a fair consideration in  
 3 money or money's worth, in contemplation of or intended  
 4 to take effect in possession or enjoyment at or after the  
 5 decedent's death, to or for the use of the United States, any  
 6 State, Territory, any political subdivision thereof, or the  
 7 District of Columbia, for exclusively public purposes, or to  
 8 or for the use of any corporation organized and operated  
 9 exclusively for religious, charitable, scientific, literary, or  
 10 educational purposes, including the encouragement of art  
 11 and the prevention of cruelty to children or animals, no part  
 12 of the net earnings of which inures to the benefit of any  
 13 private stockholder or individual, or to a trustee or trustees  
 14 exclusively for such religious, charitable, scientific, literary,  
 15 or educational purposes.—This deduction shall be made in  
 16 case of the estates of all decedents who have died since  
 17 December 31, 1917; and

18           **NOTE.**—The part stricken out of the above paragraph is  
 19 provided for in section 1100 (c), on page 356 of this print.

20           (4) An exemption of ~~\$50,000~~; \$50,000.

21           (b) In the case of a nonresident, by deducting from  
 22 the value of that part of his gross estate which at the time  
 23 of his death is situated in the United States—

24           (1) That proportion of the deductions specified in para-  
 25 graph (1) of subdivision (a) of this section which the value

1 of such part bears to the value of his entire gross estate,  
2 wherever situated, but in no case shall the amount so de-  
3 ducted exceed 10 per centum of the value of that part of his  
4 gross estate which at the time of his death is situated in the  
5 United States;

6 (2) An amount equal to the value of any property  
7 forming a part of the gross estate situated in the United States  
8 of any person who died within five years prior to the death  
9 of the decedent where such property can be identified as hav-  
10 ing been received by the decedent from such prior decedent  
11 by gift, bequest, devise, or inheritance, or which can be  
12 identified as having been acquired in exchange for prop-  
13 erty so received: *Provided*, That this deduction shall be  
14 allowed only where an estate tax under this or any prior  
15 Act of Congress was paid by or on behalf of the estate of  
16 such prior decedent, and only in the amount of the value  
17 placed by the Commissioner on such property in determin-  
18 ing the value of the gross estate of such prior decedent, and  
19 only to the extent that the value of such property is included  
20 in that part of the decedent's gross estate which at the time  
21 of his death is situated in the United States and not deducted  
22 under paragraphs (1) or (3) of subdivision (b) of this sec-  
23 tion.—This deduction shall be made in case of the estates of  
24 all decedents who have died since September 8, 1916; and

25 **NOTE.**—The part stricken out of the above paragraph is  
provided for in section 1100 (c), on page 356 of this print.

1       (3) The amount of all bequests, legacies, devises, or  
2 transfers, except bona fide sales for a fair consideration, in  
3 money or money's worth, in contemplation of or intended to  
4 take effect in possession or enjoyment at or after the de-  
5 cedent's death, to or for the use of the United States, any  
6 State, Territory, any political subdivision thereof, or the  
7 District of Columbia, for exclusively public purposes, or to  
8 or for the use of any domestic corporation organized and  
9 operated exclusively for religious, charitable, scientific, lit-  
10 erary or educational purposes, including the encouragement  
11 of art and the prevention of cruelty to children or animals,  
12 no part of the net earnings of which inures to the benefit of  
13 any private stockholder or individual, or to a trustee or  
14 trustees exclusively for such religious, charitable, scientific,  
15 literary, or educational purposes within the United States.  
16 This deduction shall be made in case of the estates of all  
17 decedents who have died since December 31, 1917.

18       NOTE.—The part stricken out of the above paragraph is  
19 provided for in section 1100 (c), on page 356 of this print.

20       (c) No deduction shall be allowed in the case of a non-  
21 resident unless the executor includes in the return required to  
22 be filed under section 404 304 the value at the time of his  
23 death of that part of the gross estate of the nonresident  
24 not situated in the United States.

1       (d) For the purpose of this title, stock in a domestic  
2 corporation owned and held by a nonresident decedent shall  
3 be deemed property within the United States, and any prop-  
4 erty of which the decedent has made a transfer or with re-  
5 spect to which he has created a trust, within the meaning of  
6 subdivision (c) or (d) of section 402 302, shall be deemed  
7 to be situated in the United States, if so situated either at the  
8 time of the transfer or the creation of the trust, or at the time  
9 of the decedent's death.

10       (e) The amount receivable as insurance upon the life  
11 of a nonresident decedent, and any moneys deposited with  
12 any person carrying on the banking business, by or for a  
13 nonresident decedent who was not engaged in business in  
14 the United States at the time of his death, shall not, for the  
15 purpose of this title, be deemed property within the United  
16 States.

17       (f) Missionaries duly commissioned and serving under  
18 boards of foreign missions of the various religious denomina-  
19 tions in the United States, dying while in the foreign mis-  
20 sionary service of such boards, shall not, by reason merely  
21 of their intention to permanently remain in such foreign  
22 service, be deemed nonresidents of the United States, but  
23 shall be presumed to be residents of the State, the District of  
24 Columbia, or the Territories of Alaska or Hawaii wherein

1 they respectively resided at the time of their commission  
2 and their departure for such foreign service.

3 In the case of any estate in respect to which the tax  
4 has been paid, if necessary to allow the benefit of the deduc-  
5 tion under paragraphs ~~(2)~~ and ~~(3)~~ of subdivision ~~(a)~~ or  
6 ~~(b)~~ the tax shall be redetermined and any excess of tax paid  
7 shall be refunded to the executor.

8 **NOTE.**—The part stricken out of the above paragraph is  
9 provided for in section 1100 (c), on page 356 of this print.

10 **SEC. 404 304.** That the ~~(a)~~ *The* executor, within  
11 two months after the decedent's death, or within a like  
12 period after qualifying as such, shall give written notice  
13 thereof to the collector. The executor shall also, at such  
14 times and in such manner as may be required by regulations  
15 made pursuant to law, file with the collector a return under  
16 oath in duplicate, setting forth ~~(a)~~ (1) the value of the  
17 gross estate of the decedent at the time of his death, or, in  
18 case of a nonresident, of that part of his gross estate situated  
19 in the United States; ~~(b)~~ (2) the deductions allowed under  
20 section ~~403 303~~; ~~(c)~~ (3) the value of the net estate of the  
21 decedent as defined in section ~~403 303~~; and ~~(d)~~ (4) the  
22 tax paid or payable thereon; or such part of such informa-  
23 tion as may at the time be ascertainable and such supple-  
24 mental data as may be necessary to establish the correct tax.

1           (b) Return shall be made in all cases where the gross  
2 estate at the death of the decedent exceeds \$50,000, and  
3 in the case of the estate of every nonresident any part of  
4 whose gross estate is situated in the United States. If the  
5 executor is unable to make a complete return as to any part  
6 of the gross estate of the decedent, he shall include in his  
7 return a description of such part and the name of every  
8 person holding a legal or beneficial interest therein, and  
9 upon notice from the collector such person shall in like man-  
10 ner make a return as to such part of the gross estate. The  
11 Commissioner shall make all assessments of the tax under the  
12 authority of existing administrative special and general pro-  
13 visions of law relating to the assessment and collection of  
14 taxes.

15           SBC. 405. That if no administration is granted upon the  
16 estate of a decedent, or if no return is filed as provided in  
17 section 404, or if a return contains a false or incorrect state-  
18 ment of a material fact, the collector or deputy collector shall  
19 make a return and the Commissioner shall assess the tax  
20 thereon.

21           SBC. 406. That the tax shall be due and payable one  
22 year after the decedent's death; but in any case where the  
23 Commissioner finds that payment of the tax within such  
24 period would impose undue hardship upon the estate, he  
25 may grant an extension or extensions of time for payment  
26 not to exceed three years from the due date.

1       The executor shall pay the tax to the collector or  
2   deputy collector, and to such portion of the tax, not paid  
3   within one year and six months after the decedent's death,  
4   interest at the rate of 6 per centum per annum from the ex-  
5   piration of one year after such death shall be added as part  
6   of the tax irrespective of any extension or extensions of time  
7   that may have been granted for the payment of the tax, or  
8   any portion thereof.

9       *SEC. 305. (a) The tax imposed by this title shall be*  
10   *due and payable one year after the decedent's death, and shall*  
11   *be paid by the executor to the collector.*

12       *(b) Where the Commissioner finds that the payment on*  
13   *the due date of any part of the amount determined by the*  
14   *executor as the tax would impose undue hardship upon the*  
15   *estate, the Commissioner may extend the time for payment of*  
16   *any such part not to exceed five years from the due date.*  
17   *In such case the amount in respect of which the extension is*  
18   *granted shall be paid on or before the date of the expiration*  
19   *of the period of the extension.*

20       *(c) If the time for the payment is thus extended there*  
21   *shall be collected, as a part of such amount, interest thereon*  
22   *at the rate of 5 per centum per annum from the expiration of*  
23   *six months after the due date of the tax to the expiration of*  
24   *the period of the extension.*



1        *SEC. 306. As soon as practicable after the return is*  
2 *filed the Commissioner shall examine it and shall determine*  
3 *the correct amount of the tax.*

4        *SEC. 407. That where the amount of tax shown upon a*  
5 *return made in good faith has been fully paid, or time for*  
6 *payment has been extended, as provided in section 406,*  
7 *beyond one year and six months after the decedent's death,*  
8 *and an additional amount of tax is, after the expiration of*  
9 *such period of one year and six months, found to be due,*  
10 *then such additional amount shall be paid upon notice and*  
11 *demand by the collector, and if it remains unpaid for one*  
12 *month after such notice and demand there shall be added*  
13 *as part of the tax interest on such additional amount at*  
14 *the rate of 10 per centum per annum from the expiration*  
15 *of such period until paid, and such additional tax and in-*  
16 *terest shall, until paid, be and remain a lien upon the entire*  
17 *gross estate.*

18        *SEC. 307. As used in this title the term "deficiency"*  
19 *means—*

20        *(1) The amount by which the tax imposed by this title*  
21 *exceeds the amount shown as the tax by the executor upon*  
22 *his return; but the amount so shown on the return shall first*  
23 *be increased by the amounts previously assessed (or collected*  
24 *without assessment) as a deficiency, and decreased by the*

1 amounts previously abated, refunded, or otherwise repaid  
2 in respect of such tax; or

3 (2) If no amount is shown as the tax by the executor  
4 upon his return, or if no return is made by the executor, then  
5 the amount by which the tax exceeds the amounts previously  
6 assessed (or collected without assessment) as a deficiency; but  
7 such amounts previously assessed, or collected without assess-  
8 ment, shall first be decreased by the amounts previously  
9 abated, refunded, or otherwise repaid in respect of such tax.

10 SEC. 308. (a) If the Commissioner determines that  
11 there is a deficiency in respect of the tax imposed by this title,  
12 the executor, except as provided in subdivision (d), shall be  
13 notified of such deficiency by registered mail. Within 60  
14 days after such notice is mailed the executor may file an  
15 appeal with the Board of Tax Appeals established by  
16 section 900.

17 (b) If the Board determines that there is a deficiency,  
18 the amount so determined shall be assessed and shall be paid  
19 upon notice and demand from the collector. A proceeding in  
20 court may be begun, without assessment, for any part of the  
21 excess of the amount determined as the deficiency by the Com-  
22 missioner over the amount assessed, or for any part of the  
23 amount determined by the Commissioner if the Board deter-  
24 mines that there is no deficiency. Such proceeding shall be  
25 begun within one year after the final decision of the Board,

1 and may be begun within such year even though the period  
2 of limitation prescribed in section 310 has expired.

3 (c) If the executor does not file an appeal with the  
4 Board within the time prescribed in subdivision (a) of this  
5 section, the deficiency of which the executor has been notified  
6 shall be assessed, and shall be paid upon notice and demand  
7 from the collector.

8 (d) If the Commissioner believes that the assessment or  
9 collection of a deficiency will be jeopardized by delay, such  
10 deficiency shall be assessed immediately and notice and de-  
11 mand shall be made by the collector for the payment thereof.  
12 In such case the assessment may be made (1) without giving  
13 the notice provided in subdivision (a) of this section, or (2)  
14 before the expiration of the 60-day period provided in  
15 subdivision (a) of this section even though such notice has  
16 been given, or (3) at any time prior to the final decision by  
17 the Board upon such deficiency even though the executor has  
18 filed an appeal. If the executor does not file a claim in abate-  
19 ment as provided in section 312, the deficiency so assessed  
20 (or, if the claim so filed covers only a part of the deficiency,  
21 then the amount not covered by the claim) shall be paid upon  
22 notice and demand from the collector.

23 (e) Interest upon the amount determined as a defi-  
24 ciency shall be assessed at the same time as the deficiency,  
25 shall be paid upon notice and demand from the collector,

1 and shall be collected as a part of the tax, at the rate of  
2 5 per centum per annum from the due date of the tax to  
3 the date the deficiency is assessed.

4 (f) Where it is shown to the satisfaction of the Com-  
5 missioner that the payment of a deficiency upon the date  
6 prescribed for the payment thereof will result in undue hard-  
7 ship to the estate, the Commissioner with the approval of  
8 the Secretary (except where the deficiency is due to negli-  
9 gence, to intentional disregard of rules and regulations, or  
10 to fraud with intent to evade tax) may grant an extension  
11 for the payment of such deficiency or any part thereof for  
12 a period not in excess of two years. If an extension is  
13 granted, the Commissioner may require the executor to fur-  
14 nish a bond in such amount, not exceeding double the  
15 amount of the deficiency, and with such sureties, as the  
16 Commissioner deems necessary, conditioned upon the pay-  
17 ment of the deficiency in accordance with the terms of the ex-  
18 tension. In such case there shall be collected, as a part  
19 of the tax, interest on the part of the deficiency the time for  
20 payment of which is so extended, at the rate of 5 per centum-  
21 per annum for the period of the extension, and no other  
22 interest shall be collected on such part of the deficiency for  
23 such period. If the part of the deficiency the time for pay-  
24 ment of which is so extended is not paid in accordance with  
25 the terms of the extension, there shall be collected, as a part

1 of the tax, interest on such unpaid amount at the rate of  
2 1 per centum a month for the period from the time fixed  
3 by the terms of the extension for its payment until it is paid,  
4 and no other interest shall be collected on such unpaid amount  
5 for such period.

6 (g) The 50 per centum addition to the tax provided  
7 by section 3176 of the Revised Statutes, as amended, shall,  
8 when assessed after the enactment of this Act in connection  
9 with an estate tax, be assessed, collected, and paid in the  
10 same manner as if it were a deficiency, except that the pro-  
11 visions of subdivision (e) of this section shall not be ap-  
12 plicable.

13 SEC. 309. (a) (1) Where the amount determined by  
14 the executor as the tax imposed by this title, or any part of  
15 such amount, is not paid on the due date of the tax, there shall  
16 be collected as a part of the tax, interest upon such unpaid  
17 amount at the rate of 1 per centum a month from the due  
18 date until it is paid.

19 (2) Where an extension of time for payment of the  
20 amount so determined as the tax by the executor has been  
21 granted, and the amount the time for payment of which has  
22 been extended, and the interest thereon determined under  
23 subdivision (c) of section 305, is not paid in full prior to  
24 the expiration of the period of the extension, then, in lieu of the  
25 interest provided for in paragraph (1) of this subdivision,

1 interest at the rate of 1 per centum a month shall be collected  
2 on such unpaid amount from the date of the expiration of  
3 the period of the extension until it is paid.

4 (b) Where a deficiency, or any interest assessed in  
5 connection therewith under subdivision (c) of section 308,  
6 or any addition to the tax provided for in section 3176 of the  
7 Revised Statutes, as amended, is not paid in full within 30  
8 days from the date of notice and demand from the collector,  
9 there shall be collected as part of the tax, interest upon the  
10 unpaid amount at the rate of 1 per centum a month from  
11 the date of such notice and demand until it is paid.

12 (c) If a claim in abatement is filed, as provided in  
13 section 312, the provisions of subdivision (b) of this section  
14 shall not apply to the amount covered by the claim in abate-  
15 ment.

16 **SEC. 310.** (a) Except as provided in section 311 and  
17 in subdivision (b) of section 308 and in subdivision (b) of  
18 section 312, the amount of the estate taxes imposed by this  
19 title shall be assessed within four years after the return was  
20 filed, and no proceeding in court for the collection of such  
21 taxes shall be begun after the expiration of five years after  
22 the return was filed.

23 (b) The period within which an assessment is required  
24 to be made by subdivision (a) of this section in respect of  
25 any deficiency shall be extended (1) by 60 days if a notice

1 of such deficiency has been mailed to the executor under sub-  
2 division (a) of section 309 and no appeal has been filed  
3 with the Board of Tax Appeals, or (2) if an appeal has  
4 been filed, then by the number of days between the date of  
5 the mailing of such notice and the date of the final decision  
6 by the Board.

7       **SEC. 311.** (a) In the case of a false or fraudulent re-  
8 turn with intent to evade tax or of a failure to file a return  
9 the tax may be assessed at any time.

10       (b) Where the assessment of the tax is made within the  
11 period prescribed in section 310 or in this section, such tax  
12 may be collected at any time by distraint or by a proceeding  
13 in court, but nothing in this section shall be construed as pre-  
14 venting the beginning, without assessment, of a proceeding  
15 in court for the collection of the tax before the expiration of  
16 the period prescribed in section 310.

17       **SEC. 312.** (a) If a deficiency has been assessed under  
18 subdivision (d) of section 308, the executor, within 30 days  
19 after notice and demand from the collector for the pay-  
20 ment thereof, may file with the collector a claim for the abate-  
21 ment of such deficiency, or any part thereof, or of any inter-  
22 est or additional amounts assessed in connection therewith, or  
23 of any part of any such interest or additional amounts.  
24 Such claim shall be accompanied by a bond, in such amount,  
25 not exceeding double the amount of the claim, and with such

1 *sureties, as the collector deems necessary, conditioned upon*  
2 *the payment of so much of the amount of the claim as is not*  
3 *abated, together with interest thereon as provided in subdivi-*  
4 *sion (c) of this section. Upon the filing of such claim and*  
5 *bond, the collection of so much of the amount assessed as is*  
6 *covered by such claim and bond shall be stayed pending the*  
7 *final disposition of the claim.*

8 *(b) If a claim is filed as provided in subdivision (a)*  
9 *of this section the collector shall transmit the claim immedi-*  
10 *ately to the Commissioner who shall by registered mail notify*  
11 *the executor of his decision on the claim. The executor may*  
12 *within 60 days after such notice is mailed file an appeal with*  
13 *the Board of Tax Appeals. If the claim is denied in whole*  
14 *or in part by the Commissioner (or by the Board in case*  
15 *an appeal has been filed) the amount, the claim for which*  
16 *is denied, shall be collected as part of the tax upon notice*  
17 *and demand from the collector, and the amount, the claim*  
18 *for which is allowed, shall be abated. A proceeding in*  
19 *court may be begun for any part of the amount, claim for*  
20 *which is allowed by the Board. Such proceeding shall be*  
21 *begun within one year after the final decision of the Board,*  
22 *and may be begun within such year even though the period*  
23 *of limitation prescribed in section 310 has expired.*

24 *(c) If the claim in abatement is denied in whole or in*  
25 *part, there shall be collected, at the same time as the part*



1 of the claim denied, and as a part of the tax, interest at the  
2 rate of 5 per centum per annum upon the amount of the  
3 claim denied, from the date of notice and demand from the  
4 collector under subdivision (d) of section 308 to the date  
5 of the notice and demand under subdivision (b) of this sec-  
6 tion. If the amount included in the notice and demand from  
7 the collector under subdivision (b) of this section is not paid  
8 in full within 30 days after such notice and demand, then  
9 there shall be collected, as part of the tax, interest upon the  
10 unpaid amount at the rate of 1 per centum a month from  
11 the date of such notice and demand until it is paid.

12 (d) Except as provided in this section, no claim in  
13 abatement shall be filed in respect of any assessment made  
14 after the enactment of this Act in respect of any estate tax.

15 SEC. 313. (a) The collector shall grant to the person  
16 paying the tax duplicate receipts, either of which shall be  
17 sufficient evidence of such payment, and shall entitle the  
18 executor to be credited and allowed the amount thereof by  
19 any court having jurisdiction to audit or settle his accounts.

20 If the executor files a complete return and makes  
21 written application to the Commissioner for determination  
22 of the amount of the tax and discharge from personal liability  
23 therefor, the Commissioner, as soon as possible and in any  
24 event within one year after receipt of such application, shall  
25 notify the executor of the amount of the tax, and upon pay-

1 next thereof the executor shall be discharged from personal  
2 liability for any additional tax thereafter found to be due  
3 and shall be entitled to receive a receipt or writing showing  
4 such discharge ~~provided, however,~~ That such discharge  
5 shall not operate to release the gross estate from the lien of  
6 any additional tax that may thereafter be found to be due  
7 while the title to such gross estate remains in the hands,  
8 devisees, or distributees thereof; but no part of such gross  
9 estate shall be subject to such lien or to any claim or demand  
10 for any such tax if the title thereto has passed to a bona fide  
11 purchaser for value.

12 *(b) If the executor makes written application to the*  
13 *Commissioner for determination of the amount of the tax and*  
14 *discharge from personal liability therefor, the Commissioner*  
15 *(as soon as possible, and in any event within one year after*  
16 *the making of such application, or, if the application is*  
17 *made before the return is filed, then within one year after*  
18 *the return is filed, but not after the expiration of the period*  
19 *prescribed for the assessment of the tax in section 310) shall*  
20 *notify the executor of the amount of the tax. The executor,*  
21 *upon payment of the amount of which he is notified, shall*  
22 *be discharged from personal liability for any deficiency in*  
23 *tax thereafter found to be due and shall be entitled to a*  
24 *receipt or writing showing such discharge.*

1       (c) The provisions of subdivision (b) shall not oper-  
2     ate as a release of the gross estate, or any part thereof, from  
3     the lien for any deficiency that may thereafter be determined  
4     to be due while title to such gross estate, or any part thereof,  
5     remains in the heirs, devisees, or distributees; but if the title  
6     to any part of the gross estate has passed to a bona fide pur-  
7     chaser for value, that part of the gross estate, the title  
8     to which has so passed, shall not be subject to a lien or to  
9     any claim or demand for any such tax.

10       SEC. 404 314: That if (a) If the tax herein imposed is  
11     not paid on or before the due date thereof the collector shall,  
12     upon instruction from the Commissioner, proceed to collect  
13     the tax under the provisions of general law, or commence  
14     appropriate proceedings in any court of the United States  
15     having jurisdiction, in the name of the United  
16     States, to subject the property of the decedent to  
17     be sold under the judgment or decree of the  
18     court. From the proceeds of such sale the amount of the  
19     tax, together with the costs and expenses of every descrip-  
20     tion to be allowed by the court, shall be first paid, and the  
21     balance shall be deposited according to the order of the court,  
22     to be paid under its direction to the person entitled thereto.

23       (b) If the tax or any part thereof is paid by, or col-  
24     lected out of that part of the estate passing to or in the pos-  
25     session of, any person other than the executor in his capacity

1 as such, such person shall be entitled to reimbursement out  
2 of any part of the estate still undistributed or by a just and  
3 equitable contribution by the persons whose interest in the  
4 estate of the decedent would have been reduced if the tax  
5 had been paid before the distribution of the estate or whose  
6 interest is subject to equal or prior liability for the payment  
7 of taxes, debts, or other charges against the estate, it being  
8 the purpose and intent of this title that so far as is practicable  
9 and unless otherwise directed by the will of the decedent the  
10 tax shall be paid out of the estate before its distribution. If  
11 any part of the gross estate consists of proceeds of policies of  
12 insurance upon the life of the decedent receivable by a bene-  
13 ficiary other than the executor, the executor shall be en-  
14 titled to recover from such beneficiary such portion of the  
15 total tax paid as the proceeds, in excess of \$40,000, of such  
16 policies bear to the net estate. If there is more than one such  
17 beneficiary the executor shall be entitled to recover from  
18 such beneficiaries in the same ratio.

19 ~~Sec. 400~~ 315. That unless (a) Unless the tax is  
20 sooner paid in full, it shall be a lien for ten years upon the  
21 gross estate of the decedent, except that such part of the  
22 gross estate as is used for the payment of charges against  
23 the estate and expenses of its administration, allowed by  
24 any court having jurisdiction thereof, shall be divested of  
25 such lien. If the Commissioner is satisfied that the tax lia-

1 bility of an estate has been fully discharged or provided  
2 for, he may, under regulations prescribed by him with the  
3 approval of the Secretary, issue his certificate, releasing  
4 any or all property of such estate from the lien herein im-  
5 posed.

6 (b) If ~~(a)~~ (1) the decedent makes a transfer of, or  
7 creates a trust with respect to, any property in contempla-  
8 tion of or intended to take effect in possession or enjoyment  
9 at or after his death (except in the case of a bona fide sale  
10 for a fair consideration in money or money's worth) or ~~(b)~~  
11 (2) if insurance passes under a contract executed by the  
12 decedent in favor of a specific beneficiary, and if in either  
13 case the tax in respect thereto is not paid when due, then  
14 the transferee, trustee, or beneficiary shall be personally  
15 liable for such tax, and such property, to the extent of the  
16 decedent's interest therein at the time of such transfer, or  
17 to the extent of such beneficiary's interest under such con-  
18 tract of insurance, shall be subject to a like lien equal to  
19 the amount of such tax. Any part of such property sold by  
20 such transferee or trustee to a bona fide purchaser for a fair  
21 consideration in money or money's worth shall be divested  
22 of the lien and a like lien shall then attach to all the property  
23 of such transferee or trustee, except any part sold to a bona  
24 fide purchaser for a fair consideration in money or money's  
25 worth.

1       **SEC. 316.** *If after the enactment of this Act the Commis-*  
2 *sioner determines that any assessment should be made in re-*  
3 *spect of any estate tax imposed by the Revenue Act of 1917,*  
4 *the Revenue Act of 1918, or the Revenue Act of 1921, or by*  
5 *any such Act as amended, the amount which should be as-*  
6 *essed (whether as deficiency or additional tax or as interest,*  
7 *penalty, or other addition to the tax) shall be computed as if*  
8 *this Act had not been enacted, but the amount so computed*  
9 *shall be assessed, collected, and paid in the same manner and*  
10 *subject to the same provisions and limitations (including the*  
11 *provisions in case of delinquency in payment after notice and*  
12 *demand) as in the case of the taxes imposed by this title, ex-*  
13 *cept that the period of limitation prescribed in section 1009*  
14 *shall be applied in lieu of the period prescribed in subdivision*  
15 *(a) of section 310.*

16       **SEC. 410 317.** *That whoever (a) Whoever knowingly*  
17 *makes any false statement in any notice or return required*  
18 *to be filed under this title shall be liable to a penalty of not*  
19 *exceeding \$5,000, or imprisonment not exceeding one year,*  
20 *or both.*

21       **(b)** *Whoever fails to comply with any duty imposed*  
22 *upon him by section 404 304, or, having in his possession*  
23 *or control any record, file, or paper, containing or supposed*  
24 *to contain any information concerning the estate of the*  
25 *decendent, or, having in his possession or control any prop-*

erty comprised in the gross estate of the decedent, fails to exhibit the same upon request to the Commissioner or any collector or law officer of the United States or his duly authorized deputy or agent, who desires to examine the same in the performance of his duties under this title, shall be liable to a penalty of not exceeding \$500, to be recovered, with costs of suit, in a civil action in the name of the United States.

SEC. 411 318. (a) ~~That the~~ The term "resident" as used in this title includes a citizen of the United States with respect to whose property any probate or administration proceedings are had in the United States Court for China. Where no part of the gross estate of such decedent is situated in the United States at the time of his death, the total amount of tax due under this title shall be paid to or collected by the clerk of such court, but where any part of the gross estate of such decedent is situated in the United States at the time of his death, the tax due under this title shall be paid to or collected by the collector of the district in which is situated the part of the gross estate in the United States, or, if such part is situated in more than one district, then the collector of such district as may be designated by the Commissioner.

(b) For the purpose of this section the clerk of the United States Court for China shall be a collector for the

1 territorial jurisdiction of such court, and taxes shall be col-  
2 lected by and paid to him in the same manner and subject  
3 to the same provisions of law, including penalties, as the  
4 taxes collected by and paid to a collector in the United  
5 States.

6 (c) The proviso in the Act entitled "An Act making  
7 appropriation for the Diplomatic and Consular Service for  
8 the fiscal year ending June 30, 1921," approved June 4,  
9 1920, which reads as follows: "*Provided, That in probate  
10 and administration proceedings there shall be collected by  
11 said clerk, before entering the order of final distribution, to  
12 be paid into the Treasury of the United States, the same  
13 inheritance taxes from time to time collected under the  
14 laws enacted by the Congress of the United States from the  
15 estates of decedents residing within the territorial jurisdiction  
16 of the United States,*" is hereby repealed.

17 *SEC. 319. On and after January 1, 1924, a tax equal*  
18 *to the sum of the following is hereby imposed upon the transfer*  
19 *of property by gift, whether made directly or indirectly, by*  
20 *every person, whether a resident or nonresident of the United*  
21 *States:*

22 *1 per centum of the amount of gifts not in excess of*  
23 *\$50,000;*

24 *2 per centum of the amount by which the gifts exceed*  
25 *\$50,000 and do not exceed \$100,000;*



- 1        *3 per centum of the amount by which the gifts exceed*  
2 *\$100,000 and do not exceed \$150,000;*
- 3        *4 per centum of the amount by which the gifts exceed*  
4 *\$150,000 and do not exceed \$250,000;*
- 5        *6 per centum of the amount by which the gifts exceed*  
6 *\$250,000 and do not exceed \$450,000;*
- 7        *9 per centum of the amount by which the gifts exceed*  
8 *\$450,000 and do not exceed \$750,000;*
- 9        *12 per centum of the amount by which the gifts exceed*  
10 *\$750,000 and do not exceed \$1,000,000;*
- 11       *15 per centum of the amount by which the gifts exceed*  
12 *\$1,000,000 and do not exceed \$1,500,000;*
- 13       *18 per centum of the amount by which the gifts exceed*  
14 *\$1,500,000 and do not exceed \$2,000,000;*
- 15       *21 per centum of the amount by which the gifts exceed*  
16 *\$2,000,000 and do not exceed \$3,000,000;*
- 17       *24 per centum of the amount by which the gifts exceed*  
18 *\$3,000,000 and do not exceed \$4,000,000;*
- 19       *27 per centum of the amount by which the gifts exceed*  
20 *\$4,000,000 and do not exceed \$5,000,000;*
- 21       *30 per centum of the amount by which the gifts exceed*  
22 *\$5,000,000 and do not exceed \$8,000,000;*
- 23       *35 per centum of the amount by which the gifts exceed*  
24 *\$8,000,000 and do not exceed \$10,000,000;*

1       40 per centum of the amount by which the gifts exceed  
2 \$10,000,000.<sup>15</sup>

3       SEC. 320. The amount of the gifts subject to the tax  
4 imposed by section 319, in the case of residents, shall be the  
5 sum of all the gifts made by such resident during the calendar  
6 year, and in the case of nonresidents, the sum of all gifts so  
7 made of property situated within the United States. If the  
8 gift is made in property, the fair market value thereof at the  
9 date of the gift shall be considered the amount of the gift sub-  
10 ject to the tax.

11       Where property is sold or exchanged for less than a  
12 fair consideration in money or money's worth, then the  
13 amount by which the fair market value of the property ex-  
14 ceeded the consideration received shall, for the purpose of the  
15 tax imposed by section 319, be deemed a gift, and shall be  
16 included in computing the amount of gifts made during the  
17 calendar year.<sup>16</sup>

18       SEC. 321. For the purpose of this tax the amount of  
19 the gift subject to the tax imposed by section 319 shall be de-  
20 termined—

21       (a) In the case of a resident, by deducting from the  
22 total amount of such gifts—

23       (1) An exemption of \$50,000;

24       (2) The amount of all gifts or contributions made  
25 within the calendar year to or for any donee or purpose

<sup>15</sup> For change from Treasury draft see Supplement, note No. 16. - del not of year

1 specified in paragraph (3) of subdivision (a) of section  
 2 303, or to the special fund for vocational rehabilitation au-  
 3 thorized by section 7 of the Vocational Rehabilitation Act;

4 (3) Gifts the aggregate amount of which to any one  
 5 person does not exceed \$500.

6 (b) In the case of a nonresident, by deducting from  
 7 the total amount of such gifts—

8 (1) The amount of all gifts or contributions made  
 9 within the calendar year to or for any donee or purpose  
 10 specified in paragraph (3) of subdivision (a) of section  
 11 303, or to the special fund for vocational rehabilitation  
 12 authorized by section 7 of the Vocational Rehabilitation Act;

13 (2) Gifts the aggregate amount of which to any one  
 14 person does not exceed \$500.<sup>16</sup>

15 SEC. 322. In case a tax has been imposed under sec-  
 16 tion 319 upon any gift, and thereafter upon the death of  
 17 the donor the amount thereof is required by any provision  
 18 of this title to be included in the gross estate of the decedent  
 19 then there shall be credited against and applied in reduction  
 20 of the estate tax, which would otherwise be chargeable against  
 21 the estate of the decedent under the provisions of section 301,  
 22 an amount equal to the tax paid with respect to such gift;  
 23 and in the event the donor has in any year paid the tax  
 24 imposed by section 319 with respect to a gift or gifts which  
 25 upon the death of the donor must be included in his gross

<sup>16</sup> For change from Treasury draft see Supplement, note No. 16.

1 estate and a gift or gifts not required to be so included, then  
 2 the amount of the tax which shall be deemed to have been paid  
 3 with respect to the gift or gifts required to be so included  
 4 shall be that proportion of the entire tax paid on account of  
 5 all such gifts which the amount of the gift or gifts required  
 6 to be so included bears or bear to the total amount of gifts  
 7 in that year.<sup>15</sup>

8       *SEC. 323.* Any person who within the year 1924 or any  
 9 calendar year thereafter makes any gift or gifts of an aggre-  
 10 gate value in excess of \$10,000 shall, on or before the 15th  
 11 day of the third month following the close of the calendar  
 12 year, file with the collector a return under oath in duplicate,  
 13 listing and setting forth therein all gifts and contributions  
 14 by him made during such calendar year, and the fair market  
 15 value thereof when made, and also all sales and exchanges  
 16 of property owned by him made within such year for less  
 17 than a fair consideration in money or money's worth, stating  
 18 therein the fair market value of the property so sold or  
 19 exchanged and that of the consideration received by him, both  
 20 as of the date of such sale or exchange.<sup>16</sup>

21       *SEC. 324.* The tax imposed by section 319 shall be  
 22 paid by the donor on or before the 15th day of the third  
 23 month following the close of the calendar year, and shall  
 24 be assessed, collected, and paid in the same manner and

<sup>15</sup> For change from Treasury draft see Supplement, note No. 10.

1 *subject, in so far as applicable, to the same provisions of*  
 2 *law as the tax imposed by section 301.<sup>18</sup>*

3 **TITLE V.—TAX ON TELEGRAPH AND TELE-**  
 4 **PHONE MESSAGES.**

5 **SEC. 500.** That from and after January 1, 1922, there  
 6 shall be levied, assessed, collected, and paid, in lieu of the  
 7 taxes imposed by section 500 of the Revenue Act of 1918—

8 (a) In the case of each telegraph, telephone, cable,  
 9 or radio, dispatch, message, or conversation, which origi-  
 10 nates on or after such date within the United States, and  
 11 for the transmission of which the charge is more than 14  
 12 cents and not more than 50 cents, a tax of 5 cents; and if  
 13 the charge is more than 50 cents, a tax of 10 cents: *Pro-*  
 14 *vided*, That only one payment of such tax shall be required,  
 15 notwithstanding the lines or stations of one or more persons  
 16 are used for the transmission of such dispatch, message, or  
 17 conversation; and

18 (b) A tax equivalent to 10 per centum of the amount  
 19 paid after such date to any telegraph or telephone company  
 20 for any leased wire or talking circuit special service fur-  
 21 nished after such date. This subdivision shall not apply  
 22 to the amount paid for so much of such service as is utilized  
 23 (1) in the collection and dissemination of news through  
 24 the public press, or (2) in the conduct, by a common car-

\* For change from Treasury draft see Supplement, note No. 10.

1 rior or telegraph or telephone company, of its business as  
2 such;

3 (c) No tax shall be imposed under this section upon  
4 any payment received for services rendered to the United  
5 States or to any State or Territory or the District of Colum-  
6 bia. The right to exemption under this subdivision shall be  
7 evidenced in such manner as the Commissioner, with the ap-  
8 proval of the Secretary, may by regulation prescribe.

9 (d) Under regulations prescribed by the Commissioner  
10 with the approval of the Secretary, refund shall be made of  
11 the proportionate part of the tax collected under subdivision  
12 (c) or (d) of section 500 of the Revenue Act of 1918 on  
13 tickets or mileage books purchased and only partially used  
14 before January 1, 1922.

15 **NOTE.**—The above subdivision of the Revenue Act of 1921  
16 is not proposed to be repealed by the present bill, but is printed  
above in stricken-through type for the purposes of information.

17 **SEC. 501.** That the taxes imposed by section 500 shall  
18 be paid by the person paying for the services or facilities  
19 rendered:

20 **SEC. 502.** (a) That each person receiving any pay-  
21 ments referred to in section 500 shall collect the amount of  
22 the tax, if any, imposed by such section from the person  
23 making such payments, and shall make monthly returns  
24 under oath, in duplicate, and pay the taxes so collected to

1 the collector of the district in which the principal office or  
2 place of business is located.

3 (b) Any person making a refund of any payment upon  
4 which tax is collected under this section may repay therewith  
5 the amount of the tax collected on such payment; and the  
6 amount so repaid may be credited against amounts included  
7 in any subsequent monthly return.

8 (c) The returns required under this section shall con-  
9 tain such information, and be made at such times and in  
10 such manner, as the Commissioner, with the approval of the  
11 Secretary, may by regulation prescribe.

12 (d) The tax shall, without assessment by the Com-  
13 missioner or notice from the collector, be due and payable to  
14 the collector at the time so fixed for filing the return. If  
15 the tax is not paid when due, there shall be added <sup>as</sup> part of  
16 the tax a penalty of 5 per centum, together with interest  
17 at the rate of 4 per centum for each full month, from the time  
18 when the tax became due.

19 **TITLE VI.—TAX ON BEVERAGES AND CONSTITU-**  
20 **ENT PARTS THEREOF.**

21 **Sec. 600.** That subdivision (a) of section 600 of the  
22 Revenue Act of 1918 is amended by striking out the period  
23 at the end thereof and inserting a colon and the following:  
24 "Provided, That on all distilled spirits on which tax is paid  
25 at the nonbeverage rate of \$2.20 per proof gallon and which

1 are diverted to beverage purposes or for use in the manu-  
 2 facture or production of any article used or intended for  
 3 use as a beverage, there shall be levied and collected an  
 4 additional tax of \$4.00 on each proof gallon, and a propor-  
 5 tionate tax at a like rate on all fractional parts of such proof  
 6 gallon, to be paid by the person responsible for such  
 7 diversion."

8 **NOTE.**—The above section of the Revenue Act of 1921 is  
 9 not proposed to be repealed by this bill, but is printed above in  
 stricken-through type for purposes of information.

10 **SEC. 601.** That section 605 of the Revenue Act of  
 11 1918 is amended by adding at the end thereof the following:  
 12 "The process of extraction of water from high-proof spirits  
 13 for the production of absolute alcohol shall not be deemed  
 14 to be rectification within the meaning of section 2244 of  
 15 the Revised Statutes, and absolute alcohol shall not be sub-  
 16 ject to the tax imposed by this section, but the production  
 17 of such absolute alcohol shall be under such regulations as  
 18 the Commissioner, with the approval of the Secretary, may  
 19 prescribe."

20 **NOTE.**—The above section of the Revenue Act of 1921 is  
 21 not proposed to be repealed by this bill, but is printed above in  
 stricken-through type for purposes of information.

22 **SEC. 602.** That from and after January 1, 1922, there  
 23 shall be levied, assessed, collected, and paid, in lieu of the  
 24 taxes imposed by sections 628 and 630 of the Revenue Act  
 25 of 1918—



1 (a) Upon all beverages derived wholly or in part from  
2 cereals or substitutes therefor, containing less than one-half  
3 of 1 per centum of alcohol by volume, sold by the manufac-  
4 turer, producer, or importer, a tax of 2 cents per gallon.

5 (b) Upon all unfermented fruit juices, in natural or  
6 slightly concentrated form, or such fruit juices to which  
7 sugar has been added (as distinguished from finished or  
8 fountain syrups), intended for consumption as beverages  
9 with the addition of water or water and sugar, and upon  
10 all imitations of any such fruit juices, and upon all car-  
11 bonated beverages, commonly known as soft drinks (except  
12 those described in subdivision (a)), manufactured, com-  
13 pounded, or mixed by the use of concentrate, essence, or  
14 extract, instead of a finished or fountain syrup, sold by the  
15 manufacturer, producer or importer, a tax of 2 cents per  
16 gallon.

17 (c) Upon all still drinks, containing less than one-half  
18 of 1 per centum of alcohol by volume, intended for consump-  
19 tion as beverages in the form in which sold (except natural  
20 or artificial mineral and table waters and imitations thereof,  
21 and pure apple cider), sold by the manufacturer, producer,  
22 or importer, a tax of 2 cents per gallon.

23 (d) Upon all natural or artificial mineral waters or  
24 table waters, whether carbonated or not, and all imitations  
25 thereof, sold by the producer, bottler, or importer thereof, in

1 bottles or other closed containers, at over  $1\frac{1}{2}$  cents per  
2 gallon, a tax of 2 cents per gallon.

3 (e) Upon all finished or fountain sirups of the kinds  
4 used in manufacturing, compounding, or mixing drinks com-  
5 monly known as soft drinks, sold by the manufacturer, pro-  
6 ducer, or importer, a tax of 9 cents per gallon, except that  
7 in the case of any such sirups intended to be used in the  
8 manufacture of carbonated beverages sold in bottles or other  
9 closed containers the rate shall be 5 cents per gallon. Where  
10 any person conducting a soda fountain, ice cream parlor, or  
11 other similar place of business manufactures any sirups of the  
12 kinds described in this subdivision, there shall be levied,  
13 assessed, collected, and paid on each gallon manufactured  
14 and used in the preparation of soft drinks a tax of 9 cents  
15 per gallon; and where any person manufacturing carbonated  
16 beverages manufactures and uses any such sirups in the  
17 manufacture of carbonated beverages sold in bottles or other  
18 closed containers there shall be levied, assessed, collected,  
19 and paid on each gallon of such sirups a tax of 5 cents  
20 per gallon. The taxes imposed by this subdivision shall not  
21 apply to finished or fountain sirups sold for use in the manu-  
22 facture of a beverage subject to tax under subdivision (a)  
23 or (e).

1 (f). Upon all carbonic acid gas sold by the manufacturer,  
2 producer, or importer to a manufacturer of any carbonated  
3 beverages, or to any person conducting a soda fountain, ice  
4 cream parlor, or other similar place of business, and upon  
5 all carbonic acid gas used by the manufacturer, producer, or  
6 importer thereof in the preparation of soft drinks, a tax of  
7 4 cents per pound.<sup>17</sup>

8 **SEC. 602. (a)** That each manufacturer, producer, or  
9 importer of any of the articles enumerated in section 602  
10 and each person who sells carbonic acid gas to a manufac-  
11 turer of carbonated beverages or to a person conducting a  
12 soda fountain, ice cream parlor, or other similar place of  
13 business, shall make monthly returns under oath in duplicate  
14 and pay the tax imposed in respect to the articles enumerated  
15 in section 602 to the collector for the district in which is  
16 located the principal place of business. Such returns shall  
17 contain such information and be made at such times and in  
18 such manner as the Commissioner, with the approval of the  
19 Secretary, may by regulations prescribe. The tax shall,  
20 without assessment by the Commissioner or notice from the  
21 collector, be due and payable to the collector at the time so  
22 fixed for filing the return. If the tax is not paid when due,  
23 there shall be added as part of the tax a penalty of 5 per  
24 centum together with interest at the rate of 4 per centum for  
25 each full month from the time when the tax became due.

<sup>17</sup> For change from Treasury draft see Supplement, note No. 17.

1       (b) Each person required to pay any tax imposed by  
 2 section 602 shall procure and keep posted a certificate of  
 3 registry in accordance with regulations to be prescribed  
 4 by the Commissioner, with the approval of the Secretary.  
 5 Any person who fails to register or keep posted any certifi-  
 6 cate of registry in accordance with such regulations, shall be  
 7 subject to a penalty of not more than \$1,000 for each such  
 8 offense.<sup>17</sup>

9       **TITLE ~~XX~~ IV.—TAX ON CIGARS, TOBACCO,**  
 10       **AND MANUFACTURES THEREOF.**

11       **SEC. ~~700~~ 400.** (a) ~~That upon~~ Upon cigars and ciga-  
 12 rettes manufactured in or imported into the United States,  
 13 and hereafter sold by the manufacturer or importer, or re-  
 14 moved for consumption or sale, there shall be levied, col-  
 15 lected, and paid under the provisions of existing law, in lieu  
 16 of the internal-revenue taxes now imposed thereon by sec-  
 17 tion 700 of the Revenue Act of ~~1918~~ 1921, the following  
 18 taxes, to be paid by the manufacturer or importer thereof—

19       On cigars of all descriptions made of tobacco, or any  
 20 substitute therefor, and weighing not more than three pounds  
 21 per thousand, \$1.50 per thousand;

22       On cigars made of tobacco, or any substitute therefor,  
 23 and weighing more than three pounds per thousand, if manu-  
 24 factured or imported to retail at not more than 5 cents each,  
 25 \$4 per thousand;

<sup>17</sup> For change from Treasury draft see Supplement, note No. 17.

1        If manufactured or imported to retail at more than  
2 5 cents each and not more than 8 cents each, \$6 per  
3 thousand;

4        If manufactured or imported to retail at more than 8  
5 cents each and not more than 15 cents each, \$9 per thou-  
6 sand;

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

10       If manufactured or imported to retail at more than  
11 20 cents each, \$15 per thousand;

12       On cigarettes made of tobacco, or any substitute there-  
13 for, and weighing not more than three pounds per thousand,  
14 \$3 per thousand;

15       Weighing more than three pounds per thousand, \$7.20  
16 per thousand.

17       (b) Whenever in this section reference is made to  
18 cigars manufactured or imported to retail at not over a  
19 certain price each, then in determining the tax to be paid  
20 regard shall be had to the ordinary retail price of a single  
21 cigar.

22       (c) The Commissioner may, by regulation, require the  
23 manufacturer or importer to affix to each box, package, or  
24 container a conspicuous label indicating the clause of this  
25 section under which the cigars therein contained have been

1 tax-paid, which must correspond with the tax-paid stamp  
2 on such box or container.

3 (d) Every manufacturer of cigarettes (including small  
4 cigars weighing not more than three pounds per thousand)  
5 shall put up all the cigarettes and such small cigars that  
6 he manufactures or has manufactured for him, and sells  
7 or removes for consumption or sale, in packages or parcels  
8 containing five, eight, ten, twelve, fifteen, sixteen, twenty,  
9 twenty-four, forty, fifty, eighty, or one hundred cigarettes  
10 each, and shall securely affix to each of such packages or  
11 parcels a suitable stamp denoting the tax thereon and shall  
12 properly cancel the same prior to such sale or removal for  
13 consumption or sale under such regulations as the Commis-  
14 sioner, with the approval of the Secretary, shall prescribe:  
15 and all cigarettes imported from a foreign country shall be  
16 packed, stamped, and the stamps canceled in a like manner,  
17 in addition to the import stamp indicating inspection of the  
18 customhouse before they are withdrawn therefrom.

19 **Sec. 704 401.** (a) Upon all tobacco and snuff manu-  
20 factured in or imported into the United States, and hereafter  
21 sold by the manufacturer or importer, or removed for con-  
22 sumption or sale, there shall be levied, collected, and paid,  
23 in lieu of the internal-revenue taxes now imposed thereon by  
24 section 701 of the Revenue Act of ~~1918~~ 1921, a tax of 18

1 cents per pound, to be paid by the manufacturer or importer  
2 thereof.

3 (b) Section 3362 of the Revised Statutes, as amended  
4 by section 701 of the Revenue Act of 1918, is re-enacted  
5 without change, as follows:

6 "Sec. 3362. All manufactured tobacco shall be put up  
7 and prepared by the manufacturer for sale, or removal for  
8 sale or consumption, in packages of the following description  
9 and in no other manner:

10 "All smoking tobacco, snuff, fine-cut chewing tobacco,  
11 all cut and granulated tobacco, all shorts, the refuse of fine-  
12 cut chewing, which has passed through a riddle of thirty-six  
13 meshes to the square inch, and all refuse scraps, clippings,  
14 cuttings, and sweepings of tobacco, and all other kinds of  
15 tobacco not otherwise provided for, in packages containing  
16 one-eighth of an ounce, three-eighths of an ounce, and fur-  
17 ther packages with a difference between each package and  
18 the one next smaller of one-eighth of an ounce up to and in-  
19 cluding two ounces, and further packages with a difference  
20 between each package and the one next smaller of one-fourth  
21 of an ounce up to and including four ounces, and packages  
22 of five ounces, six ounces, seven ounces, eight ounces, ten  
23 ounces, twelve ounces, fourteen ounces, and sixteen ounces:  
24 *Provided*, That snuff may, at the option of the manufacturer,

1 be put up in bladders and in jars containing not exceeding  
2 twenty pounds.

3 "All cavendish, plug, and twist tobacco, in wooden  
4 packages not exceeding two hundred pounds net weight.

5 "And every such wooden package shall have printed or  
6 marked thereon the manufacturer's name and place of manu-  
7 facture, the registered number of the manufactory, and the  
8 gross weight, the tare, and the net weight of the tobacco in  
9 each package: *Provided*, That these limitations and descrip-  
10 tions of packages shall not apply to tobacco and snuff trans-  
11 ported in bond for exportation and actually exported: *And*  
12 *provided further*, That perique tobacco, snuff flour, fine-cut  
13 shorts, the refuse of fine-cut chewing tobacco, refuse scraps,  
14 clippings, cuttings, and sweepings of tobacco, may be sold in  
15 bulk as material, and without the payment of tax, by one  
16 manufacturer directly to another manufacturer, or for export,  
17 under such restrictions, rules, and regulations as the Com-  
18 missioner of Internal Revenue may prescribe: *And provided*  
19 *further*, That wood, metal, paper, or other materials may be  
20 used separately or in combination for packing tobacco, snuff,  
21 and cigars, under such regulations as the Commissioner of  
22 Internal Revenue may establish."

23 ~~Sec. 703~~ 402. ~~That there~~ *There* shall be levied, col-  
24 lected, and paid, in lieu of the taxes imposed by section 703  
25 of the Revenue Act of ~~1918~~ 1921, upon cigarette paper



1 made up into packages, books, sets, or tubes, made up in or  
2 imported into the United States and hereafter sold by the  
3 manufacturer or importer to any person (other than to a  
4 manufacturer of cigarettes for use by him in the manufac-  
5 ture of cigarettes), the following taxes, to be paid by the  
6 manufacturer or importer: On each package, book, or set  
7 containing more than twenty-five but not more than fifty  
8 papers,  $\frac{1}{2}$  cent; containing more than fifty but not more than  
9 one hundred papers, 1 cent; containing more than one  
10 hundred papers,  $\frac{1}{2}$  cent for each fifty papers or fractional  
11 part thereof; and upon tubes, 1 cent for each fifty tubes or  
12 fractional part thereof.

13 Every manufacturer of cigarettes purchasing any ciga-  
14 rette paper made up into tubes (a) shall give bond in an  
15 amount and with sureties satisfactory to the Commissioner  
16 that he will use such tubes in the manufacture of cigarettes or  
17 pay thereon a tax equivalent to the tax imposed by this sec-  
18 tion, and (b) shall keep such records and render under oath  
19 such returns as the Commissioner finds necessary to show  
20 the disposition of all tubes purchased or imported by such  
21 manufacturer of cigarettes.

22 ~~SEC. 704 403. That section~~ Section 3360 of the Revised  
23 Statutes, as amended by section 704 of the Revenue Act of  
24 1918, is ~~re-enacted without change,~~ amended to read as  
25 follows:

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

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

17       "Every such dealer shall be assigned a number by  
18 the collector of the district, which number shall appear in  
19 every inventory, invoice and report rendered by the dealer,  
20 who shall also obtain certificates from the collector of the  
21 district setting forth the place where his business is car-  
22 ried on and the places designated by the dealer as the  
23 places of storage of his tobacco, which certificates shall be  
24 posted conspicuously within the dealer's registered place of  
25 business, and within each designated place of storage.

1           “(b) Every dealer in leaf tobacco shall make and de-  
2 liver to the collector of the district a true inventory of the  
3 quantity of the different kinds of tobacco held or owned,  
4 and where stored by him, on the 1st day of January of  
5 each year, or at the time of commencing and at the time  
6 of concluding business, if before or after the 1st day of  
7 January, such inventory to be made under oath and ren-  
8 dered in such form as may be prescribed by the Commis-  
9 sioner.

10           “Every dealer in leaf tobacco shall render such in-  
11 voices and keep such records as shall be prescribed by the  
12 Commissioner, and shall enter therein, day by day, and  
13 upon the same day on which the circumstance, thing or  
14 act to be recorded is done or occurs, an accurate account  
15 of the number of hogsheads, tierces, cases and bales, and  
16 quantity of leaf tobacco contained therein, purchased or  
17 received by him, on assignment, consignment, for storage,  
18 by transfer or otherwise, and of whom purchased or re-  
19 ceived, and the number of hogsheads, tierces, cases and  
20 bales, and the quantity of leaf tobacco contained therein,  
21 sold by him, with the name and residence in each instance  
22 of the person to whom sold, and if shipped, to whom  
23 shipped, and to what district; such records shall be kept at  
24 his place of business at all times and preserved for a period  
25 of two years, and the same shall be open at all hours for the  
26 inspection of any internal-revenue officer or agent.

1        " Every dealer in leaf tobacco on or before the tenth  
2 day of each month, shall furnish to the collector of the dis-  
3 trict a true and complete report of all purchases, receipts,  
4 sales and shipments of leaf tobacco made by him during the  
5 month next preceding, which report shall be verified and  
6 rendered in such form as the Commissioner, with the ap-  
7 proval of the Secretary, shall prescribe.

8        "(c) Sales or shipments of leaf tobacco by a dealer  
9 in leaf tobacco shall be in quantities of not less than a  
10 hogshead, tierce, case, or bale, except loose leaf tobacco  
11 comprising the breaks on warehouse floors, and except to  
12 a duly registered manufacturer of cigars for use in his own  
13 manufactory exclusively.

14        " Dealers in leaf tobacco shall make shipments of leaf  
15 tobacco only to other dealers in leaf tobacco, to registered  
16 manufacturers of tobacco, snuff, cigars or cigarettes, or for  
17 export.

18        "(d) Upon all leaf tobacco sold, removed or shipped  
19 by any dealer in leaf tobacco in violation of the provisions  
20 of subdivision (c), or in respect to which no report has been  
21 made by such dealer in accordance with the provisions of sub-  
22 division (b), there shall be levied, assessed, collected and  
23 paid a tax equal to the tax then in force upon manufactured  
24 tobacco, such tax to be assessed and collected in the same  
25 manner as the tax on manufactured tobacco.

1       “(c) Every dealer in leaf tobacco—

2       “(1) who neglects or refuses to furnish the statement,  
3 to give bond, to keep books, to file inventory or to render the  
4 invoices, returns or reports required by the Commissioner,  
5 or to notify the collector of the district of additions to his  
6 places of storage; or

7       “(2) who ships or delivers leaf tobacco, except as  
8 herein provided; or

9       “(3) who fraudulently omits to account for tobacco  
10 purchased, received, sold, or shipped;

11 shall be fined not less than \$100 or more than \$500, or  
12 imprisoned not more than one year, or both.

13       “(f) For the purposes of this section a farmer or grower  
14 of tobacco shall not be regarded as a dealer in leaf tobacco  
15 in respect to the leaf tobacco produced by him.”

16       “(f) For the purpose of this section a farmer or grower  
17 of tobacco or a tobacco growers' cooperative association shall  
18 not be regarded as a dealer in leaf tobacco in respect to the  
19 leaf tobacco produced by him or handled by such association.

20 As used in this section the term 'tobacco growers' cooperative  
21 association' means an association of farmers or growers of  
22 tobacco organized and operated as sales agent for the purpose  
23 of marketing the tobacco produced by its members and turning  
24 back to them the proceeds of sales, less the necessary selling

1 *expenses, on the basis of the quantity and quality of tobacco*  
 2 *furnished by them."*

3 **TITLE VIII F.—TAX ON ADMISSIONS AND DUES.**

4 **SEC. ~~800~~ 500.<sup>18</sup>** (a) *That from and after January 4,*  
 5 *~~1922.~~ On and after the date this title takes effect, there shall*  
 6 *be levied, assessed, collected, and paid, in lieu of the taxes*  
 7 *imposed by section 800 of the Revenue Act of ~~1918~~ 1921—*

8 (1) A tax of 1 cent for each 10 cents or fraction  
 9 thereof of the amount paid for admission to any place on  
 10 or after such date, including admission by season ticket or  
 11 subscription, to be paid by the person paying for such ad-  
 12 mission; but where the amount paid for admission is ~~40~~ 50  
 13 cents or less, no tax shall be imposed;

14 (2) Upon tickets or cards of admission to theaters,  
 15 operas, and other places of amusement, sold at news stands,  
 16 hotels, and places other than the ticket offices of such  
 17 theaters, operas, or other places of amusement, at not to  
 18 exceed 50 cents in excess of the sum of the established  
 19 price therefor at such ticket offices plus the amount of any  
 20 tax imposed under paragraph (1), a tax equivalent to 5  
 21 per centum of the amount of such excess; and if sold for  
 22 more than 50 cents in excess of the sum of such estab-  
 23 lished price plus the amount of any tax imposed under  
 24 paragraph (1), a tax equivalent to 50 per centum of the  
 25 whole amount of such excess, such taxes to be returned and

<sup>18</sup> For change from Treasury draft see Supplement, note No. 12.

1 paid, in the manner and subject to the ~~penalties and~~ interest  
2 provided in section ~~603~~ 603, by the person selling such  
3 tickets;

4 (3) A tax equivalent to 50 per centum of the amount  
5 for which the proprietors, managers, or employees of any  
6 opera house, theater, or other place of amusement sell or  
7 dispose of tickets or cards of admission in excess of the  
8 regular or established price or charge therefor, such tax to  
9 be returned and paid, in the manner and subject to the  
10 ~~penalties and~~ interest provided in section ~~603~~ 603, by the  
11 person selling such tickets;

12 (4) In the case of persons having the permanent use  
13 of boxes or seats in an opera house or any place of amuse-  
14 ment or a lease for the use of such box or seat in such opera  
15 house or place of amusement (in lieu of the tax imposed by  
16 paragraph (1)), a tax equivalent to 10 per centum of the  
17 amount for which a similar box or seat is sold for each per-  
18 formance or exhibition at which the box or seat is used or  
19 reserved by or for the lessee or holder, such tax to be paid  
20 by the lessee or holder; and

21 (5) A tax of  $1\frac{1}{2}$  cents for each 10 cents or fraction  
22 thereof of the amount paid for admission to any public  
23 performance for profit at any roof garden, cabaret, or other  
24 similar entertainment, to which the charge for admission is  
25 wholly or in part included in the price paid for refreshment.

1 service, or merchandise; the amount paid for such admission  
2 to be deemed to be 20 per centum of the amount paid for  
3 refreshment, service, and merchandise; such tax to be paid  
4 by the person paying for such refreshment, service, or mer-  
5 chandise. *Where the amount paid for admission is 50 cents*  
6 *or less, no tax shall be imposed.*

7 (b) No tax shall be levied under this title in respect  
8 to of (1) any admissions all the proceeds of which inure (A)  
9 exclusively to the benefit of religious, educational, or chari-  
10 table institutions, societies, or organizations, any post of the  
11 American Legion or the women's auxiliary units thereof,  
12 societies for the prevention of cruelty to children or ani-  
13 mals, or societies or organizations conducted for the sole  
14 purpose of maintaining symphony orchestras and receiving  
15 substantial support from voluntary contributions, or of im-  
16 proving any city, town, village, or other municipality, or  
17 of maintaining a cooperative or community center moving-  
18 picture theater—if no part of the net earnings thereof inures  
19 to the benefit of any private stockholder or individual; or  
20 (B) exclusively to the benefit of persons in the military or  
21 naval forces of the United States; or (C) exclusively to the  
22 benefit of persons who have served in such forces and are  
23 in need; or (D) exclusively to the benefit of National Guard  
24 organizations, Reserve Officers' associations or organizations,  
25 posts or organizations of war veterans, or auxiliary units or



1 *societies of any such posts or organizations, if such posts,*  
2 *organizations, units, or societies are organized in the United*  
3 *States or any of its possessions, and if no part of their net*  
4 *earnings inures to the benefit of any private stockholder or*  
5 *individual; or (E) exclusively to the benefit of members of*  
6 *the police or fire department of any city, town, village, or other*  
7 *municipality, or the dependents or heirs of such members;*  
8 or (2) any admissions to agricultural fairs if no part  
9 of the net earnings thereof inures to the benefit of any  
10 stockholders or members of the association conducting the  
11 same, or admissions to any exhibit, entertainment, or other  
12 pay feature conducted by such association as part of any  
13 such fair—if the proceeds therefrom are used exclusively  
14 for the improvement, maintenance and operation of such  
15 agricultural fairs.

16 (c) The term "admission" as used in this title in-  
17 cludes seats and tables, reserved or otherwise, and other  
18 similar accommodations, and the charges made therefor.

19 (d) The price (exclusive of the tax to be paid by the  
20 person paying for admission) at which every admission ticket  
21 or card is sold shall be conspicuously and indelibly printed,  
22 stamped, or written on the face or back of that part of the  
23 ticket which is to be taken up by the management of the  
24 theater, opera, or other place of amusement, together with  
25 the name of the vendor if sold other than at the ticket office

1 of the theater, opera, or other place of amusement. Who-  
 2 ever sells an admission ticket or card on which the name of  
 3 the vendor and price is not so printed, stamped, or written,  
 4 or at a price in excess of the price so printed, stamped, or  
 5 written thereon, is guilty of a misdemeanor, and upon con-  
 6 viction thereof shall be fined not more than \$100.<sup>18</sup>

7 **SEC. 804 501.** *That from and after January 1, 1922,*  
 8 *there* *On and after the date this title takes effect there-*  
 9 *shall be levied, assessed, collected, and paid, in lieu of the*  
 10 *taxes imposed by section 801 of the Revenue Act of 1918*  
 11 *1921, a tax equivalent to 10 per centum of any amount paid*  
 12 *on or after such date, for any period after such date, (a) as*  
 13 *dues or membership fees (where the dues or fees of an active*  
 14 *resident annual member are in excess of \$10 per year) to any*  
 15 *social, athletic, or sporting club or organization; or (b) as*  
 16 *initiation fees to such a club or organization, if such fees*  
 17 *amount to more than \$10, or if the dues or membership fees*  
 18 *(not including initiation fees) of an active resident annual*  
 19 *member are in excess of \$10 per year; such taxes to be paid*  
 20 *by the person paying such dues or fees: Provided, That there*  
 21 *shall be exempted from the provisions of this section all*  
 22 *amounts paid as dues or fees to a fraternal society, order,*  
 23 *or association, operating under the lodge system, or to any*  
 24 *local fraternal organization among the students of a college or*  
 25 *university. In the case of life memberships a life member*

<sup>18</sup> For change from Treasury draft see Supplement, note No. 18.

1 shall pay annually, at the time for the payment of dues by  
 2 active resident annual members, a tax equivalent to the tax  
 3 upon the amount paid by such a member, but shall pay no  
 4 tax upon the amount paid for life membership.

5 **SEC. 502.** *That every (a) Every person receiving*  
 6 *any payments for such admission, dues or fees shall collect the*  
 7 *amount of the tax imposed by section 500 or 501 or 501*  
 8 *from the person making such payments. Every club or or-*  
 9 *ganization having life members shall collect from such mem-*  
 10 *bers the amount of the tax imposed by section 501. In*  
 11 *all the above cases returns and payments of the amount so*  
 12 *collected shall be made at the same time and in the same*  
 13 *manner and subject to the same penalties and interest as*  
 14 *provided in section 502. Such persons shall make monthly*  
 15 *returns under oath, in duplicate, and pay the taxes so collected*  
 16 *to the collector of the district in which the principal office or*  
 17 *place of business is located.*

18 *(b) Any person making a refund of any payment upon*  
 19 *which tax is collected under this section may repay therewith*  
 20 *the amount of the tax collected on such payment; and the*  
 21 *amount so repaid may be credited against amounts included*  
 22 *in any subsequent monthly return.*

23 *(c) The returns required under this section shall con-*  
 24 *tain such information, and be made at such times and in such*

1 manner, as the Commissioner, with the approval of the Sec-  
2 retary, may by regulation prescribe.

3 (d) The tax shall, without assessment by the Commis-  
4 sioner or notice from the collector, be due and payable to the  
5 collector at the time so fixed for filing the return. If the tax  
6 is not paid when due, there shall be added as part of the tax  
7 interest at the rate of 1 per centum a month from the time  
8 when the tax became due until paid.

9 **NOTE.**—The above portion of this section printed in italics  
10 is similar to section 502 of the Revenue Act of 1921, which is  
11 proposed to be repealed by this bill, but which by section 802  
of the existing law was made applicable to the collection of the  
tax on dues and membership fees.

12 **SEC. 503.** This title shall take effect on the expiration  
13 of 30 days after the enactment of this Act.

#### 14 TITLE IX VI.—EXCISE TAXES.

15 **SEC. 600 600.**<sup>10</sup> That from and after January 1, 1922,  
16 there There shall be levied, assessed, collected, and paid  
17 upon the following articles sold or leased by the manufac-  
18 turer, producer, or importer, a tax equivalent to the follow-  
19 ing percentage of the price for which so sold or leased—

20 (1) Automobile trucks and automobile wagons (in-  
21 cluding tires, inner tubes, parts, and accessories therefor,  
22 sold on or in connection therewith or with the sale thereof),  
23 3 per centum: *Provided, That this paragraph (1) shall not*  
24 *apply to automobile trucks or automobile wagons, (nor to the*  
25 *chassis thereof if sold separately) if the selling price of the*  
26 *chassis of such trucks or wagons is not in excess of \$1,000;*

<sup>10</sup> For change from Treasury draft see Supplement, note No. 12.

1           (2) Other automobiles and motor cycles (including  
2 tires, inner tubes, parts, and accessories therefor, sold on or  
3 in connection therewith or with the sale thereof), except  
4 tractors, 5 per centum;

5           (3) Tires, inner tubes, parts, or accessories for any of  
6 the articles enumerated in subdivision (1) or (2), sold to  
7 any person other than a manufacturer or producer of any of  
8 the articles enumerated in *taxed under* subdivision (1) or  
9 (2), 5  $\frac{1}{2}$  per centum;

10          (4) Cameras, weighing not more than 100 pounds,  
11 and lenses for such cameras, 10 per centum;

12          (5) Photographic films and plates (other than moving-  
13 picture films *and other than X-ray films or plates*), 5 per  
14 centum;

15          ~~(6)~~ Candy, 3 per centum;

16          ~~(7)~~ (6) Firearms, shells, and cartridges, except those  
17 sold for the use of the United States, any State, Territory, or  
18 possession of the United States, any political subdivision  
19 thereof, or the District of Columbia, 10 per centum;

20          ~~(8)~~ Hunting and bowie knives, 10 per centum;

21          ~~(9)~~ Dirk knives, daggers, sword canes, stilettes, and  
22 brass or metallic knuckles, 100 per centum;

23          ~~(10)~~ (7) Cigar or cigarette holders and pipes, com-  
24 posed wholly or in part of meerschaum or amber, *and*  
25 humidors, *and smoking stands*, 10 per centum;

1       ~~(11)~~ (8) Automatic slot-device vending machines, 5  
 2 per centum, and automatic slot-device weighing machines,  
 3 10 per centum; if the manufacturer, producer, or importer  
 4 of any such machine operates it for profit, he shall pay a  
 5 tax in respect to each such machine put into operation  
 6 equivalent to 5 per centum of its fair market value in the  
 7 case of a vending machine, and 10 per centum of its fair  
 8 market value in the case of a weighing machine; machine.

9       ~~(12)~~ Liveries and livery boots and hats, 10 per cen-  
 10 tum;

11       ~~(13)~~ Hunting and shooting garments and riding  
 12 habits, 10 per centum;

13       ~~(14)~~ Yachts and motor boats not designed for trade,  
 14 fishing, or national defense; and pleasure boats and pleasure-  
 15 canoes if sold for more than \$100, 10 per centum.

16       If any manufacturer, producer, or importer of any of  
 17 the articles enumerated in this section customarily sells such  
 18 articles both at wholesale and at retail, the tax in the case  
 19 of any article sold by him at retail shall be computed on the  
 20 price for which like articles are sold by him at wholesale.

21       The taxes imposed by this section shall, in the case of  
 22 any article in respect to of which a corresponding tax is im-  
 23 posed by section 900 of the Revenue Act of 1918 1921, be  
 24 in lieu of such tax.<sup>19</sup>

<sup>19</sup> For change from Treasury draft see Supplement, note No. 19.

1        ~~SEC. 601~~ 601. (a) ~~That if~~ If any person who manu-  
2        factures, produces, or imports any article enumerated in  
3        section ~~600~~ 600, or ~~leases or licenses for exhibition any~~  
4        ~~positive motion-picture film containing a picture ready for~~  
5        ~~projection, (a) sells, leases, or licenses~~ sells or leases such  
6        article to a corporation affiliated with such person within the  
7        meaning of section 240 of this Act, at less than the fair  
8        market price obtainable therefor, the tax thereon shall be  
9        computed on the basis of the price at which such article is  
10      ~~sold, leased or licensed~~ sold or leased by such affiliated cor-  
11      ~~poration, and.~~

12      (b) If any such person ~~sells, leases, or licenses~~ sells  
13      or leases such article whether through any agreement, ar-  
14      rangement, or understanding, or otherwise, at less than the  
15      fair market price obtainable therefor, either (1) in such  
16      manner as directly or indirectly to benefit such person or  
17      any person directly or indirectly interested in the business  
18      of such person, or (2) with intent to cause such benefit, the  
19      amount for which such article is ~~sold, leased, or licensed~~ sold  
20      or leased shall be taken to be the amount which would have  
21      been received from the ~~sale, lease, or license~~ sale or lease  
22      of such article if ~~sold, leased, or licensed~~ sold or leased at the  
23      fair market price.

24      ~~SEC. 602~~ 602. ~~That there~~ There shall be levied,  
25      assessed, collected, and paid, in lieu of the tax imposed by

1 *section 902 of the Revenue Act of 1921, upon sculpture,*  
 2 *paintings, statuary, art porcelains, and bronzes, sold by any*  
 3 *person other than the artist, a tax equivalent to 5 per centum*  
 4 *of the price for which so sold. This section shall not apply*  
 5 *to the sale of any such article (1) to an educational or re-*  
 6 *ligious institution or public art museum, or (2) by any dealer*  
 7 *in such articles to another dealer in such articles for resale.*

8       ~~SEC. 603.~~ *That every Every person liable for*  
 9 *any tax imposed by section 900, 902, or 904 600 or 602*  
 10 *shall make monthly returns under oath in duplicate and pay*  
 11 *the taxes imposed by such sections to the collector for*  
 12 *the district in which is located the principal place of business.*  
 13 *Such returns shall contain such information and be made at*  
 14 *such times and in such manner as the Commissioner, with*  
 15 *the approval of the Secretary, may by regulations prescribe.*

16       The tax shall, without assessment by the Commissioner  
 17 or notice from the collector, be due and payable to the  
 18 collector at the time so fixed for filing the return. If the  
 19 tax is not paid when due, there shall be added as part of the  
 20 tax a penalty of 5 per centum, together with interest at the  
 21 rate of 1 per centum for each full month a month from the  
 22 time when the tax became due until paid.

23       ~~SEC. 904.~~ *That from and after January 1, 1922, there*  
 24 *shall be levied, assessed, collected, and paid, in lieu of the*  
 25 *taxes imposed by section 904 of the Revenue Act of 1918,*



1 upon the following articles sold or leased by the manufac-  
 2 turer, producer, or importer, a tax equivalent to 5 per centum  
 3 of so much of the price for which so sold or leased as is in  
 4 excess of the price hereinafter specified as to each such  
 5 article—

6 (1) Carpets and rugs, including fiber, on the amount  
 7 in excess of \$4.00 per square yard in the case of carpets  
 8 and \$6 per square yard in the case of rugs;

9 (2) Trunks, on the amount in excess of \$65 each;

10 (3) Valises, traveling bags, suit cases, hat boxes used  
 11 by travelers, and fitted toilet cases, on the amount in excess  
 12 of \$25 each;

13 (4) Purse, pocketbooks, shipping and hand bags, on  
 14 the amount in excess of \$5 each;

15 (5) Portable lighting fixtures, including lamps of all  
 16 kinds and lamp shades, on the amount in excess of \$10 each;

17 (6) Fans, on the amount in excess of \$1 each.<sup>20</sup>

18 Sec. 404b 601. (a) That on and after January 1, 1922,  
 19 there *shall* after the expiration of thirty days after the  
 20 enactment of this Act there shall be levied, assessed, collected,  
 21 and paid (in lieu of the tax imposed by section 905 of the  
 22 Revenue Act of ~~1918~~ 1921) upon all articles commonly or  
 23 commercially known as jewelry, whether real or imitation;  
 24 pearls, precious and semiprecious stones, and imitations  
 25 thereof: articles made of, or ornamented, mounted or fitted

<sup>20</sup> For change from Treasury draft see Supplement, page No. 20.

1 with, precious metals or imitations thereof or ivory; ~~but~~  
 2 including surgical instruments, eyeglasses, and spectacles;  
 3 watches; clocks; opera glasses; lorgnettes; marine glasses;  
 4 field glasses; and binoculars; upon any of the above when  
 5 sold or leased by or for a dealer or his estate for consumption  
 6 or use, a tax equivalent to 5 per centum of the price for  
 7 which so sold or leased.

8 (b) The tax imposed by subdivision (a) shall not apply to  
 9 (1) surgical instruments, musical instruments, eyeglasses,  
 10 spectacles, or silver-plated flat tableware; (2) articles sold or  
 11 leased for an amount not in excess of \$40; or (3) watches  
 12 sold or leased for an amount not in excess of \$60.<sup>21</sup>

13 ~~(b)~~ (c) Every person selling any of the articles enumer-  
 14 ated in this section shall make returns under oath in du-  
 15 plicate (monthly or quarterly as the Commissioner, with  
 16 the approval of the Secretary, may prescribe) and pay the  
 17 taxes imposed in respect to such articles by this section  
 18 to the collector for the district in which is located the  
 19 principal place of business. Such returns shall contain such  
 20 information and be made at such times and in such man-  
 21 ner as the Commissioner, with the approval of the Secretary,  
 22 may by regulations prescribe.

23 ~~(c)~~ (d) The tax shall, without assessment by the Com-  
 24 missioner or notice from the collector, be due and pay-  
 25 able to the collector at the time so fixed for filing the return.

<sup>21</sup> For change from Treasury draft see Supplement, Note No. 21.

1 If the tax is not paid when due, there shall be added as part  
 2 of the tax a ~~penalty of 5 per centum, together with~~ interest  
 3 at the rate of 1 per centum ~~for each full a month~~ from the  
 4 time when the tax became due *until paid*.

5 ~~Sec. 605.~~ (a) ~~That if~~ If (1) any person has,  
 6 prior to ~~August 15, 1924~~ *January 1, 1924*, made a bona  
 7 fide contract with a dealer for the sale or lease, after the tax  
 8 takes effect, of any article in respect ~~to~~ of which a tax is  
 9 imposed by section ~~600 or 604~~ 600, or by this subdivision,  
 10 and in respect ~~to~~ of which no corresponding tax was imposed  
 11 by section 900 of the Revenue Act of ~~1918~~ 1921, and (2)  
 12 such contract does not permit the adding, to the amount to  
 13 be paid thereunder, of the whole of the tax imposed by  
 14 section ~~600 or 604~~ 600 of this Act or by this subdivision;  
 15 then the vendee or lessee shall, in lieu of the vendor or  
 16 lessor, pay so much of the tax imposed by section ~~600 or 604~~  
 17 600 of this Act or by this subdivision as is not so permitted  
 18 to be added to the contract price. If a contract of the char-  
 19 acter above described was made with any person other than  
 20 a dealer, no tax shall be collected under this Act.

21 (b) If (1) any person has, prior to ~~August 15, 1924~~  
 22 *January 1, 1924*, made a bona fide contract with any other  
 23 person for the sale or lease, after the tax takes effect, of any  
 24 article in respect ~~to~~ of which a tax is imposed by section 900  
 25 600 of this Act, and in respect ~~to~~ of which a corresponding

1 but greater tax was imposed by section 900 of the Revenue  
2 Act of ~~1918~~, 1921; (2) the contract price includes the  
3 amount of the tax imposed by section 900 of the Revenue  
4 Act of ~~1918~~ 1921, and (3) such contract does not permit  
5 the deduction, from the amount to be paid thereunder, of the  
6 whole of the difference between the corresponding tax im-  
7 posed by section 900 of the Revenue Act of ~~1918~~ 1921  
8 and the tax imposed by section ~~900~~ 600 of this Act; then  
9 the vendor or lessor shall refund to the vendee or lessee so  
10 much of the amount of such difference as is not so permitted  
11 to be deducted from the contract price.

12 (c) If (1) any person has, prior to ~~August 15, 1924~~  
13 *January 1, 1924*, made a bona fide contract with any other  
14 person for the sale or lease, after ~~December 31, 1924~~ *the*  
15 *date of the enactment of this Act*, of any article in respect  
16 ~~to~~ *of* which a tax was imposed by section 900 or 904  
17 of the Revenue Act of ~~1918~~ 1921, and in respect ~~to~~ *of*  
18 which no corresponding tax is imposed by section ~~900~~ 600  
19 of this Act, (2) the contract price includes the amount of  
20 the tax imposed by section 900 or 904 of the Revenue Act  
21 of ~~1918~~ 1921, and (3) such contract does not permit de-  
22 duction, from the amount to be paid thereunder, of  
23 the tax imposed by section 900 or 904 of the Revenue Act  
24 of ~~1918~~ 1921; then the vendor or lessor shall refund to the

1 vendee or lessee so much of the amount of such tax as is not  
2 so permitted to be deducted from the contract price.

3 (d) The taxes payable by the vendee or lessee under  
4 subdivision (a), shall be paid to the vendor or lessor at the  
5 time the sale or lease is consummated, and collected, re-  
6 turned, and paid to the United States by such vendor or  
7 lessor in the same manner and subject to the same penalties  
8 and interest as provided by section ~~903~~ 603.

9 (e) Any refund by the vendor or lessor under subdivi-  
10 sion (b) or (c) shall be made at the time the sale or lease  
11 is consummated. Upon the failure of the vendor or lessor  
12 so to refund, he shall be liable to the vendee or lessee for  
13 damages in the amount of three times the amount of such  
14 refund, and the court shall include in any judgment in  
15 favor of the vendee or lessee in any suit for the recovery of  
16 such damages, costs of the suit and a reasonable attorney's  
17 fee to be fixed by the court.

18 (f) A vendee who purchases any article with intent  
19 to use it in the manufacture or production of another article  
20 intended for sale shall be included in the term "dealer," as  
21 used in this section.

22 **NOTE.**—The above section corresponds to section 906 of the  
23 existing law, which is not proposed to be repealed by this bill.  
The changes are shown above.

## TITLE X VII.—SPECIAL TAXES.

## CAPITAL STOCK TAX.

1           ~~Sec. 4000 700.~~ (a) ~~That on~~ *On* and after July 1, ~~1922~~  
2           1924, in lieu of the tax imposed by section 1000 of the  
3           Revenue Act of ~~1918~~ 1921—

4           (1) Every domestic corporation shall pay annually a  
5           special excise tax with respect to carrying on or doing busi-  
6           ness, equivalent to \$1 for each \$1,000 of so much of the fair  
7           average value of its capital stock for the preceding year end-  
8           ing June 30 as is in excess of \$5,000. In estimating the  
9           value of capital stock the surplus and undivided profits shall  
10          be included:

11          (2) Every foreign corporation shall pay annually a  
12          special excise tax with respect to carrying on or doing busi-  
13          ness in the United States, equivalent to \$1 for each \$1,000  
14          of the average amount of capital employed in the transaction  
15          of its business in the United States during the preceding year  
16          ending June 30.

17          (b) The taxes imposed by this section shall not apply in  
18          any year to any corporation which was not engaged in busi-  
19          ness (or, in the case of a foreign corporation, not engaged  
20          in business in the United States) during the preceding year  
21          ending June 30, nor to any corporation enumerated in sec-  
22          tion 231, nor to any insurance company subject to the tax  
23          imposed by section 243 or 246.

1 (c) Section 257 shall apply to all returns filed with  
2 the Commissioner for purposes of the tax imposed by this  
3 section.

4 MISCELLANEOUS OCCUPATIONAL TAXES.

5 ~~SEC. 4004~~ 701. ~~That on On~~ and after July 1, ~~1922~~  
6 1924, there shall be levied, collected, and paid annually  
7 the following special taxes—

8 (1) Brokers shall pay \$50. Every person whose busi-  
9 ness it is to negotiate purchases or sales of stocks, bonds, ex-  
10 change, billion, coined money, bank notes, promissory notes,  
11 other securities, produce or merchandise, for others, shall be  
12 regarded as a broker. If a broker is a member of a stock  
13 exchange, or if he is a member of any produce exchange,  
14 board of trade, or similar organization, where produce or  
15 merchandise is sold, he shall pay an additional amount as  
16 follows: If the average value, during the preceding year  
17 ending June 30, of a seat or membership in such exchange  
18 or organization was \$2,000 or more but not more than  
19 \$5,000, \$100; if such value was more than \$5,000, \$150.

20 (2) Pawnbrokers shall pay \$100. Every person  
21 whose business or occupation it is to take or receive, by way  
22 of pledge, pawn, or exchange, any goods, wares, or merchan-  
23 dise, or any kind of personal property whatever, as security  
24 for the repayment of money loaned thereon, shall be regarded  
25 as a pawnbroker.

1           (3) Ship brokers shall pay \$50. Every person whose  
2 business it is as a broker to negotiate freights and other busi-  
3 ness for the owners of vessels or for the shippers or con-  
4 signors or consignees of freight carried by vessels, shall be  
5 regarded as a ship broker.

6           (4) Customhouse brokers shall pay \$50. Every per-  
7 son whose occupation it is, as the agent of others, to arrange  
8 entries and other customhouse papers, or transact business at  
9 any port of entry relating to the importation or exportation  
10 of goods, wares, or merchandise, shall be regarded as a  
11 customhouse broker.

12           (5) Proprietors of theaters, museums, and concert  
13 halls, where a charge for admission is made, having a seat-  
14 ing capacity of not more than two hundred and fifty, shall  
15 pay \$50; having a seating capacity of more than two hun-  
16 dred and fifty and not exceeding five hundred, shall pay  
17 \$100; having a seating capacity exceeding five hundred  
18 and not exceeding eight hundred, shall pay \$150; having  
19 a seating capacity of more than eight hundred, shall pay  
20 \$200. Every edifice used for the purpose of dramatic or  
21 operatic or other representations, plays, or performances, for  
22 admission to which entrance money is received, not includ-  
23 ing halls or armories rented or used occasionally for con-  
24 certs or theatrical representations, and not including edifices  
25 owned by religious, educational or charitable institutions;



1 societies or organizations where all the proceeds from ad-  
 2 missions inure exclusively to the benefit of such institutions,  
 3 societies or organizations or exclusively to the benefit of  
 4 persons in the military or naval forces of the United States,  
 5 shall be regarded as a theater: *Provided*, That in cities,  
 6 towns, or villages of five thousand inhabitants or less the  
 7 amount of such payment shall be one-half of that above  
 8 stated: *Provided further*, That whenever any such edifice  
 9 is under lease at the time the tax is due, the tax shall be  
 10 paid by the lessee, unless otherwise stipulated between the  
 11 parties to the lease.

12 (6) The proprietor or proprietors of circuses shall pay  
 13 \$100. Every building, space, tent, or area, where feats of  
 14 horsemanship or acrobatic sports or theatrical performances  
 15 not otherwise provided for in this section are exhibited  
 16 shall be regarded as a circus: *Provided*, That no special  
 17 tax paid in one State, Territory, or the District of Colum-  
 18 bia, shall exempt exhibitions from the tax in another State,  
 19 Territory, or the District of Columbia, and but one special  
 20 tax shall be imposed for exhibitions within any one State,  
 21 Territory, or District.

22 (7) Proprietors or agents of all other public exhibitions  
 23 or shows for money not enumerated in this section shall pay  
 24 \$15: *Provided*, That a special tax paid in one State, Terri-  
 25 tory, or the District of Columbia shall not exempt exhibi-

1 tions from the tax in another State, Territory, or the Dis-  
 2 trict of Columbia, and but one special tax shall be required  
 3 for exhibitions within any one State, Territory, or the Dis-  
 4 trict of Columbia: *Provided further, That this paragraph*  
 5 *shall not apply to Chautauques, lecture lyceums, agricultural*  
 6 *or industrial fairs, or exhibitions held under the auspices of*  
 7 *religious or charitable associations: *Provided further, That**  
 8 *an aggregation of entertainments, known as a street fair,*  
 9 *shall not pay a larger tax than \$100 in any State, Territory,*  
 10 *or in the District of Columbia.<sup>22</sup>*

11 ~~(8)~~ (5) Proprietors of bowling alleys and billiard  
 12 rooms shall pay ~~\$10~~ \$5<sup>23</sup> for each alley or table. Every  
 13 building or place where bowls are thrown or where games  
 14 of billiards or pool are played, except in private homes, shall  
 15 be regarded as a bowling alley or a billiard room, respec-  
 16 tively, *unless no charge is made for the use of the alleys or*  
 17 *tables.<sup>23</sup>*

18 ~~(9)~~ (6) Proprietors of shooting galleries shall pay  
 19 \$20. Every building, space, tent, or area, where a charge is  
 20 made for the discharge of firearms at any form of target shall  
 21 be regarded as a shooting gallery.

22 ~~(10)~~ (7) Proprietors of riding academies shall pay  
 23 \$100. Every building, space, tent, or area, where a charge is  
 24 made for instruction in horsemanship or for facilities for the  
 25 practice of horsemanship shall be regarded as a riding acad-

<sup>22</sup> For change from Treasury draft see Supplement, note No. 22.

<sup>23</sup> For change from Treasury draft see Supplement, note No. 23.

1 emy: *Provided*, That this tax shall not be collected from as-  
2 sociations composed exclusively of members of units of the  
3 Federalized National Guard or the Organized Reserve and  
4 whose receipts are used exclusively for the benefit of such  
5 units.

6 ~~(11)~~ (8) Persons carrying on the business of operating  
7 or renting passenger automobiles for hire shall pay \$10 for  
8 each such automobile having a seating capacity of more than  
9 two and not more than seven, and \$20 for each such  
10 automobile having a seating capacity of more than seven.

11 *The tax imposed by this subdivision shall not be collected in*  
12 *respect of automobiles used exclusively for conveying school*  
13 *children to and from school.*

14 ~~(12)~~ (9) Every person carrying on the business of a  
15 brewer, distiller, wholesale liquor dealer, retail liquor dealer,  
16 wholesale dealer in malt liquor, retail dealer in malt liquor,  
17 or manufacturer of stills, as defined in section 3244 as  
18 amended and section 3247 of the Revised Statutes, in any  
19 State, Territory, or District of the United States contrary  
20 to the laws of such State, Territory, or District, or in any  
21 place therein in which carrying on such business is prohibited  
22 by local or municipal law, shall pay, in addition to all  
23 other taxes, special or otherwise, imposed by existing law  
24 or by this Act, \$1,000. The payment of the tax imposed  
25 by this subdivision shall not be held to exempt any person

1 from any penalty or punishment provided for by the laws  
 2 of any State, Territory, or District for carrying on such busi-  
 3 ness in such State, Territory, or District, or in any manner to  
 4 authorize the commencement or continuance of such business  
 5 contrary to the laws of such State, Territory, or District, or in  
 6 places prohibited by local or municipal law.

7 *If any person first becomes subject to the tax imposed by*  
 8 *subdivision (1), (2), (3), or (4) after December 31 in*  
 9 *any fiscal year, he shall pay for such fiscal year only one-*  
 10 *half the tax specified in such subdivision.*

11 The taxes imposed by this section shall, in the case of  
 12 persons upon whom a corresponding tax is imposed by sec-  
 13 tion 1001 of the Revenue Act of ~~1918~~ 1921, be in lieu of  
 14 such tax.

15 SPECIAL TOBACCO MANUFACTURERS' TAX.

16 ~~SEC. 1002~~ 702. ~~That on~~ *On* and after July 1, ~~1922~~  
 17 1924, there shall be levied, collected, and paid annually, in  
 18 lieu of the taxes imposed by section 1002 of the Revenue Act  
 19 of ~~1918~~ 1921, the following special taxes, the amount of such  
 20 taxes to be computed on the basis of the sales for the preced-  
 21 ing year ending June 30—

22 Manufacturers of tobacco whose annual sales do not  
 23 exceed fifty thousand pounds shall each pay \$6;

24 Manufacturers of tobacco whose annual sales exceed  
 25 fifty thousand and do not exceed one hundred thousand  
 26 pounds shall each pay ~~\$12~~; \$12.

1       Manufacturers of tobacco whose annual sales exceed  
2 one hundred thousand and do not exceed two hundred  
3 thousand pounds shall each pay \$24;

4       Manufacturers of tobacco whose annual sales exceed  
5 two hundred thousand pounds shall each pay \$24, and at  
6 the rate of 16 cents per thousand pounds, or fraction thereof,  
7 in 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  
11 fifty thousand and do not exceed one hundred thousand  
12 cigars 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  
17 two hundred thousand and do not exceed four hundred  
18 thousand cigars shall each pay \$24;

19       Manufacturers of cigars whose annual sales exceed  
20 four hundred thousand cigars shall each pay \$24, and at  
21 the rate of 10 cents per thousand cigars, or fraction thereof,  
22 in respect 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  
25 each pay at the rate of 6 cents for every ten thousand  
26 cigarettes, or fraction thereof.

1 In arriving at the amount of special tax to be paid  
2 under this section, and in the levy and collection of such  
3 tax, each person engaged in the manufacture of more than  
4 one of the classes of articles specified in this section shall  
5 be considered and deemed a manufacturer of each class  
6 separately.

7 In computing under this section the amount of annual  
8 sales no account shall be taken of tobacco, cigars, or ~~ciga-~~  
9 ~~rettes,~~ *cigarettes* sold for export and in due course so  
10 exported.

#### 11 SPECIAL TAX ON USE OF BOATS.

12 SEC. 4003 703. ~~That on~~ On and after July 1, 1922  
13 1924, and thereafter on July 1 in each year, and also at the  
14 time of the original purchase of a new boat by a user, if on  
15 any other date than July 1, there shall be levied, assessed,  
16 collected, and paid, in lieu of the tax imposed by section 1003  
17 of the Revenue Act of ~~1918~~ 1921, upon the use of yachts,  
18 pleasure boats, power boats, sailing boats, and motor boats  
19 with fixed engines, of over five net tons and over thirty-two  
20 feet in length, not used exclusively for trade, fishing, or  
21 national defense, or not built according to plans and speci-  
22 fications approved by the Navy Department, a special excise  
23 tax to be based on each yacht or boat, at rates as follows:  
24 Yachts, pleasure boats, power boats, motor boats with fixed  
25 engines, and sailing boats, of over five net tons, length over

1 thirty-two feet and not over fifty feet, \$1 for each foot;  
2 length over fifty feet, and not over one hundred feet, \$2 for  
3 each foot; length over one hundred feet, \$4 for each foot.

4 In determining the length of such yachts, pleasure  
5 boats, power boats, motor boats with fixed engines, and sail-  
6 ing boats, the measurement of over-all length shall govern.

7 In the case of a tax imposed at the time of the original  
8 purchase of a new boat on any other date than July 1, the  
9 amount to be paid shall be the same number of twelfths of the  
10 amount of the tax as the number of calendar months (in-  
11 cluding the month of sale) remaining prior to the following  
12 July 1.

13 This section shall not apply to vessels or boats used  
14 without profit by any benevolent, charitable, or religious  
15 organizations, exclusively for furnishing aid, comfort, or  
16 relief to seamen.

17 **PENALTY FOR NONPAYMENT OF SPECIAL TAXES.**

18 **SEC. ~~1004~~ 704.** Any person who carries on any busi-  
19 ness or occupation for which a special tax is imposed by  
20 sections ~~1000, 1001, or 1002~~ section 700, 701, or 702,  
21 without having paid the special tax therein provided, shall,  
22 besides being liable for the payment of such special tax, be  
23 subject to a penalty of not more than \$1,000 or to imprison-  
24 ment for not more than one year, or both.

## TAX ON NARCOTICS.

1  
2       SEC. ~~4005~~ 705. ~~That section~~ Section 1 of the Act en-  
3 titled "An Act to provide for the registration of, with col-  
4 lectors of internal revenue, and to impose a special tax upon  
5 all persons who produce, import, manufacture, compound,  
6 deal in, dispense, sell, distribute, or give away opium or  
7 coca leaves, their salts, derivatives, or preparations, and  
8 for other purposes." approved December 17, 1914, as  
9 amended by section 1006 of the Revenue Act of 1918, is  
10 re-enacted without change, as follows:

11       "SECTION 1. That on or before July 1 of each year  
12 every person who imports, manufactures, produces, com-  
13 pounds, sells, deals in, dispenses, or gives away opium or  
14 coca leaves, or any compound, manufacture, salt, derivative,  
15 or preparation thereof, shall register with the collector of  
16 internal revenue of the district his name or style, place of  
17 business and place or places where such business is to be  
18 carried on, and pay the special taxes hereinafter provided;

19       "Every person who on January 1, 1919, is engaged  
20 in any of the activities above enumerated, or who between  
21 such date and the passage of this Act first engaged in any  
22 of such activities, shall within thirty days after the passage  
23 of this Act make like registration; and shall pay the pro-  
24 portionate part of the tax for the period ending June 30,  
25 1919; and



1        "Every person who first engages in any of such ac-  
2        tivities after the passage of this Act shall immediately make  
3        like registration and pay the proportionate part of the tax  
4        for the period ending on the following June 30th;

5        "Importers, manufacturers, producers, or compound-  
6        ers, \$24 per annum; wholesale dealers, \$12 per annum;  
7        retail dealers, \$6 per annum; physicians, dentists, veterinary  
8        surgeons, and other practitioners lawfully entitled to dis-  
9        tribute, dispense, give away, or administer any of the afore-  
10       said drugs to patients upon whom they in the course of their  
11       professional practice are in attendance, shall pay \$3 per  
12       annum.

13       "Every person who imports, manufactures, compounds,  
14       or otherwise produces for sale or distribution any of the  
15       aforesaid drugs shall be deemed to be an importer, manufac-  
16       turer, or producer.

17       "Every person who sells or offers for sale any of said  
18       drugs in the original stamped packages, as hereinafter pro-  
19       vided, shall be deemed a wholesale dealer.

20       "Every person who sells or dispenses from original  
21       stamped packages, as hereinafter provided, shall be deemed  
22       a retail dealer: *Provided*, That the office, or if none, the  
23       residence, of any person shall be considered for the purpose  
24       of this Act his place of business; but no employee of any  
25       person who has registered and paid special tax as herein

1 required, acting within the scope of his employment, shall  
2 be required to register and pay special tax provided by this  
3 section: *Provided further*, That officials of the United States,  
4 Territorial, District of Columbia, or insular possessions, State  
5 or municipal governments, who in the exercise of their  
6 official duties engage in any of the business herein described,  
7 shall not be required to register, nor pay special tax, nor  
8 stamp the aforesaid drugs as hereinafter prescribed, but  
9 their right to this exemption shall be evidenced in such  
10 manner as the Commissioner of Internal Revenue, with the  
11 approval of the Secretary of the Treasury, may by regula-  
12 tions prescribe.

13 "It shall be unlawful for any person required to register  
14 under the provisions of this Act to import, manufacture,  
15 produce, compound, sell, deal in, dispense, distribute, admin-  
16 ister, or give away any of the aforesaid drugs without having  
17 registered and paid the special tax as imposed by this section.

18 "That the word 'person' as used in this Act shall be  
19 construed to mean and include a partnership, association,  
20 company, or corporation, as well as a natural person; and  
21 all provisions of existing law relating to special taxes, as  
22 far as necessary, are hereby extended and made applicable  
23 to this section.

24 "That there shall be levied, assessed, collected, and  
25 paid upon opium, coca leaves, any compound, salt, deriva-

1 five, or preparation thereof, produced in or imported into the  
2 United States, and sold, or removed for consumption or  
3 sale, an internal-revenue tax at the rate of 1 cent per ounce,  
4 and any fraction of an ounce in a package shall be taxed as  
5 an ounce, such tax to be paid by the importer, manufacturer,  
6 producer, or compounder thereof, and to be represented by  
7 appropriate stamps, to be provided by the Commissioner of  
8 Internal Revenue, with the approval of the Secretary of the  
9 Treasury; and the stamps herein provided shall be so affixed  
10 to the bottle or other container as to securely seal the  
11 stopper, covering, or wrapper thereof.

12 "The tax imposed by this section shall be in addition  
13 to any import duty imposed on the aforesaid drugs.

14 "It shall be unlawful for any person to purchase, sell,  
15 dispense, or distribute any of the aforesaid drugs except in  
16 the original stamped package or from the original stamped  
17 package; and the absence of appropriate tax-paid stamps  
18 from any of the aforesaid drugs shall be prima facie evidence  
19 of a violation of this section by the person in whose possession  
20 same may be found; and the possession of any original  
21 stamped package containing any of the aforesaid drugs by  
22 any person who has not registered and paid special taxes as  
23 required by this section shall be prima facie evidence of liability to such special tax: *Provided*, That the provisions of this  
24 paragraph shall not apply to any person having in his or her  
25

1 possession any of the aforesaid drugs which have been ob-  
2 tained from a registered dealer in pursuance of a prescrip-  
3 tion, written for legitimate medical uses, issued by a physi-  
4 cian, dentist, veterinary surgeon, or other practitioner reg-  
5 istered under this Act; and where the bottle or other con-  
6 tainer in which such drug may be put up by the dealer upon  
7 said prescription bears the name and registry number of the  
8 druggist, serial number of prescription, name and address of  
9 the patient, and name, address, and registry number of the  
10 person writing said prescription; or to the dispensing, or  
11 administration, or giving away of any of the aforesaid drugs  
12 to a patient by a registered physician, dentist, veterinary sur-  
13 geon, or other practitioner in the course of his professional  
14 practice, and where said drugs are dispensed or administered  
15 to the patient for legitimate medical purposes, and the record  
16 kept as required by this Act of the drugs so dispensed, ad-  
17 ministered, distributed, or given away.

18 "And all the provisions of existing laws relating to the  
19 engraving, issuance, sale, accountability, cancellation, and  
20 destruction of tax-paid stamps provided for in the internal-  
21 revenue laws are, in so far as necessary, hereby extended and  
22 made to apply to stamps provided by this section.

23 "That all unstamped packages of the aforesaid drugs  
24 found in the possession of any person, except as herein  
25 provided, shall be subject to seizure and forfeiture, and all

1 the provisions of existing internal-revenue laws relating to  
2 searches, seizures, and forfeitures of unstamped articles are  
3 hereby extended to and made to apply to the articles taxed  
4 under this Act and the persons upon whom these taxes are  
5 imposed.

6 "Importers, manufacturers, and wholesale dealers shall  
7 keep such books and records and render such monthly re-  
8 turns in relation to the transactions in the aforesaid drugs  
9 as the Commissioner of Internal Revenue, with the ap-  
10 proval of the Secretary of the Treasury, may by regulations  
11 require.

12 "The Commissioner of Internal Revenue, with the ap-  
13 proval of the Secretary of the Treasury, shall make all need-  
14 ful rules and regulations for carrying the provisions of this  
15 Act into effect."

16 ~~SEC. 1006 706.~~ ~~That section~~ Section 6 of such Act  
17 of December 17, 1914, as amended by section 1007 of the  
18 Revenue Act of 1918, is re-enacted without change, as  
19 follows:

20 "SEC. 6. That the provisions of this Act shall not be  
21 construed to apply to the manufacture, sale, distribution,  
22 giving away, dispensing, or possession of preparations and  
23 remedies which do not contain more than two grains of  
24 opium, or more than one-fourth of a grain of morphine, or  
25 more than one-eighth of a grain of heroin, or more than one

1 grain of codeine, or any salt or derivative of any of them in  
2 one fluid ounce, or, if a solid or semisolid preparation,  
3 in one avoirdupois ounce; or to liniments, ointments,  
4 or other preparations which are prepared for external use,  
5 only, except liniments, ointments, and other preparations  
6 which contain cocaine or any of its salts or alpha or beta  
7 eucaine or any of their salts or any synthetic substitute for  
8 them: *Provided*, That such remedies and preparations are  
9 manufactured, sold, distributed, given away, dispensed, or  
10 possessed as medicines and not for the purpose of evading  
11 the intentions and provisions of this Act: *Provided further*,  
12 That any manufacturer, producer, compounder, or vendor  
13 (including dispensing physicians) of the preparations and  
14 remedies mentioned in this section shall keep a record of  
15 all sales, exchanges, or gifts of such preparations and  
16 remedies in such manner as the Commissioner of Internal  
17 Revenue, with the approval of the Secretary of the Treas-  
18 ury, shall direct. Such record shall be preserved for a  
19 period of two years in such a way as to be readily accessi-  
20 ble to inspection by any officer, agent or employee of the  
21 Treasury Department duly authorized for that purpose, and  
22 the State, Territorial, District, municipal, and insular officers  
23 named in section 5 of this Act, and every such person so  
24 possessing or disposing of such preparations and remedies  
25 shall register as required in section 1 of this Act and, if

1 he is not paying a tax under this Act, he shall pay a special  
2 tax of \$1 for each year, or fractional part thereof, in which  
3 he is engaged in such occupation, to the collector of internal  
4 revenue of the district in which he carries on such occupa-  
5 tion as provided in this Act. The provisions of this Act  
6 as amended shall not apply to decocainized coca leaves or  
7 preparations made therefrom, or to other preparations of  
8 coca leaves which do not contain cocaine."

9       SEC. 4007 707. ~~That all~~ All opium, its salts, derivatives,  
10 and compounds, and coca leaves, salts, derivatives, and  
11 compounds thereof, which may now be under seizure or  
12 which may hereafter be seized by the United States Govern-  
13 ment from any person or persons charged with any violation  
14 of the Act of October 1, 1890, as amended by the Acts  
15 of March 3, 1897, February 9, 1909, and January 17,  
16 1914, or the Act of December 17, 1914, as amended,  
17 shall upon conviction of the person or persons from  
18 whom seized be confiscated by and forfeited to the  
19 United States; and the Secretary is hereby authorized  
20 to deliver for medical or scientific purposes to any  
21 department, bureau, or other agency of the United States  
22 Government, upon proper application therefor under such  
23 regulation as may be prescribed by the Commissioner, with  
24 the approval of the Secretary, any of the drugs so seized,  
25 confiscated, and forfeited to the United States.

1       The provisions of this section shall also apply to any  
2 of the aforesaid drugs seized or coming into the possession  
3 of the United States in the enforcement of any of the above-  
4 mentioned Acts where the owner or owners thereof are  
5 unknown. None of the aforesaid drugs coming into posses-  
6 sion of the United States under the operation of said Acts,  
7 or the provisions of this section, shall be destroyed without  
8 certification by a committee appointed by the Commissioner,  
9 with the approval of the Secretary, that they are of no value  
10 for medical or scientific purposes.

11                   **TITLE XI VIII.—STAMP TAXES.**

12       SEC. 1100 800. ~~That on and after January 1, 1922,~~  
13 ~~there~~ *On and after the expiration of thirty days after the enact-*  
14 *ment of this Act there shall be levied, collected, and paid, for*  
15 *and in respect of the several bonds, debentures, or certificates*  
16 *of stock and of indebtedness, and other documents, instruments,*  
17 *matters, and things mentioned and described in Schedule A*  
18 *of this title, or for or in respect of the vellum, parchment, or*  
19 *paper upon which such instruments, matters, or things, or*  
20 *any of them, are written or printed, by any person who*  
21 *makes, signs, issues, sells, removes, consigns, or ships the*  
22 *same, or for whose use or benefit the same are made, signed,*  
23 *issued, sold, removed, consigned, or shipped, the several*  
24 *taxes specified in such schedule. The taxes imposed by this*  
25 *section shall, in the case of any article upon which a corre-*



1 sponding stamp tax is now imposed by law, be in lieu of  
2 such tax.

3       SEC. ~~4101~~ 801. ~~That there~~ *There* shall not be taxed  
4 under this title any bond, note, or other instrument, issued  
5 by the United States, or by any foreign Government, or  
6 by any State, Territory, or the District of Columbia,  
7 or local subdivision thereof, or municipal or other corpora-  
8 tion exercising the taxing power; or any bond of indemnity  
9 required to be filed by any person to secure payment of  
10 any pension, allowance, allotment, relief, or insurance by  
11 the United States, or to secure a duplicate for, or the pay-  
12 ment of, any bond, note, certificate of indebtedness, war-  
13 savings certificate, warrant or check, issued by the United  
14 States; or stocks and bonds issued by ~~cooperative~~ *domestic*  
15 building and loan associations ~~which are organized and~~  
16 ~~operated exclusively for the benefit of their members and~~  
17 ~~make loans only to their shareholders, substantially all the~~  
18 ~~business of which is confined to making loans to members,~~  
19 or by mutual ditch or irrigation companies.

20       SEC. ~~4102~~ 802. ~~That whoever~~ *Whoever*—

21       (a) Makes, signs, issues, or accepts, or causes to be  
22 made, signed, issued, or accepted, any instrument, document,  
23 or paper of any kind or description whatsoever without the  
24 full amount of tax thereon being duly paid;

1 (b) Manufactures or imports and sells, or offers for  
 2 sale, or causes to be manufactured or imported and sold, or  
 3 offered for sale, any playing cards, package, or other article  
 4 without the full amount of tax being duly paid;

5 (c) Makes use of any adhesive stamp to denote any tax  
 6 imposed by this title without canceling or obliterating such  
 7 stamp as prescribed in section 4404 804;

8 Is guilty of a misdemeanor and upon conviction thereof  
 9 shall pay a fine of not more than \$100 for each offense.

10 SEC. 4403 803. That whoever ~~Whoever~~—

11 (a) Fraudulently cuts, tears, or removes from any  
 12 vellum, parchment, paper, instrument, writing, package, or  
 13 article, upon which any tax is imposed by this title, any  
 14 adhesive stamp or the impression of any stamp, die, plate,  
 15 or other article provided, made, or used in pursuance of  
 16 this title;

17 (b) Fraudulently uses, joins, fixes, or places to, with,  
 18 or upon any vellum, parchment, paper, instrument, writ-  
 19 ing, package, or article, upon which any tax is imposed  
 20 by this title, (1) any adhesive stamp, or the impression of  
 21 any stamp; die, plate, or other article, which has been cut,  
 22 torn, or removed from any other vellum, parchment, paper,  
 23 instrument, writing, package, or article, upon which any  
 24 tax is imposed by this title; or (2) any adhesive stamp or  
 25 the impression of any stamp, die, plate, or other article of

1 insufficient value; or (3) any forged or counterfeited stamp,  
2 or the impression of any forged or counterfeited stamp, die,  
3 plate, or other article;

4 (c) Willfully removes, or alters the cancellation, or  
5 defacing marks of, or otherwise prepares, any adhesive stamp,  
6 with intent to use, or cause the same to be used, after it  
7 has been already used, or knowingly or willfully buys,  
8 sells, offers for sale, or gives away, any such washed or re-  
9 stored stamp to any person for use, or knowingly uses the  
10 same;

11 (d) Knowingly and without lawful excuse (the  
12 burden of proof of such excuse being on the accused) has  
13 in possession any washed, restored, or altered stamp, which  
14 has been removed from any vellum, parchment, paper, in-  
15 strument, writing, package, or article;

16 Is guilty of a misdemeanor, and upon conviction shall  
17 be punished by a fine of not more than \$1,000, or by im-  
18 prisonment for not more than five years, or both, and any  
19 such reused, canceled, or counterfeit stamp and the vellum,  
20 parchment, document, paper, package, or article upon which  
21 it is placed or impressed shall be forfeited to the United  
22 States.

23 SEC. 4104 804. That whenever Whenever an adhesive  
24 stamp is used for denoting any tax imposed by this title,  
25 except as hereinafter provided, the person using or affixing the

1 same shall write or stamp or cause to be written or stamped  
2 thereupon the initials of his or its name and the date upon  
3 which the same is attached or used, so that the same may  
4 not again be used: *Provided*, That the Commissioner may  
5 prescribe such other method for the cancellation of such  
6 stamps as he may deem expedient.

7       SEC. ~~1105~~ 805. (a) ~~That the~~ The Commissioner shall  
8 cause to be prepared and distributed for the payment of the  
9 taxes prescribed in this title suitable stamps denoting the tax  
10 on the document, articles, or thing to which the same may  
11 be affixed, and shall prescribe such method for the affixing  
12 of said stamps in substitution for or in addition to the method  
13 provided in this title, as he may deem expedient.

14       (b) All internal revenue laws relating to the assess-  
15 ment and collection of taxes are hereby extended to and  
16 made a part of this title, so far as applicable, for the purpose  
17 of collecting stamp taxes omitted through mistake or fraud  
18 from any instrument, document, paper, writing, parcel,  
19 package, or article named herein.

20       SEC. ~~1106~~ 806. ~~That the~~ The Commissioner shall  
21 furnish to the Postmaster General without prepayment a  
22 suitable quantity of adhesive stamps to be distributed to and  
23 kept on sale by the various postmasters in the United States.  
24 The Postmaster General may require each such postmaster to  
25 give additional or increased bond as postmaster for the value

1 of the stamps so furnished, and each such postmaster shall  
2 deposit the receipts from the sale of such stamps to the credit  
3 of and render accounts to the Postmaster General at such  
4 times and in such form as he may by regulations prescribe.  
5 The Postmaster General shall at least once monthly transfer  
6 all collections from this source to the Treasury as internal-  
7 revenue collections.

8       SEC. 4107 807. (a) ~~That each~~ *Each* collector shall  
9 furnish, without prepayment, to any assistant treasurer or  
10 designated depository of the United States, located in the  
11 district of such collector, a suitable quantity of adhesive  
12 stamps to be kept on sale by such assistant treasurer or des-  
13 ignated depository.

14       (b) Each collector shall furnish, without prepayment,  
15 to any person who is (1) located in the district of such  
16 collector, (2) duly appointed and acting as agent of any  
17 State for the sale of stock transfer stamps of such State, and  
18 (3) designated by the Commissioner for the purpose, a suit-  
19 able quantity of such adhesive stamps as are required by  
20 subdivisions 2, 3, and 4 of Schedule A of this title, to be  
21 kept on sale by such person.

22       (c) In such cases the collector may require a bond,  
23 with sufficient sureties, in a sum to be fixed by the Com-  
24 missioner, conditioned for the faithful return, whenever so  
25 required, of all quantities or amounts undisposed of, and

1 for the payment monthly of all quantities or amounts sold  
2 or not remaining on hand. The Secretary may from time  
3 to time make such regulations as he may find necessary to  
4 insure the safe-keeping or prevent the illegal use of all such  
5 adhesive stamps.

6 **SCHEDULE A.—STAMP TAXES.**

7 1. Bonds of indebtedness: On all bonds, debentures,  
8 or certificates of indebtedness issued by any person, and all  
9 instruments, however termed, issued by any corporation with  
10 interest coupons or in registered form, known generally as  
11 corporate securities, on each \$100 of face value or frac-  
12 tion thereof, 5 cents: *Provided*, That every renewal of the  
13 foregoing shall be taxed as a new issue: *Provided further*,  
14 That when a bond conditioned for the repayment or pay-  
15 ment of money is given in a penal sum greater than the debt  
16 secured, the tax shall be based upon the amount secured.

17 2. Capital stock, issued: On each original issue,  
18 whether on organization or reorganization, of certificates of  
19 stock, or of profits, or of interest in property or accumula-  
20 tions, by any corporation, on each \$100 of face value or frac-  
21 tion thereof, 5 cents: *Provided*, That where a certificate is  
22 issued without face value, the tax shall be 5 cents per share,  
23 unless the actual value is in excess of \$100 per share, in  
24 which case the tax shall be 5 cents on each \$100 of actual  
25 value or fraction thereof, or unless the actual value is less

1 than \$100 per share, in which case the tax shall be 1 cent  
2 on each \$20 of actual value, or fraction thereof.

3 The stamps representing the tax imposed by this sub-  
4 division shall be attached to the stock books and not to the  
5 certificates issued.

6 3. Capital stock, sales or transfers: On all sales, or  
7 agreements to sell, or memoranda of sales or deliveries of, or  
8 transfers of legal title to shares or certificates of stock or of  
9 profits or of interest in property or accumulations in any cor-  
10 poration, or to rights to subscribe for or to receive such  
11 shares or certificates, whether made upon or shown by the  
12 books of the corporation, or by any assignment in blank, or  
13 by any delivery, or by any paper or agreement or memoran-  
14 dum or other evidence of transfer or sale, whether entitling  
15 the holder in any manner to the benefit of such stock, in-  
16 terest, or rights, or not, on each \$100 of face value or fraction  
17 thereof, 2 cents, and where such shares are without par or  
18 face value, the tax shall be 2 cents on the transfer or sale or  
19 agreement to sell on each share: *Provided*, That it is not in-  
20 tended by this title to impose a tax upon an agreement evi-  
21 dencing a deposit of certificates as collateral security for  
22 money loaned thereon, which certificates are not actually sold,  
23 nor upon the delivery or transfer for such purpose of certifi-  
24 cates so deposited, nor upon mere loans of stock nor upon the  
25 return of stock so loaned: *Provided further*, That the tax

1 shall not be imposed upon deliveries or transfers to a broker  
2 for sale, nor upon deliveries or transfers by a broker to a cus-  
3 tomer for whom and upon whose order he has purchased  
4 same, but such deliveries or transfers shall be accompanied  
5 by a certificate setting forth the facts: *Provided further*, That  
6 in case of sale where the evidence of transfer is shown only  
7 by the books of the corporation the stamp shall be placed  
8 upon such books; and where the change of ownership is by  
9 transfer of the certificate the stamp shall be placed upon the  
10 certificate; and in cases of an agreement to sell or where the  
11 transfer is by delivery of the certificate assigned in blank  
12 there shall be made and delivered by the seller to the buyer  
13 a bill or memorandum of such sale, to which the stamp shall  
14 be affixed; and every bill or memorandum of sale or agree-  
15 ment to sell before mentioned shall show the date thereof,  
16 the name of the seller, the amount of the sale, and the mat-  
17 ter or thing to which it refers. Any person liable to pay the  
18 tax as herein provided, or anyone who acts in the matter as  
19 agent or broker for such person, who makes any such sale, or  
20 who in pursuance of any such sale delivers any certificate or  
21 evidence of the sale of any stock, interest or right, or bill or  
22 memorandum thereof, as herein required, without having the  
23 proper stamps affixed thereto with intent to evade the fore-  
24 going provisions, shall be deemed guilty of a misdemeanor,  
25 and upon conviction thereof shall pay a fine of not ex-



1 ceeding \$1,000, or be imprisoned not more than six months,  
2 or both.

3 4. Produce, sales of, on exchange: Upon each sale,  
4 agreement of sale, or agreement to sell (not including so-  
5 called transferred or scratch sales), any products or mer-  
6 chandise at, or under the rules or usages of, any exchange,  
7 or board of trade, or other similar place, for future delivery,  
8 for each \$100 in value of the merchandise covered by said  
9 sale or agreement of sale or agreement to sell, 2 cents  
10 1 cent,<sup>24</sup> and for each additional \$100 or fractional part thereof  
11 in excess of \$100, 2 cents 1 cent<sup>24</sup>: *Provided*, That on every  
12 sale or agreement of sale or agreement to sell as aforesaid  
13 there shall be made and delivered by the seller to the buyer  
14 a bill, memorandum, agreement, or other evidence of such  
15 sale, agreement of sale, or agreement to sell, to which there  
16 shall be affixed a lawful stamp or stamps in value equal  
17 to the amount of the tax on such sale: *Provided further*,  
18 That sellers of commodities described herein, having paid  
19 the tax provided by this subdivision, may transfer such con-  
20 tracts to a clearing-house corporation or association, and  
21 such transfer shall not be deemed to be a sale, or agree-  
22 ment of sale, or an agreement to sell within the provisions  
23 of this Act, provided that such transfer shall not vest any  
24 beneficial interest in such clearing-house association, but  
25 shall be made for the sole purpose of enabling such clearing-

<sup>24</sup> For change from Treasury draft see Supplement, note No. 24.

1 house association to adjust and balance the accounts of the  
2 members of such clearing-house association on their several  
3 contracts. Every such bill, memorandum, or other evidence  
4 of sale or agreement to sell shall show the date thereof, the  
5 name of the seller, the amount of the sale, and the matter  
6 or thing to which it refers; and any person liable to pay  
7 the tax as herein provided, or anyone who acts in the matter  
8 as agent or broker for such person, who makes any such  
9 sale or agreement of sale, or agreement to sell, or who, in  
10 pursuance of any such sale, agreement of sale, or agreement  
11 to sell, delivers any such products or merchandise without  
12 a bill, memorandum, or other evidence thereof as herein  
13 required, or who delivers such bill, memorandum, or other  
14 evidence of sale, or agreement to sell, without having the  
15 proper stamps affixed thereto, with intent to evade the fore-  
16 going provisions, shall be deemed guilty of a misdemeanor,  
17 and upon conviction thereof shall pay a fine of not exceeding  
18 \$1,000 or be imprisoned not more than six months, or both.

19 No bill, memorandum, agreement, or other evidence of  
20 such sale, or agreement of sale, or agreement to sell, in case  
21 of cash sales of products of merchandise for immediate or  
22 prompt delivery which in good faith are actually intended  
23 to be delivered shall be subject to this tax.

24 This subdivision shall not affect but shall be in addi-  
25 tion to the provisions of the "United States cotton futures

1 Act." approved August 11, 1916, as amended, and "The  
2 Future Trading Act," approved August 24, 1921.

3 5. Drafts or checks (payable otherwise than at sight  
4 or on demand) upon their acceptance or delivery within  
5 the United States whichever is prior, promissory notes,  
6 except bank notes issued for circulation, and for each re-  
7 newal of the same, for a sum not exceeding \$100, 2 cents;  
8 and for each additional \$100, or fractional part thereof,  
9 2 cents.

10 This subdivision shall not apply to a promissory note  
11 secured by the pledge of bonds or obligations of the United  
12 States issued after April 24, 1917, or secured by the pledge  
13 of a promissory note which itself is secured by the pledge  
14 of such bonds or obligations: *Provided*, That in either case  
15 the par value of such bonds or obligations shall be not less  
16 than the amount of such note.

17 6 5. Conveyances: Deed, instrument, or writing,  
18 whereby any lands, tenements, or other realty sold shall be  
19 granted, assigned, transferred, or otherwise conveyed to,  
20 or vested in, the purchaser or purchasers, or any other person  
21 or persons, by his, her, or their direction, when the consid-  
22 eration or value of the interest or property conveyed, ex-  
23 clusive of the value of any lien or encumbrance remaining  
24 thereon at the time of sale, exceeds \$100 and does not ex-  
25 ceed \$500, 50 cents; and for each additional \$500 or frac-

1 tional part thereof, 50 cents. This subdivision shall not  
2 apply to any instrument or writing given to secure a debt.

3       7 6. Entry of any goods, wares, or merchandise at any  
4 customhouse, either for consumption or warehousing, not ex-  
5 ceeding \$100 in value, 25 cents; exceeding \$100 and not ex-  
6 ceeding \$500 in value, 50 cents; exceeding \$500 in value, \$1.

7       8 7. Entry for the withdrawal of any goods or mer-  
8 chandise from customs bonded warehouse, 50 cents.

9       9 8. Passage ticket, one way or round trip, for each pas-  
10 senger, sold or issued in the United States for passage by any  
11 vessel to a port or place not in the United States, Canada, or  
12 Mexico, if costing not exceeding \$30, \$1; costing more than  
13 \$30 and not exceeding \$60, \$3; costing more than \$60, \$5.  
14 This subdivision shall not apply to passage tickets costing  
15 \$10 or less.

16       10 9. Proxy for voting at any election for officers, or  
17 meeting for the transaction of business, of any corporation,  
18 except religious, educational, charitable, fraternal, or literary  
19 societies, or public cemeteries, 10 cents.

20       11 10. Power of attorney granting authority to do or  
21 perform some act for or in behalf of the grantor, which author-  
22 ity is not otherwise vested in the grantee, 25 cents. This sub-  
23 division shall not apply to any papers necessary to be used  
24 for the collection of claims from the United States or from  
25 any State for pensions, back pay, bounty, or for property

1 lost in the military or naval service, nor to powers of attorney  
 2 required in bankruptcy cases nor to powers of attorney con-  
 3 tained in the application of those who become members of or  
 4 policyholders in mutual insurance companies doing business  
 5 on the interinsurance or reciprocal indemnity plan through  
 6 an attorney in fact.

7 ~~4~~ 11. Playing cards: Upon every pack of playing cards  
 8 containing not more than fifty-four cards, manufactured or  
 9 imported, and sold, or removed for consumption or sale, a  
 10 tax of 8 10 cents per pack.<sup>25</sup>

11 ~~4~~ 12. On each policy of insurance, or certificate, binder,  
 12 covering note, memorandum, cablegram, letter, or other in-  
 13 strument by whatever name called whereby insurance is  
 14 made or renewed upon property within the United States  
 15 (including rents and profits) against peril by sea or on inland  
 16 waters or in transit on land (including transshipments and  
 17 storage at termini or way points) or by fire, lightning, tor-  
 18 nado, wind-storm, bombardment, invasion, insurrection or  
 19 riot, issued to or for or in the name of a domestic corporation  
 20 or partnership or an individual resident of the United States  
 21 by any foreign corporation or partnership or any individual  
 22 not a resident of the United States, when such policy or  
 23 other instrument is not signed or countersigned by an officer  
 24 or agent of the insurer in a State, Territory, or District of  
 25 the United States within which such insurer is authorized

<sup>25</sup> For change from Treasury draft see Supplement, note No. 25.

1 to do business, a tax of 3 cents on each dollar, or fractional  
 2 part thereof of the premium charged: *Provided*, That policies  
 3 of reinsurance shall be exempt from the tax imposed by this  
 4 subdivision.

5 Any person to or for whom or in whose name any such  
 6 policy or other instrument is issued, or any solicitor or broker  
 7 acting for or on behalf of such person in the procurement of  
 8 any such policy or other instrument, shall affix the proper  
 9 stamps to such policy or other instrument, and for failure to  
 10 affix such stamps with intent to evade the tax shall, in ad-  
 11 dition to other penalties provided therefor, pay a fine of  
 12 double the amount of the tax.

13 **TITLE XII.—TAX ON EMPLOYMENT OF CHILD**  
 14 **LABOR.**

15 **SEC. 1200.** That every person (other than a bona fide  
 16 boys' or girls' canning club recognized by the Agricultural  
 17 Department of a State and of the United States) operating  
 18 (a) any mine or quarry situated in the United States in  
 19 which children under the age of sixteen years have been  
 20 employed or permitted to work during any portion of the  
 21 taxable year; or (b) any mill, cannery, workshop, factory,  
 22 or manufacturing establishment situated in the United States  
 23 in which children under the age of fourteen years have been  
 24 employed or permitted to work, or children between the  
 25 age of fourteen and sixteen have been employed or per-

1 mitted to work more than eight hours in any day or more  
2 than six days in any week, or after the hour of seven o'clock  
3 postmeridian, or before the hour of six o'clock antemeridian,  
4 during any portion of the taxable year, shall pay for each  
5 taxable year, in addition to all other taxes imposed by law  
6 (but in lieu of the tax imposed by section 1200 of the  
7 Revenue Act of 1918), an excise tax equivalent to 10 per  
8 centum of the entire net profits received or accrued for such  
9 year from the sale or disposition of the product of such mine,  
10 quarry, mill, cannery, workshop, factory, or manufacturing  
11 establishment.

12 **SEC. 1201.** That in computing net profits under the  
13 provisions of this title, for the purpose of the tax there shall  
14 be allowed as deductions from the gross amount received or  
15 accrued for the taxable year from the sale or disposition of  
16 such products manufactured within the United States the fol-  
17 lowing items:

18 (a) The cost of raw materials entering into the pro-  
19 duction;

20 (b) Running expenses, including rentals, cost of re-  
21 pairs, and maintenance, heat, power, insurance, manage-  
22 ment, and a reasonable allowance for salaries or other com-  
23 pensations for personal services actually rendered, and for  
24 depreciation;

1       **(c) Interest paid within the taxable year on debts or**  
2 **loans contracted to meet the needs of the business, and the**  
3 **proceeds of which have been actually used to meet such**  
4 **needs;**

5       **(d) Taxes of all kinds paid during the taxable year**  
6 **with respect to the business or property relating to the pro-**  
7 **duction; and**

8       **(e) Losses actually sustained within the taxable year**  
9 **in connection with the business of producing such products,**  
10 **including losses from fire, flood, storm, or other casualties,**  
11 **and not compensated for by insurance or otherwise.**

12       **Sec. 1202. That if any such person during any taxable**  
13 **year or part thereof, whether under any agreement, arrange-**  
14 **ment, or understanding or otherwise, sells or disposes of**  
15 **any product of such mine, quarry, mill, cannery, work-**  
16 **shop, factory, or manufacturing establishment at less than**  
17 **the fair market price obtainable therefor either (a) in such**  
18 **manner as directly or indirectly to benefit such person or**  
19 **any person directly or indirectly interested in the business**  
20 **of such person; or (b) with intent to cause such benefit; the**  
21 **gross amount received or accrued for such year or part**  
22 **thereof from the sale or disposition of such product shall**  
23 **be taken to be the amount which would have been received**  
24 **or accrued from the sale or disposition of such product if**  
25 **sold at the fair market price.**



1        **Sec. 1203. (a)** That no person subject to the pro-  
2        visions of this title shall be liable for the tax herein imposed  
3        if the only employment or permission to work which but for  
4        this section would subject him to the tax has been of a  
5        child as to whom such person has in good faith procured  
6        at the time of employing such child or permitting him to  
7        work, and has since in good faith relied upon and kept on  
8        file a certificate, issued in such form, under such conditions  
9        and by such persons as may be prescribed by a board con-  
10       sisting of the Secretary, the Commissioner, and the Secretary  
11       of Labor, showing the child to be of such age as not to sub-  
12       ject such person to the tax imposed by this title. Any  
13       person who knowingly makes a false statement or presents  
14       false evidence in or in relation to any such certificate or ap-  
15       plication therefor shall be punished by a fine of not less than  
16       \$100, nor more than \$1,000, or by imprisonment for not  
17       more than three months, or by both such fine and imprison-  
18       ment, in the discretion of the court.

19        In any State designated by such board an employment  
20       certificate or other similar paper as to the age of the child,  
21       issued under the laws of that State, and not inconsistent with  
22       the provisions of this title, shall have the same force and  
23       effect as a certificate herein provided for.

24        **(b)** The tax imposed by this title shall not be imposed  
25       in the case of any person who proves to the satisfaction of

1 the Secretary that the only employment or permission to  
2 work which but for this section would subject him to the  
3 tax, has been of a child employed or permitted to work under  
4 a mistake of fact as to the age of such child, and without  
5 intention to evade the tax.

6 **SEC. 1204.** That on or before the first day of the third  
7 month following the close of each taxable year, a true and  
8 accurate return under oath shall be made by each person  
9 subject to the provisions of this title to the collector for the  
10 district in which such person has his principal office or place  
11 of business, in such form as the Commissioner, with the  
12 approval of the Secretary, shall prescribe, setting forth spe-  
13 cifically the gross amount of income received or accrued  
14 during such year from the sale or disposition of the product  
15 of any mine, quarry, mill, cannery, workshop, factory, or  
16 manufacturing establishment, in which children have been  
17 employed subjecting him to the tax imposed by this title,  
18 and from the total thereof deducting the aggregate items of  
19 allowance authorized by this title, and such other particulars  
20 as to the gross receipts and items of allowance as the Com-  
21 missioner, with the approval of the Secretary, may require.

22 **SEC. 1205.** That all such returns shall be transmitted  
23 forthwith by the collector to the Commissioner, who shall,  
24 as soon as practicable, assess the tax found due and notify

1 the person making such return of the amount of tax for  
 2 which such person is liable, and such person shall pay the  
 3 tax to the collector on or before thirty days from the date  
 4 of such notice.

5 **SEC. 1206.** That for the purposes of this Act the Com-  
 6 missioner, or any person duly authorized by him, shall have  
 7 authority to enter and inspect at any time any mine, quarry,  
 8 mill, cannery, workshop, factory, or manufacturing estab-  
 9 lishment. The Secretary of labor, or any person duly  
 10 authorized by him, shall, for the purpose of complying with  
 11 a request of the Commissioner to make such an inspection,  
 12 have like authority, and shall make report to the Commis-  
 13 sioner of inspections made under such authority in such  
 14 form as may be prescribed by the Commissioner with the  
 15 approval of the Secretary of the Treasury.

16 Any person who refuses or obstructs entry or inspec-  
 17 tion authorized by this section shall be punished by a fine  
 18 of not more than \$1,000, or by imprisonment for not more  
 19 than one year, or both.

20 **SEC. 1207.** That as used in this title the term "taxable  
 21 year" shall have the same meaning as provided for the pur-  
 22 poses of income tax in section 200.

23 **TITLE IX.—BOARD OF TAX APPEALS.<sup>20</sup>**

24 **SEC. 900.** (a) There is hereby established a board to be  
 25 known as the Board of Tax Appeals (hereinafter referred

<sup>20</sup> For change from Treasury draft see Supplement, note No. 28.

1 to as the "Board"), to be composed of such number of mem-  
2 bers, not less than seven nor more than twenty-eight, as the  
3 President from time to time determines necessary. Each mem-  
4 ber shall be appointed by the President, with the advice and  
5 consent of the Senate, without regard to the civil service laws  
6 but solely on the grounds of fitness to perform the duties of  
7 the office, for a term of ten years, except that in the case of  
8 original appointments the President, in order to secure  
9 rotation in office, may make appointments for two, four,  
10 six, or eight years and except that a member appointed  
11 to fill a vacancy shall be appointed only for the unex-  
12 pired term of the member whom he succeeds. Any member  
13 of the Board may be removed by the President for inefficiency,  
14 neglect of duty, or malfeasance in office, but for no other  
15 reason. Each member shall receive a salary at the rate of  
16 \$7,500 per annum. No member of the Board shall be per-  
17 mitted to practice before said Board or any official of the  
18 Treasury Department, or to be connected directly, or indi-  
19 rectly with any person or any firm of lawyers, solicitors, ac-  
20 countants, or agents practicing before said Board or any of-  
21 ficial of the Treasury Department on behalf of taxpayers for  
22 a period of two years after his term of office terminates, or  
23 from the time such member resigns or otherwise leaves the  
24 service of the Government. A majority of the Board shall  
25 constitute a quorum for the transaction of business. A va-  
26 cancy shall not impair the powers nor affect the duties of the

1 Board nor of the remaining members. The Board shall  
2 designate biennially a member to act as chairman. The  
3 Board may have a judicial seal, which shall be judicially  
4 noticed.<sup>28</sup>

5 (b) The Board and its divisions shall hear and deter-  
6 mine appeals filed under sections 274, 279, 308, and 312.

7 (c) The chairman may from time to time divide the  
8 Board into divisions and assign the members thereto, and  
9 designate a chief thereof. If a division, as a result of a  
10 vacancy or the absence or inability of a member assigned  
11 thereto to serve thereon, is composed of less than three mem-  
12 bers, the chairman may assign other members thereto, or he  
13 may direct the division to proceed with the transaction of  
14 business. A division shall hear and determine appeals filed  
15 with the Board and assigned to such division by the chair-  
16 man. Upon the expiration of 30 days after a decision by a  
17 division, such decision, and the findings of fact made in con-  
18 nection therewith, shall become the final decision and findings  
19 of the Board, unless within such period the chairman has  
20 directed that such decision shall be reviewed by the Board.

21 (d) In any proceeding in court under sections 274, 279,  
22 308, or 312, and in any suit or proceeding by a taxpayer to  
23 recover any amounts paid in pursuance of a decision of the  
24 Board, the findings of the Board shall be prima facie evidence  
25 of the facts therein stated.

<sup>28</sup> For change from Treasury draft see Supplement, note No. 28.

1       (e) Notice and an opportunity to be heard shall be  
2 given the taxpayer and the Commissioner and a decision  
3 shall be made as quickly as practicable. The proceedings  
4 of the board and of its divisions shall be informal and in ac-  
5 cordance with such rules as the Board may prescribe.  
6 Opinions (other than findings of fact) shall not be in writing  
7 unless the chairman so orders. The findings of fact in each  
8 case shall be reported in writing. The principal  
9 office of the Board shall be in the District of Co-  
10 lumbia, but the Board or any of its divisions may  
11 sit at any place within the United States. The times  
12 and places of meeting of the Board and of its divisions shall  
13 be prescribed by the chairman, with a view to securing rea-  
14 sonable opportunity to taxpayers to appear before the Board  
15 or any of its divisions, with as little inconvenience and  
16 expense to taxpayers as is practicable.

17       (f) Any member of the Board may administer oaths,  
18 examine witnesses, and require, by subpoena, the attendance  
19 and testimony of witnesses, and the production of all neces-  
20 sary books, papers, and documents. The attendance of wit-  
21 nesses and the production of such documentary evidence may  
22 be required from any place in the United States at any  
23 designated place of hearing.

24       (g) The Secretary shall furnish the Board with such  
25 clerical assistance, quarters, stationery, furniture, office

1 equipment, and other supplies as may be necessary for the  
2 efficient execution of the functions vested in it by this section.

3 (h) The members and employees assigned to the Board,  
4 in addition to their compensation, shall receive their necessary  
5 travelling expenses and actual expenses incurred for subsist-  
6 ence while travelling on duty and away from their designated  
7 stations, in an amount not to exceed \$7 per day. The ex-  
8 penditures of the Board, including the expenditures for sal-  
9 aries, expenses of transportation and for maintenance, wit-  
10 ness fees, rent (where suitable quarters are not available),  
11 printing and binding, and contingent and miscellaneous ex-  
12 penses shall be allowed and paid, upon the presentation of  
13 itemized vouchers therefor approved by the Board and  
14 signed by the chairman, out of any appropriation available  
15 for the collection of internal-revenue taxes.<sup>26</sup>

16 TITLE XIII X.—GENERAL ADMINISTRATIVE  
17 PROVISIONS.

18 LAWS MADE APPLICABLE.

19 SEC. 1300 1000. That all All administrative, special,  
20 or stamp provisions of law, including the law relating to the  
21 assessment of taxes, so far as applicable, are hereby extended  
22 to and made a part of this Act, and every person liable to  
23 any tax imposed by this Act, or for the collection thereof,  
24 shall keep such records and render, under oath, such state-  
25 ments and returns, and shall comply with such regulations

<sup>26</sup> For change from Treasury draft see Supplement, note No. 26.

1 as the Commissioner, with the approval of the Secretary, may  
2 from time to time prescribe.

3 **NOTE.**—The above section corresponds to section 1300 of  
4 the existing law, which is not proposed to be repealed by this  
5 bill. A provision corresponding to the last part of that section  
6 appears in this bill as section 1002 (a), on this page.

#### 7 RULES AND REGULATIONS.

8 **SEC. 1001.** *That the The Commissioner, with*  
9 *the approval of the Secretary, is authorized to prescribe all*  
10 *needful rules and regulations for the enforcement of this Act,*  
11 *provided such regulations shall not enlarge or modify any*  
12 *provisions of this Act and of any other law, and all such*  
13 *rules and regulations and all amendments thereto shall be*  
14 *annually reported to Congress.*

15 **NOTE.**—The above section corresponds to the first para-  
16 graph of section 1303 of the existing law, which is not proposed  
17 to be repealed by this bill.

#### 18 RECORDS, STATEMENTS, AND SPECIAL RETURNS.

19 **SEC. 1002. (a)** *Every person liable to any tax im-*  
20 *posed by this Act, or for the collection thereof, shall keep such*  
21 *records, render under oath such statements, make such re-*  
22 *turns, and comply with such rules and regulations, as the*  
23 *Commissioner, with the approval of the Secretary, may from*  
24 *time to time prescribe.*

25 **NOTE.**—The above subdivision corresponds to the last part  
26 of section 1300 of the existing law (which is not proposed to  
be repealed by this bill), shown on page 310 of this print.

#### RETURNS.

27 **SEC. 1007. (b)** *That whenever Whenever in the judg-*  
28 *ment of the Commissioner necessary he may require any*  
29 *person, by notice served upon him, to make a return or,*



1 *render under oath such statements, or keep such records as*  
 2 *he the Commissioner deems sufficient to show whether or not*  
 3 *such person is liable to tax.*

4 **NOTE.**—The above subdivision takes the place of section  
 1307 of the existing law, which is proposed to be repealed by  
 this bill.

5 (c) The Commissioner, with such the approval of the  
 6 Secretary, may by regulation ~~provide~~ *prescribe* that any  
 7 return required by Titles ~~V, VI, VII, VIII, IX, or X,~~  
 8 *IV, V, VI, or VII* to be under oath may, if the amount  
 9 of the tax covered thereby is not in excess of \$10,  
 10 be signed or acknowledged before two witnesses instead of  
 11 under oath.

12 **NOTE.**—The above subdivision corresponds to the last para-  
 graph of section 1303 of the existing law, which is not proposed  
 13 to be repealed by this bill. The changes are above shown.

14 *SEC. 1003. Section 3176 of the Revised Statutes, as*  
 15 *amended, is amended to read as follows:*

16 “SEC. 3176. If any person, corporation, company, or  
 17 association fails to make and file a return or list at the time  
 18 prescribed by law or by regulation made under authority of  
 19 law, or makes, willfully or otherwise, a false or fraudulent  
 20 return or list, the collector or deputy collector shall make  
 21 the return or list from his own knowledge and from such in-  
 22 formation as he can obtain through testimony or otherwise.  
 23 In any such case the Commissioner of Internal Revenue  
 24 may, from his own knowledge and from such information  
 25 as he can obtain through testimony or otherwise, make a re-  
 26 turn or amend any return made by a collector or deputy

1 collector. Any return or list so made and subscribed by  
2 the Commissioner, or by a collector or deputy collector  
3 and approved by the Commissioner, shall be prima facie  
4 good and sufficient for all legal purposes.

5 "If the failure to file a return (*other than a return under*  
6 *Title II of the Revenue Act of 1924*) or a list is due to sick-  
7 ness or absence, the collector may allow such further time,  
8 not exceeding thirty days, for making and filing the return  
9 or list as he deems proper.

10 "The Commissioner of Internal Revenue shall deter-  
11 mine and assess all taxes, other than stamp taxes, as to  
12 which returns or lists are so made under the provisions of  
13 this section. In case of any failure to make and file a return  
14 or list within the time prescribed by law, or prescribed by  
15 the Commissioner of Internal Revenue or the collector in  
16 pursuance of law, the Commissioner of Internal Revenue  
17 shall add to the tax 25 per centum of its amount, except  
18 that when a return is filed after such time and it is shown  
19 that the failure to file it was due to a reasonable cause and  
20 not to willful neglect, no such addition shall be made to  
21 the tax. In case a false or fraudulent return or list is will-  
22 fully made, the Commissioner of Internal Revenue shall add  
23 to the tax 50 per centum of its amount.

24 "The amount so added to any tax shall be collected  
25 at the same time and in the same manner and as a part of

1 the tax unless the tax has been paid before the discovery  
 2 of the neglect, falsity, or fraud, in which case the amount  
 3 so added shall be collected in the same manner as the tax."

4 **NOTE.**—Section 3176 of the Revised Statutes as heretofore  
 5 amended is contained in section 1311 of the Revenue Act of  
 6 1921, which is proposed to be repealed by this bill. The  
 changes in section 3176 of the Revised Statutes proposed to be  
 made by this bill are shown above.

7 **EXAMINATION OF BOOKS AND WITNESSES.**

8 **SEC. 4308 1004.** ~~That the~~ *The* Commissioner, for the  
 9 purpose of ascertaining the correctness of any return or for  
 10 the purpose of making a return where none has been made,  
 11 is hereby authorized, by any revenue agent or inspector  
 12 designated by him for that purpose, to examine any books,  
 13 papers, records, or memoranda bearing upon the matters  
 14 required to be included in the return, and may require the  
 15 attendance of the person rendering the return or of any  
 16 officer or employee of such person, or the attendance of  
 17 any other person having knowledge in the premises, and  
 18 may take his testimony with reference to the matter required  
 19 by law to be included in such return, with power to ad-  
 20 minister oaths to such person or persons.

21 **NOTE.**—Section 1308 of the existing law, to which the  
 22 above section corresponds, is proposed to be repealed by this  
 bill.

23 **UNNECESSARY EXAMINATIONS.**

24 **SEC. 4309 1005.** ~~That no~~ *No* taxpayer shall be sub-  
 25 jected to unnecessary examinations or investigations, and  
 26 only one inspection of a taxpayer's books of account shall be

1 made for each taxable year unless the taxpayer requests  
 2 otherwise or unless the Commissioner, after investigation,  
 3 notifies the taxpayer in writing that an additional inspection  
 4 is necessary.

5 **NOTE.**—Section 1309 of the existing law, to which the  
 6 above section corresponds, is proposed to be repealed by this  
 bill.

7 **FINAL DETERMINATIONS AND ASSESSMENTS.**

8 **SEC. 1312 1006.** ~~That if~~ *If* after a determination and  
 9 assessment in any case the taxpayer has ~~without protest~~ paid  
 10 in whole any tax or penalty, or accepted any abatement,  
 11 credit, or refund based on such determination and assess-  
 12 ment, and an agreement is made in writing between the tax-  
 13 payer and the Commissioner, with the approval of the Sec-  
 14 retary, that such determination and assessment shall be final  
 15 and conclusive, then (except upon a showing of fraud or  
 16 malfeasance or misrepresentation of fact materially affecting  
 17 the determination or assessment thus made) (1) the case  
 18 shall not be reopened or the determination and assessment  
 19 modified by any officer, employee, or agent of the United  
 20 States, and (2) no suit, action, or proceeding to annul,  
 21 modify, or set aside such determination or assessment shall  
 22 be entertained by any court of the United States.

23 **NOTE.**—Section 1312 of the existing law, to which the  
 24 above section corresponds, is proposed to be repealed by this  
 bill.

25 **ADMINISTRATIVE REVIEW.**

26 **SEC. 1313 1007.** ~~That in~~ *In* the absence of fraud or  
 27 mistake in mathematical calculation, the findings of facts

1 in and the decision of the Commissioner upon (or in case  
 2 the Secretary is authorized to approve the same, then after  
 3 such approval) the merits of any claim presented under  
 4 or authorized by the internal-revenue laws shall not, *except*  
 5 *as provided in section 900*, be subject to review by any  
 6 other administrative officer, employee, or agent of the  
 7 United States.

8 **NOTE.**—Section 1313 of the existing law, to which the  
 above section corresponds, is proposed to be repealed by this  
 bill.

9 **RETROACTIVE REGULATIONS.**

10 **SEC. 1008.** ~~That in~~ *In* case a regulation or Treas-  
 11 ury decision relating to the internal-revenue laws, made by  
 12 the Commissioner or the Secretary, or by the Commissioner  
 13 with the approval of the Secretary, is reversed by a subse-  
 14 quent regulation or Treasury decision, and such reversal is  
 15 not immediately occasioned or required by a decision of a  
 16 court of competent jurisdiction, such subsequent regulation or  
 17 Treasury decision may, in the discretion of the Commis-  
 18 sioner, with the approval of the Secretary, be applied without  
 19 retroactive effect.

20 **NOTE.**—Section 1314 of the existing law, to which the  
 above section corresponds, is proposed to be repealed by this  
 21 bill.

22 **SEC. 1319.** That section 3227 of the Revised Statutes  
 23 is hereby repealed but such repeal shall not affect any suit  
 24 or proceeding instituted prior to the passage of this Act.

25 **NOTE.**—Section 1319 of the existing law is not proposed to  
 be repealed by this bill, but is shown above in stricken-through  
 type for purposes of information.



1 collection of such taxes shall be begun after the expiration  
2 of five years after such taxes became due.

3 (b) In case of a false or fraudulent return with intent  
4 to evade tax, of a failure to file a required return, or of a  
5 willful attempt in any manner to defeat or evade tax, the  
6 tax may be assessed at any time.

7 (c) Where the assessment of the tax is made within  
8 the period prescribed in subdivisions (a) and (b), such tax  
9 may be collected at any time by distraint or by a proceed-  
10 ing in court, but nothing in this subdivision shall be con-  
11 strued as preventing the beginning, without assessment, of  
12 a proceeding in court for the collection of the tax, before the  
13 expiration of the period provided in subdivision (a) for the  
14 beginning of such proceeding.

15 (d) This section shall not (1) authorize the assessment  
16 of a tax or the beginning of a proceeding in court for the col-  
17 lection of a tax if at the time of the enactment of this Act such  
18 assessment or proceeding was barred by the period of limita-  
19 tion then in existence, or (2) affect any assessment made, or  
20 proceeding in court begun, before the enactment of this Act.  
21 **LIMITATION ON PROSECUTIONS BY THE UNITED STATES.**

22 **SEC. 1321 1010.** (a) **That the The Act entitled "An**  
23 **Act to limit the time within which prosecutions may be insti-**  
24 **tuted against persons charged with violating internal-revenue**

1 laws," approved July 5, 1884, is as amended, is reenacted  
2 without change, to read as follows:

3 "That no person shall be prosecuted, tried, or punished  
4 for any of the various offenses arising under the internal-  
5 revenue laws of the United States unless the indictment is  
6 found or the information instituted within three years next  
7 after the commission of the offense: *Provided*, That the time  
8 during which the person committing the offense is absent  
9 from the district wherein the same is committed shall not be  
10 taken as any part of the time limited by law for the com-  
11 mencement of such proceedings: *Provided further*, That the  
12 provisions of this Act shall not apply to offenses committed  
13 prior to its passage: *Provided further*, That where a com-  
14 plaint shall be instituted before a commissioner of the United  
15 States within the period above limited, the time shall be  
16 extended until the discharge of the grand jury at its next  
17 session within the district: *And provided further*, That this  
18 Act shall not apply to offenses committed by officers of the  
19 United States."

20 (b) Any prosecution or proceeding under an indict-  
21 ment found or information instituted prior to the passage of  
22 this Act shall not be affected in any manner by this amend-  
23 ment enactment of the Revenue Act of 1921 shall not be  
24 affected in any manner by this section, nor by the amendment  
25 by the Revenue Act of 1921 of such Act of July 5, 1884,



1 but such prosecution or proceeding shall be subject to the  
2 limitations imposed by law prior to the passage of this Act  
3 enactment of the Revenue Act of 1921.

4 NOTE.—Section 1321 of the existing law, to which the  
5 above section corresponds, is proposed to be repealed by this  
6 bill. The changes are above shown.

#### 6 REFUNDS.

7 SEC. 1345 1011. That section Section 3220 of the  
8 Revised Statutes, as amended, is reenacted without change,  
9 as follows:

10 "SEC. 3220. The Commissioner of Internal Revenue,  
11 subject to regulations prescribed by the Secretary of the  
12 Treasury, is authorized to remit, refund, and pay back all  
13 taxes erroneously or illegally assessed or collected, all penal-  
14 ties collected without authority, and all taxes that appear to  
15 be unjustly assessed or excessive in amount, or in any manner  
16 wrongfully collected; also to repay to any collector or deputy  
17 collector the full amount of such sums of money as may be  
18 recovered against him in any court, for any internal revenue  
19 taxes collected by him, with the cost and expenses of suit;  
20 also all damages and costs recovered against any assessor,  
21 assistant assessor, collector, deputy collector, agent, or in-  
22 spector, in any suit brought against him by reason of any-  
23 thing done in the due performance of his official duty, and  
24 shall make report to Congress at the beginning of each

1 regular session of Congress of all transactions under this  
2 section.”

3 **NOTE**—Section 1315 of the existing law, to which the  
4 above section corresponds, is proposed to be repealed by this  
bill.

5 **SEC. 1916 1012.** (a) ~~That section~~ Section 3228 of the  
6 Revised Statutes, *as amended*, is amended to read as follows:

7 “**SEC. 3228.** All claims for the refunding or crediting  
8 of any internal-revenue tax alleged to have been erroneously  
9 or illegally assessed or collected, or of any penalty alleged  
10 to have been collected without authority, or of any sum  
11 alleged to have been excessive or in any manner wrongfully  
12 collected must, *except as provided in section 281 of the*  
13 *Revenue Act of 1924*, be presented to the Commissioner of  
14 Internal Revenue within four years next after *the* payment  
15 of such tax, penalty, or sum.”

16 **This section, except as modified by section 252, shall**  
17 **apply retroactively to claims for refund under the Revenue**  
18 **Act of 1916, the Revenue Act of 1917, and the Revenue**  
19 **Act of 1918.**

20 (b) *This section shall not bar from allowance a claim*  
21 *for credit or refund filed prior to the enactment of this Act*  
22 *which but for such enactment would have been allowable.*

23 **NOTE**—Section 1316 of the existing law, to which the  
24 above section corresponds, is proposed to be repealed by this  
bill. The changes are above shown.

1        **SEC. 1317.** That the paragraph of section 3699 of  
 2 the Revised Statutes, as amended, reading as follows: "**Re-**  
 3 **fund**ing taxes illegally collected (internal revenue); To re-  
 4 fund and pay back duties erroneously or illegally assessed or  
 5 collected under the internal revenue laws," is repealed from  
 6 and after June 30, 1924; and the Secretary of the Treasury  
 7 shall submit for the fiscal year 1924, and annually thereafter,  
 8 an estimate of appropriations to refund and pay back duties  
 9 or taxes erroneously or illegally assessed or collected under  
 10 the internal revenue laws, and to pay judgments, including  
 11 interest and costs, rendered for taxes or penalties erroneously  
 12 or illegally assessed or collected under the internal-revenue  
 13 laws.

14        **NOTE.**—Section 1317 of the existing law is not proposed to  
 15 be repealed by this bill, but is shown above in stricken-through  
 type for the purpose of information.

16        **SEC. 1013.** *The second proviso of the first section of the*  
 17 *Act entitled "An Act authorizing the Commissioner of Inter-*  
 18 *nal Revenue to redeem or make allowance for internal-revenue*  
 19 *stamps," approved May 12, 1900, as amended, is amended to*  
 20 *read as follows: "Provided further, That no claim for the*  
 21 *redemption of or allowance for stamps shall be allowed unless*  
 22 *presented within four years after the purchase of such stamps*  
 23 *from the Government."*

1 **LIMITATIONS UPON SUITS AND PROCEEDINGS PROCEED-**  
2 **INGS BY THE TAXPAYER.**

3 **SEC. 1318 1014.** (a) ~~That section~~ Section 3226 of the  
4 Revised Statutes, *as amended*, is amended to read as follows:

5 "SEC. 3226. No suit or proceeding shall be main-  
6 tained in any court for the recovery of any internal-revenue  
7 tax alleged to have been erroneously or illegally assessed or  
8 collected, or of any penalty claimed to have been collected  
9 without authority, or of any sum alleged to have been ex-  
10 cessive or in any manner wrongfully collected until a claim  
11 for refund or credit has been duly filed with the Commissioner  
12 of Internal Revenue, according to the provisions of law in  
13 that regard, and the regulations of the Secretary of the  
14 Treasury established in pursuance thereof; *but such suit or*  
15 *proceeding may be maintained, whether or not such tax,*  
16 *penalty, or sum has been paid under protest or duress.* No  
17 such suit or proceeding shall be begun before the expiration  
18 of six months from the date of filing such claim unless the  
19 Commissioner renders a decision thereon within that time,  
20 nor after the expiration of five years from the date of the  
21 payment of such tax, penalty, or sum, unless such suit or  
22 proceeding is begun within two years after the disallowance  
23 of the part of such claim to which such suit or proceeding  
24 relates. The Commissioner shall within 90 days after  
25 any such disallowance notify the taxpayer thereof by mail."

1 This section shall not affect any suit or proceeding in-  
 2 stituted prior to the passage of this Act, but shall apply to  
 3 all suits and proceedings instituted after the passage of this  
 4 Act, whether or not barred by prior Acts of Congress.

5 (b) This section shall not affect any proceeding in  
 6 court instituted prior to the enactment of this Act.

7 NOTE.—Section 1318 of the existing law, to which the  
 8 above section corresponds, is proposed to be repealed by this  
 9 bill. The changes are above shown.

9 **PRELIMINARY MATTERS.**

10 **SEC. 1322.** That section 3225 of the Revised Statutes  
 11 of the United States, as amended, is reenacted without  
 12 change as follows:

13 "SEC. 3225. When a second assessment is made in  
 14 case of any list, statement, or return, which in the opinion  
 15 of the collector or deputy collector was false or fraudulent,  
 16 or contained any understatement or undervaluation, such  
 17 assessment shall not be remitted, nor shall taxes collected  
 18 under such assessment be refunded, or paid back, or recov-  
 19 ered by any suit, unless it is proved that such list, state-  
 20 ment, or return was not willfully false or fraudulent and  
 21 did not contain any willful understatement or undervalua-  
 22 tion."

23 **SEC. 1015.** Section 3225 of the Revised Statutes, as  
 24 amended, is repealed.

## DISTRRAINT OF BANK ACCOUNTS.

1  
2       **SEC. 1016.** Section 3187 of the Revised Statutes is  
3 amended by inserting after "securities" the words "bank ac-  
4 counts" and a comma.

## PENALTY.

5  
6       **SEC. 1302 (a)** That any person required under Titles  
7 V, VI, VII, VIII, IX, X, or XII, to pay, or to collect,  
8 account for and pay over any tax, or required by law or  
9 regulations made under authority thereof to make a return  
10 or supply any information for the purposes of the compu-  
11 tation, assessment, or collection of any such tax, who fails  
12 to pay, collect, or truly account for and pay over any such  
13 tax, make any such return or supply any such information  
14 at the time or times required by law or regulation shall in  
15 addition to other penalties provided by law be subject to a  
16 penalty of not more than \$1,000.

17       **NOTE**—Section 1302 of the existing law is not proposed to  
18 be repealed by this bill. Subdivision (a) of such section is  
19 shown above in stricken-through type for purposes of infor-  
20 mation.

21       **(b)** Any person who willfully refuses to pay, collect,  
22 or truly account for and pay over any such tax, make such  
23 return or supply such information at the time or times re-  
24 quired by law or regulation, or who willfully attempts in any  
25 manner to evade such tax, shall be guilty of a misdemeanor  
and in addition to other penalties provided by law shall be  
fined not more than \$10,000 or imprisoned for not more

1 than one year, or both, together with the costs of prosecu-  
2 tion.

3 **NOTE.**—The above subdivision of section 1302 of the exist-  
4 ing law, which is not proposed to be repealed by this bill, corre-  
sponds to section 1017 (a), on this page, and is here printed for  
purposes of information.

5 **PENALTIES.**

6 **SEC. 1017. (a)** Any person required under this Act  
7 to pay, or to collect, account for and pay over, any tax, or  
8 required by law or regulations made under authority thereof  
9 to make a return, keep any records, or supply any infor-  
10 mation, for the purposes of the computation, assessment, or  
11 collection of any such tax, who willfully refuses to pay, col-  
12 lect, or truthfully account for and pay over, any such tax,  
13 make such return, keep such records, or supply such informa-  
14 tion, at the time or times required by law or regulations, or  
15 who willfully attempts in any manner to evade such tax,  
16 shall, in addition to other penalties provided by law, be guilty  
17 of a misdemeanor and be fined not more than \$10,000 or im-  
18 prisoned for not more than one year, or both, together with  
19 the costs of prosecution.

20 **NOTE.**—The above subdivision corresponds to subdivision  
21 (b) of section 1302 of the existing law, which is not proposed  
to be repealed by this bill, but is shown immediately preceding  
for purposes of information.

22 ~~(a)~~ (b) Any person who willfully refuses to pay, col-  
23 lect, or truly truthfully account for and pay over over, any  
24 such tax imposed by Titles IV, V, VI, VII, and VIII, shall,  
25 in addition to other penalties provided by law, be liable

1 to a penalty of the amount of the tax evaded, or not paid,  
 2 ~~collected,~~ *collected* or accounted for and paid over, to be  
 3 assessed and collected in the same manner as taxes are  
 4 assessed and collected—~~Provided, however, That no.~~ No  
 5 penalty shall be assessed under this subdivision for any  
 6 offense for which a penalty may be assessed under authority  
 7 of section 3176 of the Revised Statutes, as amended, or for  
 8 any offense for which a penalty has been recovered under  
 9 section 3256 of the Revised Statutes.

10 **NOTE.**—The above subdivision corresponds to subdivision  
 11 (c) of section 1302 of the existing law, which is not proposed  
 to be repealed by this bill. The changes are above shown.

12 ~~(d)~~ (c) The term "person" as used in this section  
 13 includes an officer or employee of a corporation or a member  
 14 or employee of a partnership, who as such officer, employee,  
 15 or member is under a duty to perform the act in respect of  
 16 which the violation occurs.

17 **NOTE.**—The above subdivision corresponds to subdivision  
 18 (d) of section 1302 of the existing law, which is not proposed  
 to be repealed by this bill.

19 **AMENDMENTS TO REVISED STATUTES.**

20 **SEC. 4344 1018.** ~~That sections~~ *Sections* 3164, 3165,  
 21 3167, 3172, ~~and 3173, and 3476~~ of the Revised Statutes,  
 22 as amended, are reenacted without change, as follows:

23 "Sec. 3164. It shall be the duty of every collector of  
 24 internal revenue having knowledge of any willful viola-  
 25 tion of any law of the United States relating to the revenue,  
 26 within thirty days after coming into possession of such



1 knowledge, to file with the district attorney of the district  
2 in which any fine, penalty, or forfeiture may be incurred,  
3 a statement of all the facts and circumstances of the case  
4 within his knowledge, together with the names of the wit-  
5 nesses, setting forth the provisions of law believed to be so  
6 violated on which reliance may be had for condemnation  
7 or conviction.

8 "SEC. 3165. Every collector, deputy collector, internal-  
9 revenue agent, and internal-revenue officer assigned to duty  
10 under an internal-revenue agent, is authorized to administer  
11 oaths and to take evidence touching any part of the adminis-  
12 tration of the internal-revenue laws with which he is charged,  
13 or where such oaths and evidence are authorized by law or  
14 regulation authorized by law to be taken.

15 "SEC. 3167. It shall be unlawful for any collector,  
16 deputy collector, agent, clerk, or other officer or employee of  
17 the United States to divulge or to make known in any man-  
18 ner whatever not provided by law to any person the opera-  
19 tions, style of work, or apparatus of any manufacturer or  
20 producer visited by him in the discharge of his official duties,  
21 or the amount or source of income, profits, losses, expendi-  
22 tures, or any particular thereof, set forth or disclosed in any  
23 income return, or to permit any income return or copy  
24 thereof or any book containing any abstract or particulars  
25 thereof to be seen or examined by any person except as pro-

1 vided by law; and it shall be unlawful for any person to  
2 print or publish in any manner whatever not provided by  
3 law any income return, or any part thereof or source of  
4 income, profits, losses, or expenditures appearing in any  
5 income return; and any offense against the foregoing pro-  
6 vision shall be a misdemeanor and be punished by a fine not  
7 exceeding \$1,000 or by imprisonment not exceeding one  
8 year, or both, at the discretion of the court; and if the  
9 offender be an officer or employee of the United States he  
10 shall be dismissed from office or discharged from employ-  
11 ment.

12 "SEC. 3172. Every collector shall, from time to time,  
13 cause his deputies to proceed through every part of his dis-  
14 trict and inquire after and concerning all persons therein  
15 who are liable to pay any internal-revenue tax, and all  
16 persons owning or having the care and management of any  
17 objects liable to pay any tax, and to make a list of such  
18 persons and enumerate said objects.

19 "SEC. 3173. It shall be the duty of any person, part-  
20 nership, firm, association, or corporation, made liable to  
21 any duty, special tax, or other tax imposed by law, when  
22 not otherwise provided for, (1) in case of a special tax,  
23 on or before the thirty-first day of July in each year, and  
24 (2) in other cases before the day on which the taxes accrue,  
25 to make a list or return, verified by oath, to the collector

1 or a deputy collector of the district where located, of the  
2 articles or objects, including the quantity of goods, wares,  
3 and merchandise, made or sold and charged with a tax,  
4 the several rates and aggregate amount, according to the  
5 forms and regulations to be prescribed by the Commissioner  
6 of Internal Revenue, with the approval of the Secretary of  
7 the Treasury, for which such person, partnership, firm,  
8 association, or corporation is liable: *Provided*, That if any  
9 person liable to pay any duty or tax, or owning, possessing,  
10 or having the care or management of property, goods,  
11 wares, and merchandise, article or objects liable to pay any  
12 duty, tax, or license, shall fail to make and exhibit a list or  
13 return required by law, but shall consent to disclose the par-  
14 ticulars of any and all the property, goods, wares, and mer-  
15 chandise, articles, and objects liable to pay any duty or tax,  
16 or any business or occupation liable to pay any tax as afore-  
17 said, then, and in that case, it shall be the duty of the col-  
18 lector or deputy collector to make such list or return, which,  
19 being distinctly read, consented to, and signed and verified  
20 by oath by the person so owning, possessing, or having the  
21 care and management as aforesaid, may be received as the  
22 list of such person: *Provided further*, That in case no annual  
23 list or return has been rendered by such person to the col-  
24 lector or deputy collector as required by law, and the person  
25 shall be absent from his or her residence or place of business

1 at the time the collector or a deputy collector shall call for  
2 the annual list or return, it shall be the duty of such collector  
3 or deputy collector to leave at such place of residence or  
4 business, with some one of suitable age and discretion, if such  
5 be present, otherwise to deposit in the nearest post office, a  
6 note or memorandum addressed to such person, requiring  
7 him or her to render to such collector or deputy collector the  
8 list or return required by law within ten days from the date  
9 of such note or memorandum, verified by oath. And if  
10 any person, on being notified or required as aforesaid, shall  
11 refuse or neglect to render such list or return within the  
12 time required as aforesaid, or whenever any person who is  
13 required to deliver a monthly or other return of objects  
14 subject to tax fails to do so at the time required, or delivers  
15 any return which, in the opinion of the collector, is erro-  
16 neous, false, or fraudulent, or contains any undervaluation  
17 or understatement, or refuses to allow any regularly author-  
18 ized Government officer to examine the books of such per-  
19 son, firm, or corporation, it shall be lawful for the collector  
20 to summon such person, or any other person having posses-  
21 sion, custody, or care of books of account containing entries  
22 relating to the business of such person or any other person  
23 he may deem proper, to appear before him and produce  
24 such books at a time and place named in the summons, and  
25 to give testimony or answer interrogatories, under oath,

1 respecting any objects or income liable to tax or the returns  
 2 thereof. The collector may summon any person residing  
 3 or found within the State or Territory in which his district  
 4 lies; and when the person intended to be summoned does  
 5 not reside and can not be found within such State or Terri-  
 6 tory, he may enter any collection district where such person  
 7 may be found and there make the examination herein au-  
 8 thorized. And to this end he may there exercise all the  
 9 authority which he might lawfully exercise in the district for  
 10 which he was commissioned: *Provided, That 'person,' as*  
 11 *used in this section, shall be construed to include any corpora-*  
 12 *tion, joint-stock company or association, or insurance com-*  
 13 *pany when such construction is necessary to carry out its*  
 14 *provisions."*

15 **NOTE.**—The above sections of the Revised Statutes, as here-  
 16 tofore amended, appear in the existing law in section 1811,  
 which is proposed to be repealed by this bill.

17 **SEC. 3176.** If any person, corporation, company, or  
 18 association fails to make and file a return or list at the time  
 19 prescribed by law or by regulation made under authority of  
 20 law, or makes, willfully or otherwise, a false or fraudulent re-  
 21 turn or list, the collector or deputy collector shall make the  
 22 return or list from his own knowledge and from such informa-  
 23 tion as he can obtain through testimony or otherwise. In  
 24 any such case the Commissioner may, from his own knowl-  
 25 edge and from such information as he can obtain through

1    testimony or otherwise, make a return or amend any return  
2    made by a collector or deputy collector. Any return or list  
3    so made and subscribed by the Commissioner, or by a col-  
4    lector or deputy collector and approved by the Commissioner,  
5    shall be prima facie good and sufficient for all legal purposes.

6            " If the failure to file a return or list is due to sickness  
7    or absence, the collector may allow such further time, not  
8    exceeding thirty days, for making and filing the return or list  
9    as he deems proper.

10           " The Commissioner of Internal Revenue shall deter-  
11   mine and assess all taxes, other than stamp taxes, as to  
12   which returns or lists are so made under the provisions  
13   of this section. In case of any failure to make and file a  
14   return or list within the time prescribed by law, or pre-  
15   scribed by the Commissioner of Internal Revenue or the  
16   collector in pursuance of law, the Commissioner of Internal  
17   Revenue shall add to the tax 25 per centum of its amount,  
18   except that when a return is filed after such time and it is  
19   shown that the failure to file it was due to a reasonable error  
20   and not to willful neglect, no such addition shall be made  
21   to the tax. In case a false or fraudulent return or list is  
22   willfully made, the Commissioner of Internal Revenue shall  
23   add to the tax 50 per centum of its amount.

24           " The amount so added to any tax shall be collected at  
25   the same time and in the same manner and as a part of the

1 tax unless the tax has been paid before the discovery of the  
 2 neglect, delinquency, or fraud, in which case the amount so added  
 3 shall be collected in the same manner as the tax."

4 **NOTE.**—The above section of the Revised Statutes, as heretofore amended, appears in the existing law in section 1811, which is proposed to be repealed by this bill, but appears with amendments as section 1008 on pages 812-814 of this print.

6 **INTEREST ON REFUNDS AND CREDITS.**

7 **SEC. 1014.** (a) That upon the allowance of a claim for  
 8 the refund of or credit for internal revenue taxes paid, interest  
 9 shall be allowed and paid upon the total amount of such re-  
 10 fund or credit at the rate of one-half of 1 per centum per  
 11 month to the date of such allowance, as follows: (1) if such  
 12 amount was paid under a specific protest setting forth in  
 13 detail the basis of and reasons for such protest, from the  
 14 time when such tax was paid, or (2) if such amount was not  
 15 paid under protest but pursuant to an additional assessment,  
 16 from the time such additional assessment was paid, or (3)  
 17 if no protest was made and the tax was not paid pursuant to  
 18 an additional assessment, from six months after the date of  
 19 filing of such claim for refund or credit. The term "addi-  
 20 tional assessment" as used in this section means a further  
 21 assessment for a tax of the same character previously paid in  
 22 part.

23 **INTEREST ON REFUNDS AND CREDITS.**

24 **SEC. 1019.** Upon the allowance of a credit or refund  
 25 of any internal-revenue tax erroneously or illegally assessed

1 *or collected, or of any penalty collected without authority, or*  
2 *of any sum which was excessive or in any manner wrongfully*  
3 *collected, interest shall be allowed and paid on the amount of*  
4 *such credit or refund at the rate of 5 per centum per annum*  
5 *from the date such tax, penalty, or sum was paid to the date*  
6 *of the allowance of the refund, or in case of a credit, to the*  
7 *due date of the amount against which the credit is taken, but*  
8 *if the amount against which the credit is taken is an addi-*  
9 *tional assessment, then to the date of the assessment of that*  
10 *amount. The term "additional assessment" as used in this*  
11 *section means a further assessment for a tax of the same*  
12 *character previously paid in part.*

13 *INTEREST ON JUDGMENTS.*

14 *(b) SEC. 1020. Section 177 of the Judicial Code is*  
15 *amended to read, as amended, is reenacted without change,*  
16 *as follows:*

17 *"SEC. 177. No interest shall be allowed on any claim*  
18 *up to the time of the rendition of judgment by the Court of*  
19 *Claims, unless upon a contract expressly stipulating for the*  
20 *payment of interest, except that interest may be allowed in*  
21 *any judgment of any court rendered after the passage of the*  
22 *Revenue Act of 1921 against the United States for any*  
23 *internal-revenue tax erroneously or illegally assessed or col-*  
24 *lected, or for any penalty collected without authority or any*



1 sum which was excessive or in any manner wrongfully col-  
 2 lected, under the internal-revenue laws."

3 **NOTE.**—The above section corresponds to section 1394 (b)  
 4 of the existing law, which is proposed to be repealed by this  
 4 bill.

5 **PAYMENT OF TAXES BY CHECK ON UNITED STATES**  
 6 **SECURITIES.**

7 **PAYMENT OF AND RECEIPTS FOR TAXES.**

8 **SEC. 1325 1021. (a)** That collectors *Collectors* may re-  
 9 ceive, at par with an adjustment for accrued interest, notes or  
 10 certificates of indebtedness issued by the United States and  
 11 uncertified checks in payment of income, war-profits, and ex-  
 12 cess-profits taxes and any other taxes payable other than by  
 13 stamp, during such time and under such *rules and regula-*  
 14 *tions* as the Commissioner, with the approval of the Secre-  
 15 tary, shall prescribe; but if a check so received is not paid  
 16 by the bank on which it is drawn the person by whom such  
 17 check has been tendered shall remain liable for the payment  
 18 of the tax and for all legal penalties and additions *to the*  
 19 *same extent* as if such check had not been tendered.

20 **NOTE.**—The above subdivision corresponds to section 1325  
 21 of the existing law, which is proposed to be repealed by this  
 21 bill.

22 **SEC. 251. (b)** That every *Every* collector to whom  
 23 any payment of any tax (*other than stamp tax*) is made  
 24 under the provisions of this title shall upon request give to  
 25 the person making such payment a full written or printed  
 26 receipt, stating the amount paid and the particular account

1 for which such payment was made; and whenever any  
 2 debtor pays taxes on account of payments made or to be  
 3 made by him to separate creditors the collector shall, if  
 4 requested by such debtor, give a separate receipt for the  
 5 tax paid on account of each creditor in such form that the  
 6 debtor can conveniently produce such receipts separately to  
 7 his several creditors in satisfaction of their respective de-  
 8 mands up to the amounts stated in the receipts; and such  
 9 receipt shall be sufficient evidence in favor of such debtor to  
 10 justify him in withholding from his next payment to his  
 11 creditor the amount therein stated; but the creditor may,  
 12 upon giving to his debtor a full written receipt acknowledg-  
 13 ing the payment to him of any sum actually paid and accept-  
 14 ing the amount of tax paid as aforesaid (specifying the  
 15 same) as a further satisfaction of the debt to that amount,  
 16 require the surrender to him of such collector's receipt.

17 **NOTE.**—The above subdivision takes the place of section  
 18 251 of the existing law, which is proposed to be repealed by  
 19 this bill, and of section 37 of the Act of August 27, 1894, en-  
 20 titled "An Act to reduce taxation, to provide revenues for the  
 Government, and for other purposes," which is proposed to be  
 repealed by subdivision (d) of this section. The changes from  
 section 251 of the existing law are above shown.

21 **FRACTIONAL PARTS OF A CENT**

22 **Sec. 1306.** That in (c) in the payment of any tax  
 23 under this Act not payable by stamp a fractional part of a

1 cent shall be disregarded unless it amounts to one-half cent  
2 or more, in which case it shall be increased to 1 cent.

3 **NOTE.**—The above section is the same as section 1806 of  
4 the existing law, which is not proposed to be repealed by this  
bill.

5 (d) Section 37 of the Act of August 27, 1894, entitled  
6 "An Act To reduce taxation, to provide revenue for the Gov-  
7 ernment, and for other purposes," is hereby repealed.

#### 8 METHOD OF COLLECTING TAX.

9 **SEC. 1304 1022.** That whether Whether or not the  
10 method of collecting any tax imposed by Titles ~~V~~, ~~VI~~, ~~VII~~,  
11 ~~VIII~~, ~~IX~~, or ~~X~~ of this Act *IV, V, VI, or VII* is specifically  
12 provided therein, any such tax may, under regulations pre-  
13 scribed by the Commissioner with the approval of the Sec-  
14 retary, be collected by stamp, coupon, serial-numbered  
15 ticket, or such other reasonable device or method as may be  
16 necessary or helpful in securing a complete and prompt col-  
17 lection of the tax. All administrative and penalty provisions  
18 of Title ~~XI~~ *VIII*, in so far as applicable, shall apply to the  
19 collection of any tax which the Commissioner determines or  
20 prescribes shall be collected in such manner.

21 **NOTE.**—Section 1301 of the existing law, to which this  
22 section corresponds, is not proposed to be repealed by this bill.  
The changes are above shown.

#### 23 OVERPAYMENTS AND OVERCOLLECTIONS.

24 **SEC. 1304 1023.** That in In the case of any overpay-  
25 ment or overcollection of any tax imposed by section 602  
26 or by Title ~~V~~, Title ~~VIII~~, or Title ~~IX~~ Title *V or VI*, the

1 person making such overpayment or overcollection may  
 2 take credit therefor against taxes due upon any monthly re-  
 3 turn, and shall make refund of any excessive amount col-  
 4 lected by him upon proper application by the person enti-  
 5 tled thereto.

6 **NOTE.**—The above section corresponds to section 1304 of  
 7 the existing law, which is not proposed to be repealed by this  
 8 bill. The changes are above shown.

#### 8 ARTICLES EXPORTED.

9 **SEC. 1305 1024.** That under *Under* such rules and reg-  
 10 ulations as the Commissioner with the approval of the Sec-  
 11 retary may prescribe, the taxes imposed under the provi-  
 12 sions of Title VI, VII, or IX Title IV or VI shall not ap-  
 13 ply in respect to *of* articles sold or leased for export and in  
 14 due course so exported. Under such rules and regulations the  
 15 amount of any internal-revenue tax erroneously or illegally  
 16 collected in respect to *of* exported articles may be refunded to  
 17 the exporter of the article, instead of to the manufacturer, if  
 18 the manufacturer waives any claim for the amount so to be  
 19 refunded.

20 **NOTE.**—The above section corresponds to section 1305 of  
 21 the existing law, which is not proposed to be repealed by this  
 22 bill. The changes are above shown.

#### 22 JURISDICTION OF COURTS.

23 **SEC. 1310 1025.** (a) That if *If* any person is sum-  
 24 moned under this Act to appear, to testify, or to produce  
 25 books, papers, or other data, the district court of the United  
 26 States for the district in which such person resides shall

1 have jurisdiction by appropriate process to compel such at-  
2 tendance, testimony, or production of books, papers, or other  
3 data.

4 (b) The district courts of the United States at the in-  
5 stance of the United States are hereby invested with such  
6 jurisdiction to make and issue, both in actions at law and  
7 suits in equity, writs and orders of injunction, and of ne  
8 exeat republica, orders appointing receivers, and such other  
9 orders and process, and to render such judgments and de-  
10 crees, granting in proper cases both legal and equitable relief  
11 together, as may be necessary or appropriate for the enforce-  
12 ment of the provisions of this Act. The remedies hereby  
13 provided are in addition to and not exclusive of any and all  
14 other remedies of the United States in such courts or other-  
15 wise to enforce such provisions.

16 NOTE.—The above subdivisions correspond to section 1310  
17 (a) and (b) of the existing law, which is not proposed to be  
repealed by this bill.

18 (c) Paragraph Twentieth of section 24 of the Judicial  
19 Code is amended by adding at the end thereof the following  
20 new paragraph:

21 (c) The paragraph added by section 1310 of the  
22 Revenue Act of 1921 at the end of paragraph Twentieth of  
23 section 24 of the Judicial Code, relating to the jurisdiction  
24 of district courts, is reenacted without change, as follows:

1 "Concurrent with the Court of Claims, of any suit or  
 2 proceeding, commenced after the passage of the Revenue  
 3 Act of 1921, for the recovery of any internal-revenue tax  
 4 alleged to have been erroneously or illegally assessed or col-  
 5 lected, or of any penalty claimed to have been collected  
 6 without authority or any sum alleged to have been excessive  
 7 or in any manner wrongfully collected, under the internal-  
 8 revenue laws, even if the claim exceeds \$10,000, if the  
 9 collector of internal-revenue by whom such tax, penalty, or  
 10 sum was collected is dead at the time such suit or proceed-  
 11 ing is commenced."

12 **NOTE.**—The above subdivision corresponds to section 1310  
 13 (c) of the existing law, which is proposed to be repealed by  
 this bill.

14 **FRAUDS ON PURCHASERS.**

15 **SEC. 1526 1026.** That ~~whenever~~ *Whoever* in connection  
 16 with the sale or lease, or offer for sale or lease, of any  
 17 article, or for the purpose of making such sale or lease, makes  
 18 any statement, written or oral, (1) intended or calculated  
 19 to lead any person to believe that any part of the price at  
 20 which such article is sold or leased, or offered for sale or lease,  
 21 consists of a tax imposed under the authority of the United  
 22 States, or (2) ascribing a particular part of such price to a  
 23 tax imposed under the authority of the United States, know-  
 24 ing that such statement is false or that the tax is not so great  
 25 as the portion of such price ascribed to such tax, shall be

1 guilty of a misdemeanor and upon conviction thereof shall  
 2 be punished by a fine of not more than \$1,000 or by im-  
 3 prisonment not exceeding one year, or both.

4 **NOTE.**—The above section is the same as section 1826 of  
 the existing law, which is proposed to be repealed by this bill.

5 **TAX SIMPLIFICATION BOARD.**

6 **SEC. 1827.** (a) That there is hereby established in the  
 7 Department of the Treasury a board to be known as the  
 8 "**Tax Simplification Board**" (hereinafter in this section  
 9 called the "**Board**"), to be composed as follows:

10 (1) Three members who shall represent the public, to  
 11 be appointed by the President; and

12 (2) Three members who shall represent the Bureau of  
 13 Internal Revenue and shall be officers or employees of the  
 14 United States serving in such Bureau, to be appointed by  
 15 the Secretary.

16 (b) Any vacancy in the Board shall be filled in the  
 17 same manner as the original appointment. The members  
 18 representing the public shall serve without compensation  
 19 except reimbursement for traveling, subsistence, and other  
 20 necessary expenses incurred in the performance of the  
 21 duties vested in them by this section. The members repre-  
 22 senting the Bureau of Internal Revenue shall serve without  
 23 compensation in addition to that received for their service  
 24 in such Bureau.

1       (c) The Secretary shall furnish the Board with such  
2 clerical assistance, quarters and stationery, furniture, office  
3 equipment, and other supplies as may be necessary for the  
4 performance of the duties vested in them by this section.

5       (d) It shall be the duty of the Board to investigate the  
6 procedure of and the forms used by the Bureau in the admin-  
7 istration of the internal revenue laws, and to make recom-  
8 mendations in respect to the simplification thereof. The  
9 Board shall make a report to the Congress on or before the  
10 first Monday of December in each year.

11       (e) The expenditures of the Board shall be paid upon  
12 vouchers approved by the Board and signed by the chair-  
13 man thereof. For the expenditures of the Board for the fiscal  
14 year ending June 30, 1922, there is authorized to be appro-  
15 priated, out of any money in the Treasury not otherwise  
16 appropriated, the sum of \$10,000.

17       (f) The Board shall cease to exist on December 31,  
18 1924.

19       NOTE.—Section 1327 of the existing law is not proposed to  
20 be repealed by this bill, but is shown above in stricken-through  
type for purposes of information.

21       LOST STAMPS FOR TOBACCO, CIGARS, AND SO FORTH.

22       SEC. 1320 1027. That section Section 3315 of the Re-  
23 vised Statutes, as amended, is reenacted without change, as  
24 follows:



1       “**Sec. 3315.** The Commissioner of Internal Revenue  
2 may, under regulations prescribed by him with the approval  
3 of the Secretary of the Treasury, issue stamps for restamp-  
4 ing packages of distilled spirits, tobacco, cigars, snuff, ciga-  
5 rettes, fermented liquors, and wines which have been duly  
6 stamped but from which the stamps have been lost or de-  
7 stroyed by unavoidable accident.”

8       **NOTE.**—Section 1330 of the existing law, which is the same  
as the above section, is proposed to be repealed by this bill.

9       **CONSOLIDATION OF LIBERTY BOND TAX EXEMPTIONS.**

10       **SEC. 1028.** ~~That~~ *The* various Acts authoriz-  
11 ing the issues of Liberty bonds are amended and supple-  
12 mented as follows:

13       (a) On and after January 1, 1921, 4 per centum and  
14  $4\frac{1}{2}$  per centum Liberty bonds shall be exempt from gradu-  
15 ated additional income taxes, commonly known as surtaxes,  
16 and excess-profits and war-profits taxes, now or hereafter  
17 imposed by the United States upon the income or profits of  
18 individuals, partnerships, corporations, or associations, in  
19 respect to the interest on aggregate principal amounts thereof  
20 as follows:

21       Until the expiration of two years after the date of the  
22 termination of the war between the United States and the  
23 German Government, as fixed by proclamation of the Presi-  
24 dent, on \$125,000 aggregate principal amount; and for  
25 three years more on \$50,000 aggregate principal amount,

1 (b) The exemptions provided in subdivision (a) shall  
 2 be in addition to the exemptions provided in section 7 of  
 3 the Second Liberty Bond Act, and in addition to the ex-  
 4 emption provided in subdivision (3) of section 1 of the  
 5 Supplement to the Second Liberty Bond Act in respect to  
 6 bonds issued upon conversion of 3½ per centum bonds,  
 7 but shall be in lieu of the exemptions provided and free  
 8 from the conditions and limitations imposed in subdivisions  
 9 (1) and (2) of section 1 of the Supplement to the Second  
 10 Liberty Bond Act and in section 2 of the Victory Liberty  
 11 Loan Act.

12 **NOTE.**—Section 1328 of the existing law, which is the same  
 as the above section, is proposed to be repealed by this bill.

13 **DEPOSIT OF UNITED STATES BONDS OR NOTES IN LIEU OF**  
 14 **SURETY.**

15 **SEC. 1329 1029.** *That wherever* *Wherever* by the  
 16 laws of the United States or regulations made pursuant  
 17 thereto, any person is required to furnish any recognizance,  
 18 stipulation, bond, guaranty, or undertaking, hereinafter  
 19 called "penal bond" with surety or sureties, such person  
 20 may, in lieu of such surety or sureties, deposit as security  
 21 with the official having authority to approve such penal  
 22 bond, United States Liberty bonds or other bonds or notes  
 23 of the United States in a sum equal at their par value to the  
 24 amount of such penal bond required to be furnished, together  
 25 with an agreement authorizing such official to collect or sell

1 such bonds or notes so deposited in case of any default  
2 in the performance of any of the conditions or stipulations of  
3 such penal bond. The acceptance of such United States  
4 bonds or notes in lieu of surety or sureties required by law  
5 shall have the same force and effect as individual or cor-  
6 porate sureties, or certified checks, bank drafts, post-office  
7 money orders, or cash, for the penalty or amount of such  
8 penal bond. The bonds or notes deposited hereunder and  
9 such other United States bonds or notes as may be sub-  
10 stituted therefor from time to time as such security, may be  
11 deposited with the Treasurer of the United States, a Federal  
12 reserve bank, or other depository duly designated for that  
13 purpose by the Secretary, which shall issue receipt therefor,  
14 describing such bonds or notes so deposited. As soon as  
15 security for the performance of such penal bond is no longer  
16 necessary, such bonds or notes so deposited shall be returned  
17 to the depositor: *Provided*, That in case a person or per-  
18 sons supplying a contractor with labor or material as pro-  
19 vided by the Act of Congress, approved February 24, 1905  
20 (33 Stat. 811), entitled "An Act to amend an Act ap-  
21 proved August thirteenth, eighteen hundred and ninety-four,  
22 entitled 'An Act for the protection of persons furnishing  
23 materials and labor for the construction of public works,'"  
24 shall file with the obligee, at any time after a default in the  
25 performance of any contract subject to said Acts, the appli-

1 cation and affidavit therein provided, the obligee shall not  
2 deliver to the obligor the deposited bonds or notes nor any  
3 surplus proceeds thereof until the expiration of the time  
4 limited by said Acts for the institution of suit by such per-  
5 son or persons, and, in case suit shall be instituted within  
6 such time, shall hold said bonds or notes or proceeds subject  
7 to the order of the court having jurisdiction thereof: *Pro-*  
8 *vided further*, That nothing herein contained shall affect or  
9 impair the priority of the claim of the United States against  
10 the bonds or notes deposited or any right or remedy granted  
11 by said Acts or by this section to the United States for de-  
12 fault upon any obligation of said penal bond: *Provided*  
13 *further*, That all laws inconsistent with this section are  
14 hereby so modified as to conform to the provisions hereof:  
15 *And provided further*, That nothing contained herein shall  
16 affect the authority of courts over the security, where such  
17 bonds are taken as security in judicial proceedings, or the  
18 authority of any administrative officer of the United States  
19 to receive United States bonds for security in cases author-  
20 ized by existing laws. The Secretary may prescribe rules  
21 and regulations necessary and proper for carrying this sec-  
22 tion into effect.

23 **NOTE.**—Section 1329 of the existing law, which is the same  
as the above section, is proposed to be repealed by this bill.

1           **CONSOLIDATED RETURNS FOR YEAR 1917.**

2           Sec. 1321. (a) That Title II of the Revenue Act of  
3 1917 shall be construed to impose the taxes therein men-  
4 tioned upon the basis of consolidated returns of net income  
5 and invested capital in the case of domestic corporations  
6 and domestic partnerships that were affiliated during the  
7 calendar year 1917.

8           (1) For the purpose of this section a corporation or  
9 partnership was affiliated with one or more corporations or  
10 partnerships (1) when such corporation or partnership  
11 owned directly or controlled through closely affiliated in-  
12 terests or by a nominee or nominees all or substantially all  
13 the stock of the other or others, or (2) when substantially  
14 all the stock of two or more corporations or the business of  
15 two or     partnerships was owned by the same interests.  
16 *Provided:* That such corporations or partnerships were en-  
17 gaged in the same or a closely related business, or one cor-  
18 poration or partnership bought from or sold to another  
19 corporation or partnership products or services at prices  
20 above or below the current market, thus effecting an arti-  
21 ficial distribution of profits, or one corporation or partner-  
22 ship in any way so arranged its financial relationships with  
23 another corporation or partnership as to assign to it a dis-  
24 proportionate share of net income or invested capital. For  
25 the purposes of this section, public service corporations

1 which (1) were operated independently, (2) were not  
 2 physically connected or merged and (3) did not receive  
 3 special permission to make a consolidated return, shall not be  
 4 construed to have been affiliated; but a railroad or other  
 5 public utility which was owned by an industrial corporation  
 6 and was operated as a plant facility or as an integral part of  
 7 a group organization of affiliated corporations which were  
 8 required to file a consolidated return, shall be construed to  
 9 have been affiliated.

10 (c) The provisions of this section are declaratory of  
 11 the provisions of Title II of the Revenue Act of 1917.

12 **NOTE.**—Section 1331 of the existing law is not proposed to  
 13 be repealed by this bill, but is shown above in stricken-through  
 14 type for the purpose of information.

14 **ALTERNATIVE TAX ON PERSONAL SERVICE CORPORATIONS:**

15 **SEC. 1332.** (a) That if either subdivision (c) of section  
 16 218 of the Revenue Act of 1918 or subdivision (d) of section  
 17 218 of this Act is by final adjudication declared invalid, there  
 18 shall, in addition to all other taxes, be levied, collected, and  
 19 paid on the net income (as defined in section 232) received  
 20 during the calendar years 1918, 1919, 1920, and 1921, by  
 21 every personal service corporation (as defined in section  
 22 200) included within the provisions of such subdivisions, a  
 23 tax equal to the taxes imposed by Titles II and III of the  
 24 Revenue Act of 1918 and, in the case of income received

1 during the calendar year 1921, by Titles II and III of this  
2 Act.

3 (b) In such event every such personal service corpora-  
4 tion shall, on or before the fifteenth day of the sixth month  
5 following the date of entry of decree upon such final adjudi-  
6 cation, make a return of any income received during each  
7 of the calendar years 1918, 1919, 1920, and 1921 in the  
8 manner prescribed by the Revenue Act of 1918 (or in the  
9 manner prescribed by this Act, in the case of income re-  
10 ceived during the calendar year 1921). Such return shall be  
11 made and the net income shall be computed on the basis of  
12 the taxpayer's annual accounting period (fiscal year or cal-  
13 endar year, as the case may be) in the manner provided  
14 for other corporations under the Revenue Act of 1918 and  
15 this Act.

16 (c) If either subdivision (c) of section 218 of the  
17 Revenue Act of 1918 or subdivision (d) of section 218 of  
18 this Act is so declared invalid, claims for credit or refund  
19 of taxes paid under both such sections shall be allowed, if  
20 made within the time provided in subdivision (f) of this  
21 section.

22 (d) In case the claims for credit or refund, filed within  
23 six months from such date of entry of decree, represent less  
24 than 20 per centum of the outstanding stock or shares in the  
25 corporation, the amount of taxes imposed by this section

1 upon such corporation shall be reduced to that proportion  
2 thereof which the number of stock or shares owned by the  
3 shareholders or members making such claims bears to the  
4 total number of stock or shares outstanding.

5 (c) The tax imposed by this section shall be assessed,  
6 collected, and paid upon the same basis, in the same manner,  
7 and subject to the same provisions of law, including penalties,  
8 as the taxes imposed by sections 280 and 301 of the Revenue  
9 Act of 1918 (or by sections 280 and 301 of this Act, in the  
10 case of income received during the calendar year 1921),  
11 but no interest or penalties shall be due or payable thereon  
12 for any period prior to the date upon which the return is by  
13 this section required to be made and the first installment  
14 paid. The amount of tax paid by any shareholder or mem-  
15 ber of a personal service corporation pursuant to the provi-  
16 sions of subdivision (c) of section 218 of the Revenue Act  
17 of 1918 or subdivision (d) of section 218 of this Act shall  
18 be credited against the tax due from such corporation under  
19 this section upon the joint written application of such corpo-  
20 ration and such shareholder or member or his representa-  
21 tives, heirs, or assigns, if such application is filed with the  
22 Commissioner within six months from such date of entry of  
23 decree.

24 (f) Notwithstanding any other provision of law, no  
25 claim for a credit or refund of taxes paid under subdivision



1 (c) of section 818 of the Revenue Act of 1918 or subdivision  
 2 (d) of section 818 of this Act, may be filed after the expira-  
 3 tion of six months from such date of entry of decree: *Pro-*  
 4 *vided, however, That a personal service corporation of which*  
 5 *no shareholder or member has filed such claim within such*  
 6 *period of six months shall not be subject to the tax imposed*  
 7 *by this section:*

8 NOTE.—Section 1398 of the existing law is not proposed to  
 9 be repealed by this bill, but is shown above in stricken-through  
 0 type for the purpose of information.

#### 10 TITLE XIV.—GENERAL PROVISIONS.

##### 11 REPEALS:

12 SEC. 1400. (a) That the following parts of the Revenue  
 13 Act of 1918 are repealed, to take effect (except as other-  
 14 wise provided in this Act) on January 1, 1922, subject to  
 15 the limitations provided in subdivision (b):

16 Title II (called "Income Tax") as of January 1, 1921;

17 Title III (called "War Profits and Excess Profits  
 18 Tax") as of January 1, 1921;

19 Title IV (called "Estate Tax") on the passage of this  
 20 Act;

21 Title V (called "Tax on Transportation and Other  
 22 Facilities, and on Insurance");

23 Sections 628, 629, and 630 of Title VI (being the  
 24 taxes on soft drinks, ice cream, and similar articles);

25 Title VII (called "Tax on Cigars, Tobacco and Manu-  
 26 factures Thereof");

1 Title VIII (called "Tax on Admission and Duty");

2 Title IX (called "Excise Taxes");

3 Title X (called "Special Taxes");

4 Title XI (called "Stamp Taxes");

5 Title XII (called "Tax on Employment of Child  
6 Labor") as of January 1, 1921; and

7 Sections 1211, 1212, 1213, 1214, 1215, and 1220 of  
8 Title XIII (having certain administrative provisions) on the  
9 passage of this Act.

10 (b) The parts of the Revenue Act of 1913 which are  
11 repealed by this Act shall (unless otherwise specifically pro-  
12 vided in this Act) remain in force for the assessment and  
13 collection of all taxes which have accrued under the Revenue  
14 Act of 1913 at the time such parts cease to be in effect, and  
15 for the imposition and collection of all penalties or forfeitures  
16 which have accrued or may accrue in relation to any such taxes.  
17 In the case of any tax imposed by any part of the Revenue  
18 Act of 1913 repealed by this Act, if there is a tax imposed  
19 by this Act in lieu thereof, the provisions imposing such tax  
20 shall remain in force until the corresponding tax under this  
21 Act takes effect under the provisions of this Act. The un-  
22 expended balance of any appropriation heretofore made and  
23 now available for the administration of any such part of the

1 Revenue Act of 1918 shall be available for the administra-  
2 tion of this Act or the corresponding provision thereof.

3 NOTE.—Section 1400 of the existing law, which corre-  
4 sponds to section 1100 of this bill, this page, is not proposed to  
be repealed by this bill, but is shown above in stricken-through  
type for the purpose of information.

5 TITLE XI.—GENERAL PROVISIONS.

6 REPEALS.

7 SEC. 1100. (a) The following parts of the Revenue  
8 Act of 1921 are repealed, to take effect (except as otherwise  
9 provided in this Act) upon the enactment of this Act, subject  
10 to the limitations provided in subdivisions (b) and (c):

11 Title II (called "Income Tax") as of January 1,  
12 1924;

13 Title IV (called "Estate Tax");

14 Title V (called "Tax on Telegraph and Telephone  
15 Messages") except subdivision (d) of section 500, effective  
16 on the expiration of thirty days after the enactment of this  
17 Act;

18 Sections 602 and 603 of Title VI (being the taxes on  
19 certain beverages and constituent parts thereof);

20 Title VII (called "Tax on Cigars, Tobacco, and Manu-  
21 factures Thereof");

22 Title VIII (called "Tax on Admissions and Dues"),  
23 effective on the expiration of thirty days after the enactment  
24 of this Act;

1        *Sections 902, 901, 902, 903, and 904 of Title IX*  
2        *(being certain excise taxes);*

3        *Section 905 of Title IX (being the tax on jewelry and*  
4        *similar articles), effective on the expiration of thirty days after*  
5        *the enactment of this Act;*

6        *Title X (called "Special Taxes") effective on June*  
7        *30, 1924;*

8        *Title XI (called "Stamp Taxes") effective on the*  
9        *expiration of thirty days after the enactment of this Act;*

10       *Title XII (called "Tax on Employment of Child*  
11       *Labor");*

12       *Sections 1307, 1308, 1309, subdivision (c) of section*  
13       *1310, sections 1311, 1312, 1313, 1314, 1315, 1316, 1318,*  
14       *1320, 1321, 1322, 1323, 1324, 1325, 1326, 1328, 1329,*  
15       *and 1330 (being certain administrative provisions).*

16       *(b) The parts of the Revenue Act of 1921 which are*  
17       *repealed by this Act shall (except as provided in sections 280*  
18       *and 316 and except as otherwise specifically provided in this*  
19       *Act) remain in force for the assessment and collection of all*  
20       *taxes imposed by such Act, and for the assessment, imposi-*  
21       *tion, and collection of all interest, penalties, or forfeitures*  
22       *which have accrued or may accrue in relation to any such*  
23       *taxes, and for the assessment and collection, to the extent pro-*  
24       *vided in the Revenue Act of 1921, of all taxes imposed by*  
25       *prior income, war-profits, or excess-profits tax acts, and for*

1 *the assessment, imposition, and collection of all interest, pen-*  
 2 *alties, or forfeitures which have accrued or may accrue in*  
 3 *relation to any such taxes. In the case of any tax imposed*  
 4 *by any part of the Revenue Act of 1921 repealed by this Act,*  
 5 *if there is a tax imposed by this Act in lieu thereof, the pro-*  
 6 *vision imposing such tax shall remain in force until the cor-*  
 7 *responding tax under this Act takes effect under the provi-*  
 8 *sions of this Act.*

9 **NOTE.**—The above portion of this section corresponds to  
 10 section 1400 of the existing law, on pages 352–354 of this  
 print.

11 *(c) The repeal of Title II and Title IV of the Revenue*  
 12 *Act of 1921 shall not be construed to take away the retro-*  
 13 *active benefits allowed by paragraph (12) of subdivision (a)*  
 14 *of section 214 or paragraph (14) of subdivision (a) of*  
 15 *section 234, of the Revenue Act of 1921, or by section 401*  
 16 *or 403 of such Act.*

17 **INCORPORATE IN NOTE AUTHORIZATION.**

18 **Sec. 1401.** That subdivision (a) of section 18 of the  
 19 Second Liberty Bond Act, as amended, is amended by strik-  
 20 ing out the words and figures “for the purposes of this Act  
 21 and to meet public expenditures authorized by law, not  
 22 exceeding in the aggregate \$7,000,000,000,” and inserting  
 23 in lieu thereof the words and figures “for the purposes of  
 24 this Act, to provide for the purchase or redemption of any  
 25 notes issued hereunder, and to meet public expenditures

1 authorized by law, not exceeding in the aggregate ~~47,500,~~  
 2 ~~000~~ at any one time outstanding."

3 **NOTE.**—Section 1401 of the existing law is not proposed to  
 4 be repealed by this bill, but is shown above in stricken-through  
 type for the purpose of information.

5 **PROVISION IN TREASURY SAVING CERTIFICATE LIMIT.**

6 **SEC. 1402.** That section 6 of the Second Liberty Bond  
 7 Act as amended, is amended by striking out in the next to  
 8 the last sentence thereof the figures "~~51,000~~" and inserting  
 9 in lieu thereof the figures "~~25,000~~".

10 **NOTE.**—Section 1403 of the existing law is not proposed to  
 11 be repealed by this bill, but is shown above in stricken-through  
 type for the purpose of information.

12 **TRAVELING EXPENSES.**

13 **SEC. 1101.** *All officers and employees of the Bureau of*  
 14 *Internal Revenue, in addition to their compensation, shall re-*  
 15 *ceive their necessary traveling expenses and actual expenses*  
 16 *incurred for subsistence while traveling on duty and away*  
 17 *from their designated stations, in an amount not to exceed 87*  
 18 *per day.*

19 **SAVING CLAUSE IN EVENT OF UNCONSTITUTIONALITY.**

20 **SEC. 1403 1102.** *That if* ~~if~~ *any provision of this Act,*  
 21 *or the application thereof to any person or circumstances,*  
 22 *is held invalid, the remainder of the Act, and the application*  
 23 *of such provision to other persons or circumstances, shall*  
 24 *not be affected thereby.*

## EFFECTIVE DATE OF ACT.

1  
2 SEC. 1494 1103. That except Except as otherwise  
3 provided, this Act shall take effect upon its passage enact-  
4 ment.

5 TITLE XII.—REDUCTION OF INCOME TAX  
6 PAYABLE IN 1924.<sup>27</sup>

7 SEC. 1200. (a) Any taxpayer making return, for the  
8 calendar year 1923, of the taxes imposed by Parts I and II  
9 of Title II of the Revenue Act of 1921 shall be entitled to an  
10 allowance by credit or refund of 25 per centum of the amount  
11 shown as the tax upon his return.

12 (b) If the amount shown as the tax upon the return has  
13 been paid in full on or before the time of the enactment of this  
14 Act, the amount of the allowance provided in subdivision (a)  
15 shall be credited or refunded as provided in section 281 of  
16 this Act.

17 (c) If the taxpayer has elected to pay the tax in install-  
18 ments and, at the time of the enactment of this Act, the date  
19 prescribed for the payment of the last installment has not yet  
20 arrived, the amount of the allowance provided in subdivision  
21 (a) shall be prorated to the four installments. The amount  
22 so prorated to any installment, the date for payment of which  
23 has not arrived, shall be applied in reduction of such install-  
24 ment. The amount so prorated to any installment, the date  
25 for payment of which has arrived, shall be credited against  
26 the installment next falling due after the enactment of this Act

<sup>27</sup> For change from Treasury draft see Supplement, note No. 23.

1           (d) If the taxpayer has been granted an extension of  
2 time for payment of the tax or any installment thereof to a  
3 date subsequent to the enactment of this Act, the amount of  
4 the allowance provided in subdivision (a) shall be applied  
5 in reduction of the amount of tax shown upon the return, or,  
6 if the tax is to be paid in installments, shall be prorated to the  
7 four installments. The amount so prorated to any installment,  
8 the date for payment of which has not arrived, shall be  
9 applied in reduction thereof. The amount so prorated to  
10 any installment, the date for payment of which has arrived,  
11 shall be credited against the installment next falling due after  
12 the enactment of this Act.

13           (e) Where the taxpayer at the time of the enactment of  
14 this Act has not paid in full that part of the amount shown  
15 as the tax upon the return which should have been paid on  
16 or before the time of the enactment of this Act, then 25 per  
17 centum of any amount already paid shall be applied in  
18 reduction of the amount unpaid (such unpaid amount being  
19 first reduced by 25 per centum thereof) and any excess shall  
20 be credited or refunded as provided in section 281 of this Act.

21           (f) If the correct amount of the tax is determined to be  
22 in excess of the amount shown as the tax upon the return, and  
23 a deficiency has been assessed before the enactment of this Act,  
24 then 25 per centum of any amount of such deficiency which  
25 has been paid shall be applied in reduction of the amount



1 unpaid (such unpaid amount being first reduced by 25 per  
2 centum thereof) and any excess shall be credited or refunded  
3 as provided in section 281 of this Act. Any deficiency  
4 assessed after the enactment of this Act shall be reduced by 25  
5 per centum of the amount which would have been assessed  
6 as a deficiency if this title had not been enacted.

7 (g) The allowance provided in subdivision (a) shall  
8 be deducted from the tax or deficiency for the purpose of  
9 determining the amount on which any interest, penalties or  
10 additions to the tax shall be based.

11 SEC. 1201. (a) Any taxpayer making return, for a  
12 period beginning in 1922 and ending in 1923, of the taxes  
13 imposed by Parts I and II of Title II of the Revenue Act  
14 of 1921, shall be entitled to an allowance by credit or refund  
15 of 25 per centum of the same proportion of his tax for  
16 such period (determined under the law applicable to the  
17 calendar year 1923 and at the rates for such year) which  
18 the portion of such period falling within the calendar year  
19 1923 is of the entire period.

20 (b) Any taxpayer making return, for a period begin-  
21 ning in 1923 and ending in 1924, of the taxes imposed by  
22 Parts I and II of Title II of this Act, shall be entitled to an  
23 allowance by credit or refund of 25 per centum of the same  
24 proportion of a tax for such period (determined under the  
25 law applicable to the calendar year 1923 and at the rates for

1 such year) which the portion of such period falling within  
2 the calendar year 1923 is of the entire period.

3 (c) In the case of a deficiency assessed upon a taxpayer  
4 entitled to the benefits of subdivision (a) or (b) in respect of  
5 the tax for a period beginning in 1922 and ending in 1923  
6 or beginning in 1923 and ending in 1924, the allowance pro-  
7 vided for in subdivisions (a) and (b) shall be made in respect  
8 of such deficiency in a similar manner to that provided in sub-  
9 division (f) of section 1200.

10 SEC. 1202. Any taxpayer who has made return of the  
11 taxes imposed by Parts I and II of Title II of the Revenue  
12 Act of 1921, for a period of less than a year and beginning  
13 and ending within the calendar year 1923, shall be entitled  
14 to an allowance by credit or refund of 25 per centum of the  
15 amount shown as the tax upon his return. If the correct  
16 amount of the tax for such period is determined to be in  
17 excess of the amount shown as the tax upon the return, the  
18 taxpayer shall be entitled to the benefits of subdivision (f)  
19 of section 1200 of this Act.

20 SEC. 1203. The allowance provided in sections 1201  
21 and 1202 shall, under rules and regulations prescribed by  
22 the Commissioner with the approval of the Secretary, be made  
23 in a similar manner to that provided in section 1200.

24 SEC. 1204. The interest provided in section 1019 of  
25 this Act shall not be allowed in respect of the allowance pro-  
26 vided for in this title.

1        *SEC. 1205. The benefits of the allowance provided for*  
2 *in this title shall be granted to the taxpayer under rules and*  
3 *regulations prescribed by the Commissioner with the approval*  
4 *of the Secretary.*

5        *SEC. 1206. Terms defined in the Revenue Act of 1931*  
6 *shall, when used in this title, have the meaning assigned to*  
7 *such terms in that Act.<sup>27</sup>*

<sup>27</sup> For change from Treasury draft see Supplement, note No. 27.

## SUPPLEMENT.

### NOTES.

The following notes show important differences in matters of policy between the Treasury draft and the bill as passed by the House of Representatives.

1. The two sentences on page 8 beginning in line 2 and ending in line 8 were not in the Treasury draft. The effect of the Treasury draft was to tax the gain resulting from liquidating dividends as a capital gain.

2. On page 30, lines 9 and 10, the words "for profit or investment" and in lines 12 and 13 the words "property held for the personal use or consumption of the taxpayer or his family," which words appear in the existing law, were not proposed to be stricken out by the Treasury draft. The effect of striking out the words is to treat as capital assets dwelling houses and other property held for personal use.

3. The language in lines 18 and 19 on page 39 did not appear in the Treasury draft. The effect of the language is to exclude from the definition of capital assets stock received as a stock dividend, thus subjecting the gain from the sale of such stock dividends to tax at full normal and surtax rates instead of being subject only to the 12½ per centum rate on capital gain.

4. The language on page 42, lines 2 to 8, was not in the Treasury draft.

5. The language on page 42 lines 15 to 20, was not in the Treasury draft.

6. In the Treasury draft the normal tax was 6 per centum on the amount of the net income in excess of the credits provided in section 216, except in the case of a citizen or resident of the United States the rate upon the first \$4,000 of such excess amount was 3 per centum.

7. In the Treasury draft the surtax rates began with 1 per centum on the amount of the net income between \$10,000 and \$12,000, and ran up to 25 per centum on the amount of the net income in excess of \$100,000.

8. Following the period in line 3 on page 61 appeared a sentence in the Treasury draft, stricken out by the Ways and Means Committee, providing that income received by any marital community shall be included in the gross income of the spouse having management and control of the community property.

9. The sentence appearing on page 62, lines 7 to 13, was not in the Treasury draft.

10. The language shown in stricken-through type on page 95, lines 7 to 12, was not proposed to be stricken out by the Treasury draft but was stricken out by the Ways and Means Committee.

11. The language in italics at the bottom of page 132 and the top of page 133 was not in the Treasury draft, the Treasury draft having adhered to the present law as shown in the stricken-through type beginning in line 16 on

page 132, except that the Treasury draft suggested the insertion of the word " voting " before the word " stock " in line 20, and also before the word " stock " in line 21.

12. The language beginning on page 158, line 17, through page 159, line 6, was added on the floor of the House.

13. The words " imposing an income tax " in lines 7 and 8 on page 159 were stricken out on the floor of the House.

14. The rates of estate tax shown on pages 202 and 203 were inserted on the floor of the House. The Treasury draft suggested the rates of the present law as appearing on pages 200 and 201 in stricken-through type.

15. Subdivision (b) of section 301 on page 204 was not contained in the Treasury draft but was added on the floor of the House.

16. Sections 319 to 324, on pages 231 to 236, did not appear in the Treasury draft but were added on the floor of the House.

17. Sections 602 and 603 of the Revenue Act of 1921, shown on pages 239 to 243 of the bill in stricken-through type, imposing a tax on cereal beverages and other soft drinks and carbonic acid gas were not proposed to be repealed by the Treasury draft but were stricken out by the Ways and Means Committee.

18. Section 800 of the Revenue Act of 1921 imposing an admission tax was proposed to be repealed by the Treasury draft, but was restored with amendments by the Ways and Means Committee as section 500 of the bill, pages 253 to 257.

19. The Treasury draft did not propose to make any changes in the excise taxes imposed by section 900 of the Revenue Act of 1921. All the changes shown in section 600 on pages 259 to 261 were made either in the Ways and Means Committee or on the floor of the House.

20. Section 904 of the Revenue Act of 1921, shown in stricken-through type on pages 263 and 264 of this print, was not proposed to be repealed by the Treasury draft, but was stricken out by the Ways and Means Committee.

21. Subdivision (b) on page 265, relating to the exemptions from the jewelry tax, was inserted by the Ways and Means Committee. The proposal of the Treasury draft was to exempt surgical instruments, eyeglasses, spectacles, silver-plated flat tableware; also pencils or fountain pens sold for an amount not in excess of \$1; also clocks and watches sold for an amount not in excess of \$5.

22. Paragraphs (5), (6), and (7) shown in stricken through type on pages 271 to 273 of this print, being the occupational taxes on proprietors of theaters, concert halls, circuses, and other public exhibitions, were not proposed to be repealed by the Treasury draft, but were stricken out by the Ways and Means Committee.

23. The reduction (shown on page 273, line 12, of this print) of the occupational tax on proprietors of bowling alleys and billiard rooms from \$10 an alley or table to \$5 an alley or table was not suggested in the Treasury draft but was made by the Ways and Means Committee. The exemption indicated by the italicized language in lines 16 and 17 on page 273 was added by the Ways and Means Committee.

24. The reduction (shown on page 296 of this print, lines 9, 10, and 11) of the stamp tax on sales of produce or merchandise on boards of trade or other

### III

similar places from 2 cents to 1 cent for each \$100 in value was not suggested in the Treasury draft but was made by the Ways and Means Committee.

25. The increase (shown on page 300 of this print, line 10) of the stamp tax on playing cards from 8 cents a pack to 10 cents a pack was not suggested in the Treasury draft but was made by the Ways and Means Committee.

26. The Treasury draft relating to the Board of Tax Appeals differs in the following material respects from Title IX, beginning on page 306:

(1) Appointments to the board were to be made by the Secretary of the Treasury instead of by the President.

(2) The salary was to be \$10,000 a year.

(3) The Secretary was to designate the chairman.

(4) The approval of the Secretary was required in the division of the board into divisions, and in the making of rules of procedure by the board.

(5) A traveling allowance was suggested at \$10 a day for members of the board and \$8 for their employees.

(6) The sentence on page 307, lines 16 to 24, did not appear in the Treasury draft.

27. Title XII, appearing on page 358 to page 362 of this print, did not appear in the Treasury draft but was added by the Ways and Means Committee.

H. R. 6715—A

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