

---

---

EXEMPTION FROM INTERNAL-REVENUE TAX.

---

FEBRUARY 19 (calendar day, FEBRUARY 25), 1915.—Ordered to be printed.

---

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

REPORT.

[To accompany H. R. 12303.]

The Committee on Finance, to whom was referred the bill (H. R. 12303) to amend section 3246 of the Revised Statutes of the United States, as amended by section 5 of the act of March 1, 1879, having considered the same, report thereon with a recommendation that it do pass.

The report of the Ways and Means Committee of the House is appended hereto and made a part hereof.

[House Report No. 1002, Sixty-third Congress, second session.]

The Committee on Ways and Means, to whom was referred the bill (H. R. 12303) to exempt flavoring-extract manufacturers from the payment of the internal-revenue tax for reclaiming alcohol—

A BILL To amend section thirty-two hundred and forty-six of the Revised Statutes of the United States, as amended by section five of the act of March first, eighteen hundred and seventy-nine.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section thirty-two hundred and forty-six of the Revised Statutes of the United States, as amended by section five of the act of March first, eighteen hundred and seventy-nine (Twentieth Statutes, page three hundred and twenty-seven), be, and the same is hereby, amended by adding thereto the following:

“Nor shall any special tax be imposed upon manufacturing chemists or flavoring-extract manufacturers for recovering tax-paid alcohol or spirituous liquors from dregs or marc of percolation or extraction, if said recovered alcohol or spirituous liquors be again used in the manufacture of flavoring extracts.”

So that said section thirty-two hundred and forty-six of the Revised Statutes of the United States shall read as follows:

“SEC. 3246. Nothing in this chapter shall be construed to impose a special tax upon vintners who sell wine of their own growth, or manufacturers who sell wine produced from grapes grown by others, at the place where the same is made or at the general business office of such vintner or manufacturer: *Provided,* That no vintner or manufacturer shall have more than one office for the sale of such wine that shall be exempt from special tax under this act; nor shall any special tax be imposed upon apothecaries as to wines or spirituous liquors which they use exclusively in the preparation or making up of medicines.

“Nor shall any special tax be imposed upon manufacturing chemists or flavoring-extract manufacturers for recovering tax-paid alcohol or spirituous liquors from dregs

or marc of percolation or extraction if said recovered alcohol or spirituous liquors be again used in the manufacture of flavoring extracts"—

having considered the same, report thereon with the recommendation that it do pass. The amendment provided for in this measure merely extends to manufacturers of flavoring extracts the same rights and privileges now enjoyed by wholesale drug houses and manufacturing chemists, to distill from their marc alcohol already used without requiring them to pay a tax on the still used in the operation. The reuse is an incident of the business, and the alcohol so recovered is not of a character that would permit of its introduction in any other business. The amount remitted involves the curtailment of approximately \$600 in Government revenues. The Secretary of the Treasury reports on this amendment as follows:

"In addition to placing beyond controversy a right which is conceded by this department to attach under existing law, goes further and authorizes manufacturing chemists or flavoring-extract manufacturers to recover alcohol or spirituous liquors from dregs or marc of percolation or extraction to be again used in the manufacture of flavoring extracts without liability to special tax as rectifiers. As it is the understanding of this department that, while such reused alcohol has to some extent been refined or purified over its previous condition, it can not be so perfectly refined or purified that it may again be used on the open market in competition with ordinary spirits, this department will offer no objection to the passage of the bill."

