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FEBRUARY 29 (calendar day, MARCH 1), 1924

Read twice and referred to the Committee on Finance

APRIL 10, 1924

Reported by Mr. SMOOT, with amendments

[Omit the part struck through and insert the part printed in *italic*]

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 1924.”

6 SEC. 2. (a) When used in this Act—

7 (1) The term “person” means an individual, a trust or
8 estate, a partnership, or a corporation.

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

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

7 (4) The term "foreign" when applied to a corporation
8 or partnership means a corporation or partnership which is
9 not domestic.

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

13 (6) The term "Secretary" means the Secretary of the
14 Treasury.

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

17 (8) The term "collector" means collector of internal
18 revenue.

19 (9) The term "taxpayer" means any person subject
20 to a tax imposed by this Act.

21 (10) The term "military or naval forces of the United
22 States" includes the Marine Corps, the Coast Guard, the
23 Army Nurse Corps, Female, and the Navy Nurse Corps,
24 Female.

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

5 TITLE II.—INCOME TAX.

6 PART I.—GENERAL PROVISIONS.

7 DEFINITIONS.

8 SEC. 200. When used in this title—

9 (a) The term "taxable year" means the calendar
10 year, or the fiscal year ending during such calendar year,
11 upon the basis of which the net income is computed under
12 section 212 or 232. The term "fiscal year" means an
13 accounting period of twelve months ending on the last day of
14 any month other than December. The term "taxable year"
15 includes, in the case of a return made for a fractional part
16 of a year under the provisions of this title or under regula-
17 tions prescribed by the Commissioner with the approval of
18 the Secretary, the period for which such return is made.
19 The first taxable year, to be called the taxable year 1924,
20 shall be the calendar year 1924 or any fiscal year ending
21 during the calendar year 1924.

22 (b) The term "fiduciary" means a guardian, trustee,
23 executor, administrator, receiver, conservator, or any person
24 acting in any fiduciary capacity for any person.

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

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

14 (e) The term "stock" includes the share in an associa-
15 tion, joint-stock company, or insurance company.

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

18 DISTRIBUTIONS BY CORPORATIONS.

19 SEC. 201. (a) The term "dividend" when used in
20 this title (except in paragraph (9) of subdivision (a) of
21 section 234 and paragraph (4) of subdivision (a) of section
22 245) means any distribution made by a corporation to its
23 shareholders, whether in money or in other property, out of
24 its earnings or profits accumulated after February 28, 1913.

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. Any
4 earnings or profits accumulated, or increase in value of prop-
5 erty accrued, before March 1, 1913, may be distributed
6 exempt from tax, after the earnings and profits accumulated
7 after February 28, 1913, have been distributed, but any such
8 tax-free distribution shall be applied against and reduce the
9 basis of the stock provided in section 204.

10 (c) Amounts distributed in complete liquidation of a
11 corporation shall be treated as in full payment in exchange
12 for the stock, and amounts distributed in partial liquidation
13 of a corporation shall be treated as in part or full payment in
14 exchange for the stock. The gain or loss to the distributee re-
15 sulting from such exchange shall be determined under section
16 202, but shall be recognized only to the extent provided
17 in section 203. There shall be taxed as a dividend to the
18 distributee such an amount of the gain recognized under sec-
19 tion 203 as is not in excess of his ratable share of the un-
20 distributed earnings and profits of the corporation accumu-
21 lated after February 28, 1913. The remainder, if any, of
22 the gain recognized under section 203 shall be taxed as a
23 gain from the exchange of property. In the case of a distri-
24 bution amounts distributed in partial liquidation (other than
25 a distribution within the provisions of subdivision (g) of

1 section 203 of stock or securities in connection with a re-
2 organization) the part of such distribution which is properly
3 chargeable to capital account shall not be considered a dis-
4 tribution of earnings or profits within the meaning of sub-
5 division (b) of this section for the purpose of determining
6 the taxability of subsequent distributions by the corporation.

7 (d) If any distribution (not in partial or complete
8 liquidation) made by a corporation to its shareholders is not
9 out of increase in value of property accrued before March 1,
10 1913, and is not out of earnings or profits, then the amount
11 of such distribution shall be applied against and reduce the
12 basis of the stock provided in section 204, and if in excess of
13 such basis, such excess shall be taxable in the same manner
14 as a gain from the sale or exchange of property. *The pro-*
15 *visions of this paragraph shall also apply to distributions*
16 *from depletion reserves based on the discovery value of mines.*

17 (e) Any distribution made by a corporation, which
18 was classified as a personal service corporation under the
19 provisions of the Revenue Act of 1918 or the Revenue Act of
20 1921, out of its earnings or profits which were taxable in
21 accordance with the provisions of section 218 of the Revenue
22 Act of 1918 or section 218 of the Revenue Act of 1921,
23 shall be exempt from tax to the distributees.

24 (f) A stock dividend shall not be subject to tax, but if
25 before or after the distribution of any such dividend the

1 corporation proceeds to cancel or redeem its stock at such
 2 time and in such manner as to make the distribution and
 3 cancellation or redemption in whole or in part essentially
 4 equivalent to the distribution of a taxable dividend, the
 5 amount so distributed in redemption or cancellation of the
 6 stock, to the extent that it represents a distribution of earn-
 7 ings or profits accumulated after February 28, 1913, shall
 8 be treated as a taxable dividend.

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

12 *(g) As used in this section the term "amounts dis-*
 13 *tributed in partial liquidation" means a distribution by a*
 14 *corporation in complete cancellation or redemption of a part*
 15 *of its stock, or one of a series of distributions in complete*
 16 *cancellation or redemption of all or a portion of its stock.*

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

18 **SEC. 202.** (a) Except as hereinafter provided in this
 19 section, the gain from the sale or other disposition of prop-
 20 erty shall be the excess of the amount realized therefrom over
 21 the basis provided in subdivision (a) or (b) of section 204,
 22 and the loss shall be the excess of such basis over the
 23 amount realized.

24 (b) In computing the amount of gain or loss under
 25 subdivision (a) proper adjustment shall be made for (1)

1 any expenditure properly chargeable to capital account,
2 and (2) any item of loss, exhaustion, wear and tear, obso-
3 lescence, amortization, or depletion, ~~properly chargeable~~
4 *previously allowed* with respect to such property.

5 (c) The amount realized from the sale or other dispo-
6 sition of property shall be the sum of any money received
7 plus the fair market value of the property (other than
8 money) received.

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

13 (e) Nothing in this section shall be construed to pre-
14 vent (in the case of property sold under contract providing
15 for payment in installments) the taxation of that portion
16 of any installment payment representing gain or profit in
17 the year in which such payment is received.

18 RECOGNITION OF GAIN OR LOSS FROM SALES AND
19 EXCHANGES.

20 SEC. 203. (a) Upon the sale or exchange of property
21 the entire amount of the gain or loss, determined under sec-
22 tion 202, shall be recognized, except as hereinafter provided
23 in this section.

24 (b) (1) No gain or loss shall be recognized if prop-
25 erty held for productive use in trade or business or for invest-

1 ment (not including stock in trade or other property held
2 primarily for sale, nor stocks, bonds, notes, choses in ac-
3 tion, certificates of trust or beneficial interest, or other securi-
4 ties or evidences of indebtedness or interest) is exchanged
5 solely for property of a like kind to be held either for pro-
6 ductive use in trade or business or for ~~investment~~ invest-
7 ment, or if common stock in a corporation is exchanged solely
8 for common stock in the same corporation, or if preferred
9 stock in a corporation is exchanged solely for preferred stock
10 in the same corporation.

11 (2) No gain or loss shall be recognized if stock or
12 securities in a corporation a party to a reorganization are, in
13 pursuance of the plan of reorganization, exchanged solely for
14 stock or securities in such corporation or in another corpora-
15 tion a party to the reorganization.

16 (3) No gain or loss shall be recognized if a corporation
17 a party to a reorganization exchanges property, in pursu-
18 ance of the plan of reorganization, solely for stock or securi-
19 ties in another corporation a party to the reorganization.

20 (4) No gain or loss shall be recognized if property is
21 transferred to a corporation by one or more persons solely
22 in exchange for stock or securities in such corporation, and
23 immediately after the exchange such person or persons are in
24 control of the corporation; but in the case of an exchange by
25 two or more persons *this paragraph shall apply only if the*

1 amount of the stock and securities received by each is sub-
2 stantially in proportion to his interest in the property prior
3 to the exchange.

4 (5) If property (as a result of its destruction in whole
5 or in part, theft or seizure, or an exercise of the power of
6 requisition or condemnation, or the threat or imminence
7 thereof) is compulsorily or involuntarily converted into prop-
8 erty similar or related in service or use to the property so
9 converted, or into money which is forthwith in good faith,
10 under regulations prescribed by the Commissioner with the
11 approval of the Secretary, expended in the acquisition of
12 other property similar or related in service or use to the
13 property so converted, or in the acquisition of control of a
14 corporation owning such other property, or in the establish-
15 ment of a replacement fund, no gain or loss shall be recog-
16 nized. If any part of the money is not so expended, the
17 gain, if any, shall be recognized, but in an amount not in
18 excess of the money which is not so expended.

19 (c) If there is distributed, in pursuance of a plan of re-
20 organization, to a shareholder in a corporation a party to the
21 reorganization, stock or securities in such corporation or in
22 another corporation a party to the reorganization, without
23 the surrender by such shareholder of stock or securities in
24 such a corporation, no gain to the distributee from the receipt
25 of such stock or securities shall be recognized.

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

9 (2) If a distribution made in pursuance of a plan of re-
10 organization is within the provisions of paragraph (1) but
11 has the effect of the distribution of a taxable dividend, then
12 there shall be taxed as a dividend to each distributee such an
13 amount of the gain recognized under paragraph (1) as is not
14 in excess of his ratable share of the undistributed earnings and
15 profits of the corporation accumulated after February 28,
16 1913. The remainder, if any, of the gain recognized under
17 paragraph (1) shall be taxed as a gain from the exchange of
18 property.

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

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

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

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

18 (g) The distribution, in pursuance of a plan of reor-
19 ganization, by or on behalf of a corporation a party to the
20 reorganization, of its stock or securities or stock or securities
21 in a corporation a party to the reorganization, shall not be
22 considered a distribution of earnings or profits within the
23 meaning of subdivision (b) of section 201 for the purpose
24 of determining the taxability of subsequent distributions by
25 the corporation.

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

2 (1) The term "reorganization" means (A) a merger
3 or consolidation (including the acquisition by one corpora-
4 tion of at least a majority of the voting stock and at least
5 a majority of the total number of shares of all other classes
6 of stock of another corporation, or substantially all the prop-
7 erties of another corporation), or (B) a transfer by a cor-
8 poration of all or a part of its assets to another corporation
9 if immediately after the transfer the transferor or its stock-
10 holders or both are in control of the corporation to which the
11 assets are transferred, or (C) a recapitalization, or (D) a
12 mere change in identity, form, or place of organization, how-
13 ever effected.

14 (2) The term "a party to a reorganization" includes
15 a corporation resulting from a reorganization and includes
16 both corporations in the case of an acquisition by one corpo-
17 ration of at least a majority of the voting stock and at least
18 a majority of the total number of shares of all other classes
19 of stock of another corporation.

20 (i) As used in this section the term "control" means
21 the ownership of at least 80 per centum of the voting stock
22 and at least 80 per centum of the total number of shares of
23 all other classes of stock of the corporation.

1 BASIS FOR DETERMINING GAIN OR LOSS, DEPLETION, AND
2 DEPRECIATION.

3 SEC. 204. (a) The basis for determining the gain or
4 loss from the sale or other disposition of property acquired
5 after February 28, 1913, shall be the cost of such property;
6 except that—

7 (1) If the property should have been included in the
8 last inventory, the basis shall be the last inventory value
9 thereof;

10 (2) If the property was acquired by gift after Decem-
11 ber 31, 1920, the basis shall be the same as it would be in the
12 hands of the donor or the last preceding owner by whom it
13 was not acquired by gift. If the facts necessary to determine
14 such basis are unknown to the donee, the Commissioner shall,
15 if possible, obtain such facts from such donor or last pre-
16 ceding owner, or any other person cognizant thereof. If the
17 Commissioner finds it impossible to obtain such facts, the
18 basis shall be the fair market value of such property as found
19 by the Commissioner as of the date or approximate date at
20 which, according to the best information that the Commis-
21 sioner is able to obtain, such property was acquired by such
22 donor or last preceding owner;

23 (3) If the property was acquired after December 31,
24 1920, by a transfer in trust (other than by a transfer in

1 trust by bequest or devise) the basis shall be the same as
2 it would be in the hands of the grantor, increased in the
3 amount of gain or decreased in the amount of loss recognized
4 to the grantor upon such transfer under the law applicable
5 to the year in which the transfer was made. The provi-
6 sions of this paragraph shall not apply to the acquisition of
7 such property interests as are specified in subdivision (c)
8 or (e) of section 402 of the Revenue Act of 1921 or in
9 subdivision (c), (d), or (f) of section 302 of this Act;

10 (4) If the property was acquired by gift or transfer
11 in trust on or before December 31, 1920, the basis shall
12 be the fair market value of such property at the time of
13 such acquisition;

14 (5) If the property was acquired by bequest, devise,
15 or inheritance, the basis shall be the fair market value of
16 such property at the time of such acquisition. The pro-
17 visions of this paragraph shall apply to the acquisition of such
18 property interests as are specified in subdivision (c) or (e)
19 of section 402 of the Revenue Act of 1921, or in subdivision
20 (c), (d), or (f) of section 302 of this Act;

21 (6) If the property was acquired upon an exchange
22 described in subdivision (b), (c), (e), or (f) of sec-
23 tion 203, the basis, ~~except as provided in paragraph (7)~~
24 ~~or (8) of this subdivision,~~ shall be the same as in
25 the case of the property exchanged, decreased in the

1 amount of any money received by the taxpayer and increased
2 in the amount of gain or decreased in the amount of loss to
3 the taxpayer that was recognized upon such exchange under
4 the law applicable to the year in which the exchange was
5 made. If the property so acquired consisted in part of the
6 type of property permitted by paragraph (1), (2), (3), or
7 (4) of subdivision (b) of section 203 to be received without
8 the recognition of gain or loss, and in part of other property,
9 the basis provided in this paragraph shall be allocated be-
10 tween the properties (other than money) received, and for
11 the purpose of the allocation there shall be assigned to such
12 other property an amount equivalent to its fair market value
13 at the date of the exchange; exchange. *This paragraph shall*
14 *not apply to property acquired by a corporation by the issu-*
15 *ance of its stock or securities as the consideration in whole*
16 *or in part for the transfer of the property to it;*

17 (7) If the property (other than stock or securities in a
18 corporation a party to the reorganization) was acquired after
19 December 31, 1917, by a corporation in connection with a
20 reorganization, and immediately after the transfer an interest
21 or control in such property of 80 per centum or more re-
22 mained in the same persons or any of them, then the basis
23 shall, notwithstanding the provisions of paragraph (6) of this
24 subdivision, be the same as it would be in the hands of the
25 transferor, increased in the amount of gain or decreased in the

1 amount of loss recognized to the transferor upon such transfer
2 under the law applicable to the year in which the transfer
3 was made;

4 (8) If the property (other than stock or securities in a
5 corporation a party to a reorganization) was acquired after
6 December 31, 1920, by a corporation by the issuance of its
7 stock or securities in connection with a transaction described
8 in paragraph (4) of subdivision (b) of section 203 (in-
9 cluding, also, cases where part of the consideration for the
10 transfer of such property to the corporation was property
11 or money in addition to such stock or securities), then the
12 basis shall, ~~notwithstanding the provisions of paragraph (6)~~
13 ~~of this subdivision,~~ be the same as it would be in the hands
14 of the transferor, increased in the amount of gain or de-
15 creased in the amount of loss recognized to the transferor
16 upon such transfer under the law applicable to the year in
17 which the transfer was made;

18 (9) If the property consists of stock or securities dis-
19 tributed after December 31, 1923, to a taxpayer in connec-
20 tion with a transaction described in subdivision (c) of sec-
21 tion 203, the basis in the case of the stock in respect of
22 which the distribution was made shall be apportioned, under
23 rules and regulations prescribed by the Commissioner with
24 the approval of the Secretary, between such stock and the
25 stock or securities distributed;

1 (10) If the property was acquired as the result of a
2 compulsory or involuntary conversion described in para-
3 graph (5) of subdivision (b) of section 203, the basis shall
4 be the same as in the case of the property so converted,
5 decreased in the amount of any money received by the tax-
6 payer which was not expended in accordance with the pro-
7 visions of law (applicable to the year in which such conver-
8 sion was made) determining the taxable status of the gain
9 or loss upon such conversion, and increased in the amount
10 of gain or decreased in the amount of loss to the taxpayer
11 recognized upon such conversion under the law applicable to
12 the year in which such conversion was made;

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

1 (b) The basis for determining the gain or loss from
2 the sale or other disposition of property acquired before
3 March 1, 1913, shall be (A) the cost of such property (or,
4 in the case of such property as is described in paragraph
5 (1), (4), or (5), of subdivision (a), the basis as therein
6 provided), or (B) the fair market value of such property
7 as of March 1, 1913, whichever is greater. *In determining*
8 *the fair market value of stock in a corporation as of March*
9 *1, 1913, due regard shall be given to the fair market value*
10 *of the assets of the corporation as of that date.*

11 (c) The basis upon which depletion, exhaustion, wear
12 and tear, and obsolescence are to be allowed in respect of any
13 property shall be the same as is provided in subdivision (a)
14 or (b) for the purpose of determining the gain or loss upon
15 the sale or other disposition of such property, except that
16 in the case of mines, oil and gas wells, discovered
17 by the taxpayer after February 28, 1913, and not acquired
18 as the result of purchase of a proven tract or lease, where the
19 fair market value of the property is materially disproportion-
20 ate to the cost, the basis for depletion shall be the fair market
21 value of the property at the date of discovery or within thirty
22 days thereafter; but such depletion allowance based on dis-
23 covery value shall not exceed 50 per centum of the net income
24 (computed without allowance for depletion), from the prop-
25 erty upon which the discovery was made, except that in no

1 case shall the depletion allowance be less than it would be if
 2 computed without reference to this paragraph *discovery*
 3 *value*.

4 INVENTORIES.

5 **SEC. 205.** Whenever in the opinion of the Commissioner
 6 the use of inventories is necessary in order clearly to deter-
 7 mine the income of any taxpayer, inventories shall be taken
 8 by such taxpayer upon such basis as the Commissioner, with
 9 the approval of the Secretary, may prescribe as conforming
 10 as nearly as may be to the best accounting practice in the
 11 trade or business and as most clearly reflecting the income.

12 NET LOSSES.

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

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

22 (2) In the case of a taxpayer other than a corporation,
 23 deductions for capital losses otherwise allowed by law shall
 24 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) paragraph (2) of subdivision (a) of sec-~~
12 ~~tion 214 or by paragraph (2) of subdivision (a) of section~~
13 234.

14 (b) If, for any taxable year, it appears upon the pro-
15 duction of evidence satisfactory to the Commissioner that any
16 taxpayer has sustained a net loss, the amount thereof shall
17 be allowed as a deduction in computing the net income of
18 the taxpayer for the succeeding taxable year (hereinafter in
19 this section called "second year"), and if such net loss is
20 in excess of such net income (computed without such deduc-
21 tion), the amount of such excess shall be allowed as a deduc-
22 tion in computing the net income for the next succeeding
23 taxable year (hereinafter in this section called "third
24 year"); the deduction in all cases to be made under regula-

1 tions prescribed by the Commissioner with the approval of
2 the Secretary.

3 ~~(c) (1)~~ If in the second year the taxpayer ~~(other than~~
4 ~~a corporation)~~ sustains a capital net loss, the deduction
5 allowed by subdivision ~~(b)~~ of this section shall first be
6 applied as a deduction in computing the ordinary net income
7 for such year. If the deduction is in excess of the ordinary
8 net income ~~(computed without such deduction)~~ then the
9 amount of such excess shall be allowed as a deduction in
10 computing net income for the third year.

11 ~~(2)~~ (c) If in the second year the taxpayer (other than
12 a corporation) has a capital net gain, the deduction allowed
13 by subdivision (b) of this section shall first be applied as a
14 deduction in computing the ordinary net income for such
15 year. If the deduction is in excess of the ordinary net
16 income (computed without such deduction) the amount of
17 such excess shall next be applied against the capital net gain
18 for such year and if in excess of the capital net gain the
19 amount of that excess shall be allowed as a deduction in com-
20 puting net income for the third year.

21 (d) If any portion of a net loss is allowed as a deduc-
22 tion in computing net income for the third year, under the
23 provisions of either subdivision (b) or (c), and the taxpayer
24 (other than a corporation) has in such year a capital net gain
25 or a capital net loss, then the method of allowing such deduc-

1 tion in such third year shall be the same as provided in sub-
2 division (c).

3 (e) If for the taxable year 1922 a taxpayer sustained a
4 net loss in excess of his net income for the taxable year 1923
5 (such net loss and net income being computed under the
6 Revenue Act of 1921), the amount of such excess shall be
7 allowed as a deduction in computing net income for the tax-
8 able year 1924 in accordance with the method provided in
9 subdivisions (b) and (c) of this section.

10 (f) If for the taxable year 1923 a taxpayer sustained a
11 net loss within the provisions of the Revenue Act of 1921, the
12 amount of such net loss shall be allowed as a deduction in
13 computing net income for the two succeeding taxable years to
14 the same extent and in the same manner as a net loss sus-
15 tained for one taxable year is, under this Act, allowed as a
16 deduction for the two succeeding taxable years.

17 (g) If a taxpayer makes return for a period begin-
18 ning in one calendar year (hereinafter in this subdivision
19 called "first calendar year") and ending in the following
20 calendar year (hereinafter in this subdivision called "second
21 calendar year") and the law applicable to the second calen-
22 dar year is different from the law applicable to the first calen-
23 dar year, then his net loss for the period ending during the
24 second calendar year shall be the sum of: (1) the same pro-
25 portion of a net loss for the entire period, determined under

1 the law applicable to the first calendar year, which the por-
2 tion of such period falling within such calendar year is of the
3 entire period; and (2) the same proportion of a net loss for
4 the entire period, determined under the law applicable to the
5 second calendar year, which the portion of such period
6 falling within such calendar year is of the entire period.

7 (h) The benefit of this section shall be allowed to the
8 members of a partnership, to an estate or trust, and to in-
9 surance companies subject to the tax imposed by section
10 243 or 246, under regulations prescribed by the Com-
11 missioner with the approval of the Secretary.

12 FISCAL YEARS.

13 SEC. 207. (a) If the taxpayer makes return for a
14 period beginning in one calendar year (hereinafter in this
15 subdivision called "first calendar year") and ending in the
16 following calendar year (hereinafter in this subdivision
17 called "second calendar year") and the law applicable to
18 the second calendar year is different from the law applicable
19 to the first calendar year, then his tax under this title for
20 the period ending during the second calendar year shall be
21 the sum of: (1) the same proportion of a tax for the entire
22 period, determined under the law applicable to the first
23 calendar year and at the rates for such year, which the por-
24 tion of such period falling within the first calendar year is of
25 the entire period; and (2) the same proportion of a tax

1 for the entire period, determined under the law applicable
2 to the second calendar year and at the rates for such year,
3 which the portion of such period falling within the second
4 calendar year is of the entire period.

5 (b) If a fiscal year of a partnership begins in one calen-
6 dar year and ends in another calendar year, and the law
7 applicable to the second calendar year is different from the
8 law applicable to the first calendar year, then (1) the
9 rates for the calendar year during which such fiscal year
10 begins shall apply to an amount of each partner's share of
11 such partnership net income (determined under the law ap-
12 plicable to such *calendar* year) equal to the proportion which
13 the part of such fiscal year falling within such calendar year
14 bears to the full fiscal year, and (2) the rates for the calendar
15 year during which such fiscal year ends shall apply to an
16 amount of each partner's share of such partnership net in-
17 come (determined under the law applicable to such calendar
18 year) equal to the proportion which the part of such fiscal
19 year falling within such calendar year bears to the full fiscal
20 year. In such cases the part of such income subject to the
21 rates in effect for the most recent calendar year shall be
22 added to the other income of the taxpayer subject to such
23 rates and the resulting amount shall be placed in the lower
24 brackets of the rate schedule applicable to such year; and
25 the part of such income subject to the rates in effect for the

1 next preceding calendar year shall be placed in the next
2 higher brackets of the rate schedule applicable to such year.

3 (c) Any amount paid before or after the enactment of
4 this Act on account of the tax imposed for a fiscal year be-
5 ginning in 1923 and ending in 1924 by Title II of the Reve-
6 nue Act of 1921 shall be credited toward the payment of the
7 tax imposed for such fiscal year by this Act, and if the
8 amount so paid exceeds the amount of such tax imposed by
9 this Act, the excess shall be credited or refunded in accord-
10 ance with the provisions of section 281.

11 CAPITAL GAINS AND LOSSES.

12 SEC. 208. (a) For the purposes of this title—

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

16 (2) The term "capital loss" means deductible loss
17 resulting from the sale or exchange of capital assets;

18 (3) The term "capital deductions" means such de-
19 ductions as are allowed by section 214 for the purpose of
20 computing net income, and are properly allocable to or
21 chargeable against capital assets sold or exchanged during the
22 taxable year;

23 (4) The term "ordinary deductions" means the deduc-
24 tions allowed by section 214 other than capital losses and
25 capital deductions;

1 (5) The term "capital net gain" means the excess
 2 of the total amount of capital gain over the sum of (A) the
 3 capital deductions and capital losses, plus (B) the amount, if
 4 any, by which the ordinary deductions exceed the gross in-
 5 come computed without including capital gain;

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

9 ~~(7)~~ (6) The term "ordinary net income" means the
 10 net income, computed in accordance with the provisions of
 11 this title, after excluding all items of capital gain, capital
 12 loss, and capital deductions; and

13 ~~(8)~~ (7) The term "capital assets" means property held
 14 by the taxpayer for more than two years (whether or not
 15 connected with his trade or business), but does not include
 16 stock in trade of the taxpayer or other property of a kind
 17 which would properly be included in the inventory of the
 18 taxpayer if on hand at the close of the taxable year, or
 19 property held by the taxpayer primarily for sale in the course
 20 of his trade or business, ~~or stock received as a stock dividend~~
 21 ~~by the taxpayer, or by the donor if the taxpayer acquired the~~
 22 ~~stock by gift.~~

23 (b) In the case of any taxpayer (other than a cor-
 24 poration) who for any taxable year derives a capital net
 25 gain, there shall (at the election of the taxpayer) be levied,

1 collected and paid, in lieu of the taxes imposed by sections
2 210 and 211 of this title, a tax determined as follows:

3 A partial tax shall first be computed upon the basis of
4 the ordinary net income at the rates and in the manner
5 provided in sections 210 and 211, and the total tax shall be
6 this amount plus $12\frac{1}{2}$ per centum of the capital net gain.

7 ~~(c)~~ In the case of any taxpayer ~~(other than a corpora-~~
8 ~~tion)~~ who for any taxable year sustains a capital net loss,
9 there shall be levied, collected, and paid, in lieu of the taxes
10 imposed by sections 210 and 211 of this title, a tax de-
11 termined as follows:

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

19 ~~(d)~~ ~~(c)~~ The total tax determined under subdivision
20 (b) ~~or~~ ~~(c)~~ shall be collected and paid in the same manner,
21 at the same time, and subject to the same provisions of law,
22 including penalties, as other taxes under this title.

23 ~~(e)~~ ~~(d)~~ In the case of the members of a partnership,
24 of an estate or trust, or of the beneficiary of an estate or
25 trust, the proper part of each share of the net income which

1 consists, respectively, of ordinary net ~~income, capital income~~
 2 ~~and capital net gain, or capital net loss,~~ shall be determined
 3 under rules and regulations to be prescribed by the Com-
 4 missioner with the approval of the Secretary, and shall be
 5 separately shown in the return of the partnership or estate
 6 or trust, and shall be taxed to the member or beneficiary
 7 or to the estate or trust as provided in sections 218 and
 8 219, but at the rates and in the manner provided in sub-
 9 division (b) ~~or (c)~~ of this section.

10 **EARNED INCOME.**

11 **SEC. 209.** (a) For the purposes of this section--

12 (1) The term "earned income" means wages,
 13 salaries, professional fees, and other amounts received as
 14 compensation for personal services actually rendered, but
 15 does not include that part of the compensation derived by
 16 the taxpayer for personal services rendered by him to a
 17 corporation which represents a distribution of earnings or
 18 profits rather than a reasonable allowance as compensation
 19 for the personal services actually rendered. "Earned
 20 income" also means reasonable compensation or allowance
 21 for personal service where income is derived from com-
 22 bined personal service and capital in the prosecution by
 23 unincorporated persons of agriculture or other business, but
 24 not exceeding 20 per centum of the net profits of the tax-
 25 payer from the business in connection with which his per-

1 ~~sonal services are rendered.~~ *In the case of a taxpayer en-*
2 *gaged in a trade or business in which both personal services*
3 *and capital are material income producing factors, a reason-*
4 *able allowance as compensation for the personal services*
5 *actually rendered by the taxpayer, not in excess of 20 per*
6 *centum of his share of the net profits of such trade or bus-*
7 *iness, shall be considered as earned income.*

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

12 (3) The term "earned net income" means the excess
13 of the amount of the earned income over the sum of the
14 earned income deductions. If the taxpayer's net income
15 is not more than \$5,000, his entire net income shall be
16 considered to be earned net income, and if his net income
17 is more than \$5,000, his earned net income shall not be
18 considered to be less than \$5,000. In no case shall the
19 earned net income be considered to be more than ~~\$20,000~~
20 \$10,000.

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

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

4 (c) In the case of an individual who is taxed under the
 5 provisions of section 208, the tax shall, in addition to the
 6 credits provided in section 222, be credited with 25 per
 7 centum of an amount which bears the same relation to the
 8 amount of the tax on the ordinary net income, computed under
 9 sections 210 and 211, as the amount of the earned net income
 10 bears to the total amount of the ordinary net income; but in
 11 no case shall the credit allowed under this subdivision exceed
 12 25 per centum of the amount of the tax on the ordinary net
 13 income, computed under sections 210 and 211.

14 (d) In the case of the members of a partnership the
 15 proper part of each share of the net income which consists
 16 of earned income shall be determined under rules and regula-
 17 tions to be prescribed by the Commissioner with the approval
 18 of the Secretary and shall be separately shown in the return
 19 of the partnership and shall be taxed to the member as pro-
 20 vided in section 218.

21 PART II.—INDIVIDUALS.

22 NORMAL TAX.

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

1 of 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
 4 216, except that in the case of a citizen or resident of the
 5 United States the rate upon the first \$4,000 of such excess
 6 amount shall be 2 per centum, and upon the next \$4,000 of
 7 such excess amount shall be 5 per centum;

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

13 (1) 2 per centum of the amount by which the part of the
 14 net income attributable to wages, salaries, professional fees,
 15 or other amounts received as compensation for personal serv-
 16 ices 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)
 23 \$4,000; but the amount taxable at such 5 per centum rate
 24 shall not exceed \$4,000; and

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

5 SEC. 210. (a) In lieu of the tax imposed by section 210
6 of the Revenue Act of 1921, there shall be levied, col-
7 lected, and paid for each taxable year upon the net income
8 of every individual (except as provided in subdivision (b) of
9 this section) a normal tax of 6 per centum of the amount of
10 the net income in excess of the credits provided in section
11 216, except that in the case of a citizen or resident of the
12 United States the rate upon the first \$4,000 of such excess
13 amount shall be 3 per centum;

14 (b) In lieu of the tax imposed by subdivision (a),
15 there shall be levied, collected, and paid for each taxable
16 year upon the net income of every nonresident alien indi-
17 vidual, a resident of a contiguous country, a normal tax
18 equal to the sum of the following:

19 (1) 3 per centum of the amount of the net income
20 attributable to wages, salaries, professional fees, or other
21 amounts received as compensation for personal services
22 actually performed in the United States, in excess of the
23 credits provided in subdivisions (d) and (e) of section 216;
24 but the amount taxable at such 3 per centum rate shall not
25 exceed \$4,000; and

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

4 SURTAX.

5 Sec. 244. (a) In lieu of the tax imposed by section
 6 241 of the Revenue Act of 1921, but in addition to the
 7 normal tax imposed by section 240 of this Act, there shall be
 8 levied, collected, and paid for each taxable year upon the
 9 net income of every individual a surtax equal to three-fourths
 10 of the sum of the following:

11 2 per centum of the amount by which the net income
 12 exceeds \$10,000 and does not exceed \$12,000;

13 3 per centum of the amount by which the net income
 14 exceeds \$12,000 and does not exceed \$14,000;

15 4 per centum of the amount by which the net income
 16 exceeds \$14,000 and does not exceed \$16,000;

17 5 per centum of the amount by which the net income
 18 exceeds \$16,000 and does not exceed \$18,000;

19 6 per centum of the amount by which the net income
 20 exceeds \$18,000 and does not exceed \$20,000;

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

23 9 per centum of the amount by which the net income
 24 exceeds \$22,000 and does not exceed \$24,000;

1 40 per centum of the amount by which the net income
2 exceeds \$24,000 and does not exceed \$26,000;

3 41 per centum of the amount by which the net income
4 exceeds \$26,000 and does not exceed \$28,000;

5 42 per centum of the amount by which the net income
6 exceeds \$28,000 and does not exceed \$30,000;

7 43 per centum of the amount by which the net income
8 exceeds \$30,000 and does not exceed \$32,000;

9 45 per centum of the amount by which the net income
10 exceeds \$32,000 and does not exceed \$36,000;

11 46 per centum of the amount by which the net income
12 exceeds \$36,000 and does not exceed \$38,000;

13 47 per centum of the amount by which the net income
14 exceeds \$38,000 and does not exceed \$40,000;

15 48 per centum of the amount by which the net income
16 exceeds \$40,000 and does not exceed \$42,000;

17 49 per centum of the amount by which the net income
18 exceeds \$42,000 and does not exceed \$44,000;

19 20 per centum of the amount by which the net income
20 exceeds \$44,000 and does not exceed \$46,000;

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

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

1 23 per centum of the amount by which the net income
2 exceeds \$50,000 and does not exceed \$52,000;

3 24 per centum of the amount by which the net income
4 exceeds \$52,000 and does not exceed \$54,000;

5 25 per centum of the amount by which the net income
6 exceeds \$54,000 and does not exceed \$56,000;

7 26 per centum of the amount by which the net income
8 exceeds \$56,000 and does not exceed \$58,000;

9 27 per centum of the amount by which the net income
10 exceeds \$58,000 and does not exceed \$60,000;

11 28 per centum of the amount by which the net income
12 exceeds \$60,000 and does not exceed \$62,000;

13 29 per centum of the amount by which the net income
14 exceeds \$62,000 and does not exceed \$64,000;

15 30 per centum of the amount by which the net income
16 exceeds \$64,000 and does not exceed \$66,000;

17 31 per centum of the amount by which the net income
18 exceeds \$66,000 and does not exceed \$68,000;

19 32 per centum of the amount by which the net income
20 exceeds \$68,000 and does not exceed \$70,000;

21 33 per centum of the amount by which the net income
22 exceeds \$70,000 and does not exceed \$72,000;

23 34 per centum of the amount by which the net income
24 exceeds \$72,000 and does not exceed \$74,000;

1 35 per centum of the amount by which the net income
2 exceeds \$74,000 and does not exceed \$76,000;

3 36 per centum of the amount by which the net income
4 exceeds \$76,000 and does not exceed \$78,000;

5 37 per centum of the amount by which the net income
6 exceeds \$78,000 and does not exceed \$80,000;

7 38 per centum of the amount by which the net income
8 exceeds \$80,000 and does not exceed \$82,000;

9 39 per centum of the amount by which the net income
10 exceeds \$82,000 and does not exceed \$84,000;

11 40 per centum of the amount by which the net income
12 exceeds \$84,000 and does not exceed \$86,000;

13 41 per centum of the amount by which the net income
14 exceeds \$86,000 and does not exceed \$88,000;

15 42 per centum of the amount by which the net income
16 exceeds \$88,000 and does not exceed \$90,000;

17 43 per centum of the amount by which the net income
18 exceeds \$90,000 and does not exceed \$92,000;

19 44 per centum of the amount by which the net income
20 exceeds \$92,000 and does not exceed \$94,000;

21 45 per centum of the amount by which the net income
22 exceeds \$94,000 and does not exceed \$96,000;

23 46 per centum of the amount by which the net income
24 exceeds \$96,000 and does not exceed \$98,000;

1 47 per centum of the amount by which the net income
2 exceeds \$98,000 and does not exceed \$100,000;

3 48 per centum of the amount by which the net income
4 exceeds \$100,000 and does not exceed \$150,000;

5 49 per centum of the amount by which the net income
6 exceeds \$150,000 and does not exceed \$200,000;

7 50 per centum of the amount by which the net income
8 exceeds \$200,000;

9 *SEC. 211. (a) In lieu of the tax imposed by section*
10 *211 of the Revenue Act of 1921, but in addition to the*
11 *normal tax imposed by section 210 of this Act, there shall be*
12 *levied, collected, and paid for each taxable year upon the*
13 *net income of every individual a surtax equal to the sum of*
14 *the following:*

15 *1 per centum of the amount by which the net income*
16 *exceeds \$10,000 and does not exceed \$12,000;*

17 *2 per centum of the amount by which the net income*
18 *exceeds \$12,000 and does not exceed \$14,000;*

19 *3 per centum of the amount by which the net income*
20 *exceeds \$14,000 and does not exceed \$16,000;*

21 *4 per centum of the amount by which the net income*
22 *exceeds \$16,000 and does not exceed \$18,000;*

23 *5 per centum of the amount by which the net income*
24 *exceeds \$18,000 and does not exceed \$20,000;*

1 6 per centum of the amount by which the net income
2 exceeds \$20,000 and does not exceed \$22,000;

3 7 per centum of the amount by which the net income
4 exceeds \$22,000 and does not exceed \$24,000;

5 8 per centum of the amount by which the net income
6 exceeds \$24,000 and does not exceed \$26,000;

7 9 per centum of the amount by which the net income
8 exceeds \$26,000 and does not exceed \$28,000;

9 10 per centum of the amount by which the net income
10 exceeds \$28,000 and does not exceed \$30,000;

11 11 per centum of the amount by which the net income
12 exceeds \$30,000 and does not exceed \$32,000;

13 12 per centum of the amount by which the net income
14 exceeds \$32,000 and does not exceed \$34,000;

15 13 per centum of the amount by which the net income
16 exceeds \$34,000 and does not exceed \$36,000;

17 14 per centum of the amount by which the net income
18 exceeds \$36,000 and does not exceed \$40,000;

19 15 per centum of the amount by which the net income
20 exceeds \$40,000 and does not exceed \$46,000;

21 16 per centum of the amount by which the net income
22 exceeds \$46,000 and does not exceed \$52,000;

23 17 per centum of the amount by which the net income
24 exceeds \$52,000 and does not exceed \$58,000;

1 18 per centum of the amount by which the net income
2 exceeds \$58,000 and does not exceed \$64,000;

3 19 per centum of the amount by which the net income
4 exceeds \$64,000 and does not exceed \$70,000;

5 20 per centum of the amount by which the net income
6 exceeds \$70,000 and does not exceed \$76,000;

7 21 per centum of the amount by which the net income
8 exceeds \$76,000 and does not exceed \$82,000;

9 22 per centum of the amount by which the net income
10 exceeds \$82,000 and does not exceed \$88,000;

11 23 per centum of the amount by which the net income
12 exceeds \$88,000 and does not exceed \$94,000;

13 24 per centum of the amount by which the net income
14 exceeds \$94,000 and does not exceed \$100,000;

15 25 per centum of the amount by which the net income
16 exceeds \$100,000.

17 (b) In the case of a bona fide sale of mines, oil or gas
18 wells, or any interest therein, where the principal value of
19 the property has been demonstrated by prospecting or ex-
20 ploration and discovery work done by the taxpayer, the por-
21 tion of the tax imposed by this section attributable to such
22 sale shall not exceed 16 per centum of the selling price of
23 such property or interest.

1 NET INCOME OF INDIVIDUALS DEFINED.

2 SEC. 212. (a) In the case of an individual the term
3 "net income" means the gross income as defined in section
4 213, less the deductions allowed by sections 214
5 and 206.

6 (b) The net income shall be computed upon the basis
7 of the taxpayer's annual accounting period (fiscal year or
8 calendar year, as the case may be) in accordance with the
9 method of accounting regularly employed in keeping the
10 books of such taxpayer; but if no such method of account-
11 ing has been so employed, or if the method employed does
12 not clearly reflect the income, the computation shall be
13 made in accordance with such method as in the opinion of
14 the Commissioner does clearly reflect the income. If the
15 taxpayer's annual accounting period is other than a fiscal
16 year as defined in section 200 or if the taxpayer has no
17 annual accounting period or does not keep books, the net
18 income shall be computed on the basis of the calendar year.

19 (c) If a taxpayer changes his accounting period from
20 fiscal year to calendar year, from calendar year to fiscal
21 year, or from one fiscal year to another, the net income shall,
22 with the approval of the Commissioner, be computed on the
23 basis of such new accounting period, subject to the provisions
24 of section 226.

GROSS INCOME DEFINED.

1
2 SEC. 213. For the purposes of this title, except as
3 otherwise provided in section 233--

4 (a) The term "gross income" includes gains,
5 profits, and income derived from salaries, wages,
6 or compensation for personal service (including in
7 the case of the President of the United States, the
8 judges of the Supreme and inferior courts of the United
9 States, and all other officers and employees, whether elected
10 or appointed, of the United States, Alaska, Hawaii, or any
11 political subdivision thereof, or the District of Columbia,
12 the compensation received as such), of whatever kind and
13 in whatever form paid, or from professions, vocations,
14 trades, businesses, commerce, or sales, or dealings in prop-
15 erty, whether real or personal, growing out of the owner-
16 ship or use of or interest in such property; also from inter-
17 est, rent, dividends, securities, or the transaction of any
18 business carried on for gain or profit, or gains or profits and
19 income derived from any source whatever. The amount of
20 all such items shall be included in the gross income for the
21 **taxable year in which received by the taxpayer, unless, under**
22 **methods of accounting permitted under subdivision (b) of**
23 **section 212, any such amounts are to be properly accounted**
24 **for as of a different period. Items of gross income shall be**

1 considered to be received in the taxable year in which they
2 are unqualifiedly made subject to the demands of the taxpayer.

3 (b) The term "gross income" does not include the
4 following items, which shall be exempt from taxation under
5 this title:

6 (1) The proceeds of life insurance policies paid upon
7 the death of the insured;

8 (2) The amount received by the insured as a return of
9 premium or premiums paid by him under life insurance, en-
10 dowment, or annuity contracts, either during the term or at
11 the maturity of the term mentioned in the contract or upon
12 surrender of the contract;

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

16 (4) Interest upon (A) the obligations of a State, Ter-
17 ritory, or any political subdivision thereof, or the District of
18 Columbia; or (B) securities issued under the provisions of
19 the Federal Farm Loan Act, or under the provisions of
20 such Act as amended; or (C) the obligations of the United
21 States or its possessions. Every person owning any of the
22 obligations or securities enumerated in clause (A), (B), or
23 (C) shall, in the return required by this title, submit a
24 statement showing the number and amount of such obliga-
25 tions and securities owned by him and the income received

1 therefrom, in such form and with such information as the
2 Commissioner may require. In the case of obligations of the
3 United States issued after September 1, 1917 (other than
4 postal savings certificates of deposit), the interest shall be
5 exempt only if and to the extent provided in the respective
6 Acts authorizing the issue thereof as amended and supple-
7 mented, and shall be excluded from gross income only if and
8 to the extent it is wholly exempt to the taxpayer from in-
9 come taxes;

10 (5) The income of foreign governments received from
11 investments in the United States in stocks, bonds, or other
12 domestic securities, owned by such foreign governments, or
13 from interest on deposits in banks in the United States of
14 moneys belonging to such foreign governments, or from any
15 other source within the United States;

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

21 (7) Income derived from any public utility or the
22 exercise of any essential governmental function and accru-
23 ing to any State, Territory, or the District of Columbia,
24 or any political subdivision of a State or Territory, or income

1 accruing to the Government of any possession of the United
2 States, or any political subdivision thereof.

3 Whenever any State, Territory, or the District of Co-
4 lumbia, or any political subdivision of a State or Territory,
5 prior to September 8, 1916, entered in good faith into a
6 contract with any person, the object and purpose of which
7 is to acquire, construct, operate, or maintain a public utility,
8 the tax upon the income from the operation of such public
9 utility shall be collected and paid in the manner and at the
10 rates prescribed in this title; but there shall be refunded to
11 such State, Territory, or political subdivision thereof, or the
12 District of Columbia, under rules and regulations to be pre-
13 scribed by the Commissioner, with the approval of the
14 Secretary, a part of such tax equal to the amount by which
15 the share of the income from the operation of such public
16 utility accruing to such State, Territory, or political subdivi-
17 sion thereof, or the District of Columbia, was reduced by
18 the imposition of such tax;

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

1 (9) Amounts received as compensation, family allot-
2 ments and allowances under the provisions of the War Risk
3 Insurance and the Vocational Rehabilitation Acts, or as pen-
4 sions from the United States for service of the beneficiary or
5 another in the military or naval forces of the United States
6 in time of war;

7 (10) The amount received by an individual before
8 January 1, 1927, as dividends or interest from domestic
9 building and loan associations, substantially all the business
10 of which is confined to making loans to members, but the
11 amount excluded from gross income under this paragraph in
12 any taxable year shall not exceed \$300;

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

16 (12) The receipts of shipowners' mutual protection
17 and indemnity associations, not organized for profit, and no
18 part of the net earnings of which inures to the benefit of any
19 private shareholder; but such corporations shall be subject
20 as other persons to the tax upon their net income from inter-
21 est, dividends, and rents;

22 (13) In the case of an individual, amounts distributed
23 as dividends to or for his benefit by a corporation organized
24 under the China Trade Act, 1922, if, at the time of such
25 distribution, he is a citizen of China, resident therein, and the

1 equitable right to the income of the shares of stock of the
2 corporation is in good faith vested in him.

3 (c) In the case of a nonresident alien individual, gross
4 income means only the gross income from sources within the
5 United States, determined under the provisions of section
6 217.

7 DEDUCTIONS ALLOWED INDIVIDUALS.

8 SEC. 214. (a) In computing net income there shall
9 be allowed as deductions:

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

21 (2) All interest paid or accrued within the taxable
22 year on ~~indebtedness~~ *indebtedness, except on indebtedness*
23 *incurred or continued to purchase or carry obligations or*
24 *securities (other than obligations of the United States issued*
25 *after September 24, 1917, and originally subscribed for by*

1 *the taxpayer) the interest upon which is wholly exempt from*
2 *taxation under this title;*

3 (3) Taxes paid or accrued within the taxable year
4 except (A) income, war-profits, and excess-profits taxes
5 imposed by the authority of the United States, (B) so much
6 of the income, war-profits and excess-profits taxes, imposed
7 by the authority of any foreign country or possession of the
8 United States, as is allowed as a credit under section 222,
9 (C) taxes assessed against local benefits of a kind tending
10 to increase the value of the property assessed *other than*
11 *annual or periodical taxes assessed against construction or*
12 *repair of levees or drainage improvements,* and (D) taxes
13 imposed upon the taxpayer upon his interest as shareholder
14 of a corporation, which are paid by the corporation without
15 reimbursement from the taxpayer. For the purpose of this
16 paragraph, estate, inheritance, legacy, and succession taxes
17 accrue on the due date thereof except as *otherwise provided*
18 *by the law of the jurisdiction imposing such taxes;*

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

22 (5) Losses sustained during the taxable year and not
23 compensated for by insurance or otherwise, if incurred in
24 any transaction entered into for profit, though not connected
25 with the trade or business; but in the case of a nonresident

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

15 (6) Losses sustained during the taxable year of prop-
16 erty not connected with the trade or business (but in the
17 case of a nonresident alien individual only property within
18 the United States) if arising from fires, storms, shipwreck,
19 or other casualty, or from theft, and if not compensated for
20 by insurance or otherwise. The basis for determining the
21 amount of the deduction under this paragraph, or paragraph
22 (4) or (5), shall be the same as is provided in section 204
23 for determining the gain or loss from the sale or other
24 disposition of property;

1 (7) Debts ascertained to be worthless and charged
2 off within the taxable year (or, in the discretion of the Com-
3 missioner, a reasonable addition to a reserve for bad debts);
4 and when satisfied that a debt is recoverable only in part,
5 the Commissioner may allow such debt to be charged off
6 in part;

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

10 (9) In the case of mines, oil and gas wells, other
11 natural deposits, and timber, a reasonable allowance for de-
12 pletion and for depreciation of improvements, according to
13 the peculiar conditions in each case; such reasonable allow-
14 ance in all cases to be made under rules and regulations to
15 be prescribed by the Commissioner, with the approval of the
16 Secretary. In the case of leases the deduction allowed by
17 this paragraph shall be equitably apportioned between the
18 lessor and lessee;

19 (10) Contributions or gifts made within the taxable
20 year to or for the use of: (A) The United States, any
21 State, Territory, or any political subdivision thereof, or the
22 District of Columbia, for exclusively public purposes; (B)
23 any corporation, or community chest, fund, or foundation,
24 organized and operated exclusively for religious, charitable,
25 scientific, literary, or educational purposes, or for the pre-

1 vention of cruelty to children or animals, no part of the net
2 earnings of which inures to the benefit of any private share-
3 holder or individual; (C) the special fund for vocational
4 rehabilitation authorized by section 7 of the Vocational Reha-
5 bilitation Act; or (D) posts or organizations of war veterans,
6 or auxiliary units or societies of any such posts or organiza-
7 tions, if such posts, organizations, units, or societies are
8 organized in the United States or any of its possessions, and
9 if no part of their net earnings inures to the benefit of any
10 private shareholder or individual: or (E) a fraternal society,
11 order, or association, operating under the lodge system, but
12 only if such contributions or gifts are to be used exclusively
13 for religious, charitable, scientific, literary, or educational
14 purposes, or for the prevention of cruelty to children or
15 animals: to an amount which in all the above cases combined
16 does not exceed 15 per centum of the taxpayer's net income
17 as computed without the benefit of this ~~paragraph~~ paragraph,
18 except that if in the taxable year and in each of the ten pre-
19 ceding taxable years the amount in all the above cases com-
20 bined exceeds 90 per centum of the taxpayer's net income
21 for each such year, as computed without the benefit of this
22 paragraph, then to the full amount of such contributions
23 and gifts made within the taxable year. In case of a non-
24 resident alien individual this deduction shall be allowed only
25 as to contributions or gifts made to domestic corporations, or

1 to community chests, funds, or foundations, created in the
2 United States, or to such vocational rehabilitation fund.
3 Such contributions or gifts shall be allowable as deductions
4 only if verified under rules and regulations prescribed by
5 the Commissioner, with the approval of the Secretary.

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 (10), shall be allowed only if
9 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 indebt-~~
21 ~~edness 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~~
24 ~~only if and to the extent that the sum of such amounts~~
25 ~~exceeds the amount of interest on obligations or securities~~

1 the interest upon which is wholly exempt from taxation
2 under this title.

3 **ITEMS NOT DEDUCTIBLE.**

4 **SEC. 215.** (a) In computing net income no deduc-
5 tion shall in any case be allowed in respect of---

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

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

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

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

18 (b) Amounts paid under the laws of any State, Ter-
19 ritory, District of Columbia, possession of the United States,
20 or foreign country as income to the holder of a life or ter-
21 minable interest acquired by gift, bequest, or inheritance shall
22 not be reduced or diminished by any deduction for shrink-
23 age (by whatever name called) in the value of such interest
24 due to the lapse of time, nor by any deduction allowed by
25 this Act for the purpose of computing the net income of

1 an estate or trust but not allowed under the laws of such
2 State, Territory, District of Columbia, possession of the
3 United States, or foreign country for the purpose of com-
4 puting the income to which such holder is entitled.

5 CREDITS ALLOWED INDIVIDUALS.

6 Sec. 216. For the purpose of the normal tax only
7 there shall be allowed the following credits:

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

20 (b) The amount received as interest upon obligations
21 of the United States which is included in gross income under
22 section 213;

23 (c) In the case of a single person, a personal exemp-
24 tion of \$1,000; or in the case of the head of a family or a
25 married person living with husband or wife, a personal

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

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

19 (e) In the case of a nonresident alien individual or of
20 a citizen entitled to the benefits of section 262, the personal
21 exemption shall be only \$1,000. The credit provided in
22 subdivision (d) shall not be allowed in the case of a non-
23 resident alien individual unless he is a resident of a con-
24 tiguous country, nor in the case of a citizen entitled to the
25 benefits of section 262.

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

10 (f) (1) The credits allowed by subdivisions (d) and
11 (c) of this section shall be determined by the status of the
12 taxpayer on the last day of his taxable year.

13 (2) The credit allowed by subdivision (c) of this sec-
14 tion shall, in case the status of the taxpayer changes during
15 his taxable year, be the sum of (A) an amount which bears
16 the same ratio to \$1,000 as the number of months during
17 which the taxpayer was single bears to 12 months, plus (B)
18 an amount which bears the same ratio to the amount of his
19 exemption as a married person living with husband or wife,
20 or as the head of a family, as the number of months during
21 which the taxpayer had such status bears to 12 months. For
22 the purposes of this paragraph a fractional part of a month
23 shall be disregarded unless it amounts to more than half a
24 month, in which case it shall be considered as a month.

1 (3) In the case of an individual who dies during the
2 taxable year, the credits allowed by subdivisions (c), (d),
3 and (e) shall be determined by his status at the time of his
4 death, and in such case full credits shall be allowed to the
5 surviving spouse, if any, according to his or her status at
6 the close of the taxable year.

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

8 **SEC. 217.** (a) In the case of a nonresident alien
9 individual or of a citizen entitled to the benefits of section
10 262, the following items of gross income shall be treated
11 as income from sources within the United States:

12 (1) Interest on bonds, notes, or other interest-bearing
13 obligations of residents, corporate or otherwise, not includ-
14 ing (A) interest on deposits with persons carrying on the
15 banking business paid to persons not engaged in business
16 within the United States and not having an office or place of
17 business therein, or (B) interest received from a resident
18 alien individual, a resident foreign corporation, or a domestic
19 corporation, when it is shown to the satisfaction of the Com-
20 missioner that less than 20 per centum of the gross income
21 of such resident payor or domestic corporation has been
22 derived from sources within the United States, as deter-
23 mined under the provisions of this section, for the three-
24 year period ending with the close of the taxable year of such

1 payor preceding the payment of such interest, or for such
2 part of such period as may be applicable:

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

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

22 (4) Rentals or royalties from property located in the
23 United States or from any interest in such property, includ-
24 ing rentals or royalties for the use of or for the privilege
25 of using in the United States, patents, copyrights, secret

1 processes and formulas, good will, trade-marks, trade brands,
2 franchises, and other like property; and

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

5 (b) From the items of gross income specified in sub-
6 division (a) there shall be deducted the expenses, losses,
7 and other deductions properly apportioned or allocated
8 thereto and a ratable part of any expenses, losses, or other
9 deductions which can not definitely be allocated to some
10 item or class of gross income. The remainder, if any, shall
11 be included in full as net income from sources within the
12 United States.

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

15 (1) Interest other than that derived from sources
16 within the United States as provided in paragraph (1) of
17 subdivision (a);

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

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

23 (4) Rentals or royalties from property located without
24 the United States or from any interest in such property, in-
25 cluding rentals or royalties for the use of or for the privileg

1 of using without the United States, patents, copyrights,
2 secret processes and formulas, good will, trade-marks, trade
3 brands, franchises, and other like property; and

4 (5) Gains, profits, and income from the sale of real
5 property located without the United ~~States;~~ *States*.

6 (d) From the items of gross income specified in sub-
7 division (c) there shall be deducted the expenses, losses,
8 and other deductions properly apportioned or allocated
9 thereto, and a ratable part of any expenses, losses, or other
10 deductions which can not definitely be allocated to some
11 item or class of gross income. The remainder, if any, shall
12 be treated in full as net income from ~~sources without the~~
13 *United States*.

14 (e) Items of gross income, expenses, losses and de-
15 ductions, other than those specified in subdivisions (a) and
16 (c), shall be allocated or apportioned to sources within or
17 without the United States under rules and regulations pre-
18 scribed by the Commissioner with the approval of the Sec-
19 retary. Where items of gross income are separately allo-
20 cated to sources within the United States, there shall be
21 deducted (for the purpose of computing the net income
22 therefrom) the expenses, losses and other deductions prop-
23 erly apportioned or allocated thereto and a ratable part of
24 other expenses, losses or other deductions which can not
25 definitely be allocated to some item or class of gross income.

1 The remainder, if any, shall be included in full as net in-
2 come from sources within the United States. In the case
3 of gross income derived from sources partly within and
4 partly without the United States, the net income may first
5 be computed by deducting the expenses, losses or other
6 deductions apportioned or allocated thereto and a ratable
7 part of any expenses, losses or other deductions which can
8 not definitely be allocated to some items or class of gross
9 income; and the portion of such net income attributable to
10 sources within the United States may be determined by
11 processes or formulas of general apportionment prescribed
12 by the Commissioner with the approval of the Secretary.

13 Gains, profits and income from (1) transportation or other
14 services rendered partly within and partly without the
15 United States, or (2) from the sale of personal property
16 produced (in whole or in part) by the taxpayer within and
17 sold without the United States, or produced (in whole or
18 in part) by the taxpayer without and sold within the
19 United States, shall be treated as derived partly from
20 sources within and partly from sources without the United
21 States. Gains, profits and income derived from the pur-
22 chase of personal property within and its sale without the
23 United States or from the purchase of personal property
24 without and its sale within the United States, shall be treated

1 as derived entirely from *sources within* the country in which
2 sold.

3 (f) As used in this section the words "sale" or
4 "sold" include "exchange" or "exchanged"; and the
5 word "produced" includes "created," "fabricated,"
6 "manufactured," "extracted," "processed," "cured," or
7 "aged."

8 (g) (1) Except as provided in paragraph (2) a non-
9 resident alien individual or a citizen entitled to the benefits
10 of section 262 shall receive the benefit of the deductions
11 and credits allowed in this title only by filing or causing
12 to be filed with the collector a true and accurate return of
13 his total income received from all sources in the United
14 States, in the manner prescribed in this title; including
15 therein all the information which the Commissioner may
16 deem necessary for the calculation of such deductions and
17 credits.

18 (2) The benefit of the credits allowed in subdivisions
19 (d) and (e) of section 216, and of the reduced rate of tax
20 provided for in paragraph (1) of subdivision (b) of section
21 210, may, in the discretion of the Commissioner and under
22 regulations prescribed by him with the approval of the
23 Secretary, be received by a nonresident alien individual en-
24 titled thereto, by filing a claim therefor with the withhold-
25 ing agent.

PARTNERSHIPS.

1
2 SEC. 218. (a) Individuals carrying on business in
3 partnership shall be liable for income tax only in their
4 individual capacity. There shall be included in com-
5 puting the net income of each partner his distributive share,
6 whether distributed or not, of the net income of the part-
7 nership for the taxable year, or, if his net income for such
8 taxable year is computed upon the basis of a period differ-
9 ent from that upon the basis of which the net income of the
10 partnership is computed, then his distributive share of the
11 net income of the partnership for any accounting period of
12 the partnership ending within the taxable year upon the
13 basis of which the partner's net income is computed.

14 (b) The partner shall, for the purpose of the normal
15 tax, be allowed as credits, in addition to the credits allowed
16 to him under section 216, his proportionate share of such
17 amounts specified in subdivisions (a) and (b) of section
18 216 as are received by the partnership.

19 (c) The net income of the partnership shall be com-
20 puted in the same manner and on the same basis as pro-
21 vided in section 212 except that the deduction provided in
22 paragraph (10) of subdivision (a) of section 214 shall
3 not be allowed.

ESTATES AND TRUSTS.

1
2 SEC. 219. (a) The tax imposed by Parts I and II of
3 this title shall apply to the income of estates or of any kind
4 of property held in trust, including—

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

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

13 (3) Income received by estates of deceased persons
14 during the period of administration or settlement of the es-
15 tate; and

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

18 (b) *Except as otherwise provided in subdivisions*
19 *(g) and (h), the tax shall be computed upon the net income*
20 *of the estate or trust, and shall be paid by the fiduciary. The*
21 *net income of the estate or trust shall be computed in the*
22 *same manner and on the same basis as provided in section*
23 *212, except that—*

24 (1) There shall be allowed as a deduction (in lieu of
25 the deduction authorized by paragraph (10) of subdivision

1 (a) of section 214) any part of the gross income, without
2 limitation, which pursuant to the terms of the will or deed
3 creating the trust, is during the taxable year paid or perma-
4 nently set aside for the purposes and in the manner speci-
5 fied in paragraph (10) of subdivision (a) of section 214,
6 or is to be used exclusively for religious, charitable, scientific,
7 literary, or educational purposes, *or for the prevention of*
8 *cruelty to children or animals;*

9 (2) There shall be allowed as an additional deduction
10 in computing the net income of the estate or trust the amount
11 of the income of the estate or trust for its taxable year
12 which is to be distributed currently by the fiduciary to the
13 beneficiaries, and the amount of the income collected by a
14 guardian of an infant which is to be held or distributed as
15 the court may direct, but the amount so allowed as a deduc-
16 tion shall be included in computing the net income of the
17 beneficiaries whether distributed to them or not. Any
18 amount allowed as a deduction under this paragraph shall
19 not be allowed as a deduction under paragraph (3) in the
20 same or any succeeding taxable year;

21 (3) In the case of income received by estates of de-
22 ceased persons during the period of administration or settle-
23 ment of the estate, and in the case of income which, in the
24 discretion of the fiduciary, may be either distributed to the
25 beneficiary or accumulated, there shall be allowed as an

1 additional deduction in computing the net income of the
2 estate or trust the amount of the income of the estate or trust
3 for its taxable year which is properly paid or credited during
4 such year to any legatee, heir, or beneficiary, but the amount
5 so allowed as a deduction shall be included in computing the
6 net income of the legatee, heir, or beneficiary.

7 (c) For the purpose of the normal tax the estate or
8 trust shall be allowed the same credit as is allowed to a single
9 person under subdivision (c) of section 216, and, if no part
10 of the income of the estate or trust is included in computing
11 the net income of any legatee, heir, or beneficiary, then in
12 addition the same credits as are allowed by subdivisions (a)
13 and (b) of section 216.

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

1 (c) If the taxable year of a beneficiary is different
2 from that of the estate or trust, the amount which he is re-
3 quired under paragraph (2) of subdivision (b) of this sec-
4 tion, to include in computing his net income, shall be based
5 upon the income of the estate or trust for its taxable year
6 ending within his taxable year.

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

21 (g) Where the grantor of a trust reserves a power of
22 revocation which, if exercised, would revert in him title to
23 any part of the corpus of the trust, then the income of such
24 part of the trust shall be included in computing the net in-
25 come of the grantor.

1 (g) Where the grantor of a trust has, at any time dur-
2 ing the taxable year, either alone or in conjunction with any
3 person, the power to revert in himself title to any part of the
4 corpus of the trust, then the income of such part of the trust
5 for such taxable year shall be included in computing the net
6 income of the grantor.

7 (h) Where any part of the income of a trust may, in
8 the discretion of any person, including the grantor of the
9 trust, be distributed to the grantor or be held or accumu-
10 lated for future distribution to him, or where any part of the
11 income of a trust is or may be applied to the payment of
12 premiums upon policies of insurance on the life of the grantor,
13 whether payable to his estate or otherwise, such part of the
14 income of the trust shall be included in computing the net
15 income of the grantor.

16 (i) Where any part of the income of a trust may, in
17 the discretion of the grantor of the trust, either alone or in
18 conjunction with any person, be distributed to the grantor
19 or be held or accumulated for future distribution to him, or
20 where any part of the income of a trust is or may be applied
21 to the payment of premiums upon policies of insurance on the
22 life of the grantor (except policies of insurance irrevocably
23 payable for the purposes and in the manner specified in
24 paragraph (10) of subdivision (a) of section 214), such

1 part of the income of the trust shall be included in computing
2 the net income of the grantor.

3 EVASION OF SURTAXES BY INCORPORATION.

4 SEC. 220. (a) If any corporation, however created
5 or organized, is formed or availed of for the purpose of pre-
6 venting the imposition of the surtax upon its shareholders
7 through the medium of permitting its gains and profits to ac-
8 cumulate instead of being divided or distributed, there shall
9 be levied, collected, and paid for each taxable year upon the
10 net income of such corporation a tax equal to ~~25~~ 50 per centum
11 of the amount thereof, which shall be in addition to the tax
12 imposed by section 230 of this title and shall (except as pro-
13 vided in subdivision (d) of this section) be computed, col-
14 lected, and paid upon the same basis and in the same manner
15 and subject to the same provisions of law, including penalties,
16 as that tax: ~~Provided~~, That if all the shareholders of such
17 corporation agree thereto, the Commissioner may, in lieu of
18 all income taxes imposed upon the corporation for the taxable
19 year, tax the shareholders of such corporation upon their dis-
20 tributive shares in the net income of the corporation for the
21 taxable year in the same manner as provided in subdivision
22 (a) of section 248 in the case of members of a partner-
23 ship.

24 (b) The fact that any corporation is a mere holding
25 or investment company or that the gains or profits are per-

mitted to accumulate beyond the reasonable needs of the business, shall be prima facie evidence of a purpose to escape the surtax.

(c) When requested by the Commissioner, or any collector, every corporation shall furnish to him a correct statement of such gains and profits and the names and addresses of the individuals or shareholders who would be entitled to the same if divided or distributed, and of the amounts that would be payable to each.

(d) As used in this section the term "net income" means the net income as defined in section 231, increased by the sum of the amount of the deduction allowed under paragraph (6) of subdivision (a) of section 234, and the amount of the interest on obligations of the United States issued after September 1, 1917, which would be subject to tax in whole or in part in the hands of an individual owner.

PAYMENT OF INDIVIDUAL'S TAX AT SOURCE.

SEC. 221. (a) All persons, in whatever capacity acting, including lessees or mortgagors of real or personal property, fiduciaries, employers, and all officers and employees of the United States having the control, receipt, custody, disposal, or payment of interest (except interest on deposits with persons carrying on the banking business paid to persons not engaged in business in the United States and not having an office or place of business therein), rent, salaries, wages,

1 premiums, annuities, compensations, remunerations, emolu-
2 ments, or other fixed or determinable annual or periodical
3 gains, profits, and income, of any nonresident alien indi-
4 vidual, or of any partnership not engaged in trade or busi-
5 ness within the United States and not having any office
6 or place of business therein and composed in whole or in
7 part of nonresident aliens, (other than income received as
8 dividends of the class allowed as a credit by subdivision (a)
9 of section 216) shall (except in the cases provided for in sub-
10 division (b) and except as otherwise provided in regulations
11 prescribed by the Commissioner under section 217) deduct
12 and withhold from such annual or periodical gain, profits,
13 and income a tax equal to 6 per centum thereof: *Provided,*
14 That the Commissioner may authorize such tax to be deducted
15 and withheld from the interest upon any securities the owners
16 of which are not known to the withholding agent.

17 (b) In any case where bonds, mortgages, or deeds of
18 trust, or other similar obligations of a corporation contain a
19 contract or provision by which the obligor agrees to pay any
20 portion of the tax imposed by this title upon the obligee,
21 or to reimburse the obligee for any portion of the tax, or to
22 pay the interest without deduction for any tax which the
23 obligor may be required or permitted to pay thereon, or to
24 retain therefrom under any law of the United States, the
25 obligor shall deduct and withhold a tax equal to 2 per centum

1 of the interest upon such bonds, mortgages, deeds of trust,
2 or other obligations, whether such interest is payable annu-
3 ally or at shorter or longer periods and whether payable to
4 a nonresident alien individual or to an individual citizen or
5 resident of the United States or to a partnership: *Provided*,
6 That the Commissioner may authorize such tax to be de-
7 ducted and withheld in the case of interest upon any such
8 bonds, mortgages, deeds of trust, or other obligations, the
9 owners of which are not known to the withholding agent.
10 Such deduction and withholding shall not be required in the
11 case of a citizen or resident entitled to receive such interest,
12 if he files with the withholding agent on or before February
13 1 a signed notice in writing claiming the benefit of the credits
14 provided in subdivisions (c) and (d) of section 216; nor in
15 the case of a nonresident alien individual if so provided for
16 in regulations prescribed by the Commissioner under sub-
17 division (g) of section 217.

18 (c) Every person required to deduct and withhold
19 any tax under this section shall make return thereof on or
20 before March 15 of each year and shall on or before June
21 15 pay the tax to the official of the United States Govern-
22 ment authorized to receive it. Every such person is hereby
23 made liable for such tax and is hereby indemnified against
24 the claims and demands of any person for the amount of any

1 payments made in accordance with the provisions of this
2 section.

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

8 (e) If any tax required under this section to be de-
9 ducted and withheld is paid by the recipient of the income,
10 it shall not be re-collected from the withholding agent; nor
11 in cases in which the tax is so paid shall any penalty be im-
12 posed upon or collected from the recipient of the income or
13 the withholding agent for failure to return or pay the same,
14 unless such failure was fraudulent and for the purpose of
15 evading payment.

16 CREDIT FOR TAXES IN CASE OF INDIVIDUALS.

17 SEC. 222. (a) The tax computed under Parts I and
18 II of this title shall be credited with:

19 (1) In the case of a citizen of the United States the
20 amount of any income, war-profits and excess-profits taxes
21 paid or accrued during the taxable year to any foreign
22 country or to any possession of the United States; and

23 (2) In the case of a resident of the United States, the
24 amount of any such taxes paid or accrued during the taxable
25 year to any possession of the United States; and

1 (3) In the case of an alien resident of the United
2 States, the amount of any such taxes paid or accrued during
3 the taxable year to any foreign country, if the foreign
4 country of which such alien resident is a citizen or subject,
5 in imposing such taxes, allows a similar credit to citizens of
6 the United States residing in such country; and

7 (4) In the case of any such individual who is a member
8 of a partnership or a beneficiary of an estate or trust, his
9 proportionate share of such taxes of the partnership or the
10 estate or trust paid or accrued during the taxable year to a
11 foreign country or to any possession of the United States, as
12 the case may be.

13 (5) The above credits shall not be allowed in the case
14 of a citizen entitled to the benefits of section 262; and in no
15 other case shall the amount of credit taken under this sub-
16 division exceed the same proportion of the tax (computed on
17 the basis of the taxpayer's net income without the deduction
18 of any income, war-profits, or excess-profits tax any part of
19 which may be allowed to him as a credit by this section),
20 against which such credit is taken, which the taxpayer's net
21 income (computed without the deduction of any such income,
22 war-profits, or excess-profits tax) from sources without the
23 United States bears to his entire net income (computed with-
24 out such deduction) for the same taxable year.

1 (b) If accrued taxes when paid differ from the
2 amounts claimed as credits by the taxpayer, or if any tax
3 paid is refunded in whole or in part, the taxpayer shall notify
4 the Commissioner, who shall redetermine the amount of the
5 tax due under Parts I and II of this title for the year or years
6 affected, and the amount of tax due upon such redetermina-
7 tion, if any, shall be paid by the taxpayer upon notice and
8 demand by the collector, or the amount of tax overpaid, if
9 any, shall be credited or refunded to the taxpayer in ac-
10 cordance with the provisions of section 281. In the case
11 of such a tax accrued but not paid, the Commissioner as
12 a condition precedent to the allowance of this credit may re-
13 quire the taxpayer to give a bond with sureties satisfactory
14 to and to be approved by the Commissioner in such
15 sum as the Commissioner may require, conditioned upon the
16 payment by the taxpayer of any amount of tax found due
17 upon any such redetermination; and the bond herein pre-
18 scribed shall contain such further conditions as the Commis-
19 sioner may require.

20 (c) The credits provided for in subdivision (a) of this
21 section may, at the option of the taxpayer and irrespective
22 of the method of accounting employed in keeping his books,
23 be taken in the year in which the taxes of the foreign country
24 or the possession of the United States accrued, subject, how-
25 ever, to the conditions prescribed in subdivision (b) of this

1 section. If the taxpayer elects to take such credits in the
 2 year in which the taxes of the foreign country or the posses-
 3 sion of the United States accrued, the credits for all subse-
 4 quent years shall be taken upon the same basis.

5 (d) These credits shall be allowed only if the tax-
 6 payer furnishes evidence satisfactory to the Commissioner
 7 showing the amount of income derived from sources without
 8 the United States, and all other information necessary for
 9 the verification and computation of such credits.

10 INDIVIDUAL RETURNS.

11 SEC. 223. (a) The following individuals shall each
 12 make under oath a return stating specifically the items of his
 13 gross income and the deductions and credits allowed under
 14 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~~ \$2,500 or over, if married and living
 20 with 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~~ \$2,500

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. Every partnership shall make a return
13 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) Every fiduciary (except a receiver
22 appointed by authority of law in possession of part only
23 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~~ \$2,500 or over, if married and living
8 with 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;

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

17 (6) Every estate or trust of which any beneficiary is a
18 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) If a taxpayer, with the approval of
8 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) Where a separate return is so made, and in all other
21 cases where a separate return is required or permitted, by
22 regulations prescribed by the Commissioner with the ap-
23 proval of the Secretary, to be made for a fractional part of a
24 year, then the income shall be computed on the basis of the
25 period for which separate return is made.

1 (c) If a separate return is made under subdivision (a)
 2 the net income, computed in accordance with the provisions
 3 of subdivision (b), shall be placed on an annual basis by
 4 multiplying the amount thereof by twelve and dividing by the
 5 number of months included in the period for which the separ-
 6 ate return is made. The tax shall be such part of the tax
 7 computed on such annual basis as the number of months in
 8 such period is of twelve months.

9 (d) The Commissioner with the approval of the Sec-
 10 retary shall by regulations prescribe the method of applying
 11 the provisions of subdivisions (b) and (c) to cases where the
 12 taxpayer makes a separate return under subdivision (a) and
 13 it appears that for the period for which the return is so made
 14 he has derived a capital net gain, ~~or sustained a capital net~~
 15 ~~loss~~, or received earned income.

16 (e) In the case of a return made for a fractional part
 17 of a year, except a return made under subdivision (a), the
 18 credits provided in subdivisions (c), (d), and (e) of section
 19 216 shall be reduced respectively to amounts which bear the
 20 same ratio to the full credits provided in such subdivisions as
 21 the number of months in the period for which return is made
 22 bears to twelve months.

23 TIME AND PLACE FOR FILING INDIVIDUAL, PARTNERSHIP,
 24 AND FIDUCIARY RETURNS.

25 SEC. 227. (a) Returns (except in the case of non-
 26 resident aliens) shall be made on or before the fifteenth

1 day of the third month following the close of the fiscal
2 year, or, if the return is made on the basis of the cal-
3 endar year, then the return shall be made on or before the
4 15th day of March. In the case of a nonresident alien
5 individual returns shall be made on or before the fifteenth
6 day of the sixth month following the close of the fiscal year,
7 or, if the return is made on the basis of the calendar year,
8 then the return shall be made on or before the 15th day of
9 June. The Commissioner may grant a reasonable extension
10 of time for filing returns, if application therefor is made be-
11 fore the date prescribed by law for filing the return, whenever
12 in his judgment good cause exists, and shall keep a record
13 of every such extension and the reason therefor. Except in
14 the case of taxpayers who are abroad, no such extension shall
15 be for more than six months.

16 (b) Returns shall be made to the collector for the
17 district in which is located the legal residence or principal
18 place of business of the person making the return, or, if he
19 has no legal residence or principal place of business in the
20 United States, then to the collector at Baltimore, Maryland;
21 but the returns provided for in sections 224 and 225 on which
22 no tax is shown to be due shall, regardless of the legal resi-
23 dence or place of business of the person making the return,
24 be made to the Commissioner.

PART III.—CORPORATIONS.

TAX ON CORPORATIONS.

SEC. 230. In lieu of the tax imposed by section 230 of the Revenue Act of 1921 there shall be levied, collected, and paid for each taxable year upon the net income of every corporation a tax of ~~12½ per centum~~ *14 per centum* of the amount of the net income in excess of the credits provided in sections 236 and 263.

CONDITIONAL AND OTHER EXEMPTIONS OF CORPORATIONS.

SEC. 231. The following organizations shall be exempt from taxation under this title—

(1) Labor, agricultural, or horticultural organizations;

(2) Mutual savings banks not having a capital stock represented by shares;

(3) Fraternal beneficiary societies, orders, or associations, (a) operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system; and (b) providing for the payment of life, sick, accident, or other benefits to the members of such society, order, or association or their dependents.

(4) Domestic building and loan associations substantially all the business of which is confined to making loans to members; and cooperative banks without capital stock organized and operated for mutual purposes and without profit;

1 (5) Cemetery companies owned and operated ex-
2 clusively for the benefit of their members or which are not
3 operated for profit; and any corporation chartered solely for
4 burial purposes as a cemetery corporation and not permitted
5 by its charter to engage in any business not necessarily inci-
6 dent to that purpose, no part of the net earnings of which
7 inures to the benefit of any private shareholder or individual;

8 (6) Corporations, and any community chest, fund, or
9 foundation, organized and operated exclusively for religious,
10 charitable, scientific, literary, or educational purposes, or for
11 the prevention of cruelty to children or animals, no part of
12 the net earnings of which inures to the benefit of any private
13 shareholder or individual;

14 (7) Business leagues, chambers of commerce, or boards
15 of trade, not organized for profit and no part of the net
16 earnings of which inures to the benefit of any private share-
17 holder or individual;

18 (8) Civic leagues or organizations not organized for
19 profit but operated exclusively for the promotion of social
20 welfare, or local associations of employees the member-
21 ship of which is limited to the employees of a designated
22 person or persons in a particular municipality, and the net
23 earnings of which are devoted exclusively to charitable,
24 educational and or recreational purposes, ~~whether or not~~
25 **for the benefit of the members and their families;**

1 (9) Clubs organized and operated exclusively for
2 pleasure, recreation, and other nonprofitable purposes, no
3 part of the net earnings of which inures to the benefit of any
4 private shareholder;

5 (10) Marine, or other mutual hail, cyclone, casualty,
6 life, or fire insurance companies, mutual ditch or irrigation
7 companies, mutual or cooperative telephone companies, or
8 like organizations; but only if substantially all 85 per centum
9 or more of the income consists of amounts collected from
10 members for the sole purpose of meeting losses and ex-
11 penses; also benevolent mutual life insurance associations
12 not operated for profit, whose business is purely local and
13 wholly for benefit of its members;

14 (11) Farmers', fruit growers', or like associations,
15 organized and operated as sales agents for the purpose of
16 marketing the products of members and turning back to
17 them the proceeds of sales, less the necessary selling ex-
18 penses, on the basis of the quantity of produce furnished by
19 them; or organized and operated as purchasing agents for
20 the purpose of purchasing supplies and equipment for the
21 use of members and turning over such supplies and equip-
22 ment to such members at actual cost, plus necessary ex-
23 penses;

24 (12) Corporations organized for the exclusive purpose
25 of holding title to property, collecting income therefrom, and

1 turning over the entire amount thereof, less expenses, to an
 2 organization which itself is exempt from the tax imposed by
 3 this title; and

4 (13) Federal land banks, national farm-loan associa-
 5 tions, and Federal intermediate credit banks as provided in
 6 the Federal Farm Loan Act, as amended.

7 **NET INCOME OF CORPORATIONS DEFINED.**

8 **SEC. 232.** In the case of a corporation subject to the
 9 tax imposed by section 230 the term "net income" means
 10 the gross income as defined in section 233 less the deductions
 11 allowed by sections 234 and 206, and the net income shall be
 12 computed on the same basis as is provided in subdivision (b)
 13 of section 212 or in section 226. In the case of a foreign cor-
 14 poration or of a corporation entitled to the benefits of section
 15 262 the computation shall also be made in the manner pro-
 16 vided in section 217.

17 **GROSS INCOME OF CORPORATIONS DEFINED.**

18 **SEC. 233.** (a) In the case of a corporation sub-
 19 ject to the tax imposed by section 230 the term "gross
 20 income" means the gross income as defined in sections 213
 21 and 217, except that mutual marine insurance companies
 22 shall include in gross income the gross premiums collected
 23 and received by them less amounts paid for reinsurance.

24 (b) In the case of a foreign corporation, gross income
 25 means only gross income from sources within the United

1 States, determined (except in the case of insurance com-
 2 panies subject to the tax imposed by sections 243 or 246)
 3 in the manner provided in section 217.

4 DEDUCTIONS ALLOWED CORPORATIONS.

5 SEC. 234. (a) In computing the net income of a corpo-
 6 ration subject to the tax imposed by section 230 there shall
 7 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 and including rentals or other payments required to be made
 13 as a condition to the continued use or possession of property
 14 to which the corporation has not taken or is not taking title,
 15 or in which it has no equity;

16 (2) All interest paid or accrued within the taxable
 17 year on its indebtedness, except on indebtedness incurred or
 18 continued to purchase or carry obligations or securities (other
 19 than obligations of the United States issued after September
 20 30, 1917) or on any indebtedness incurred by the corporation
 21 the interest upon which is wholly exempt from taxation
 22 under this title;

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

1 of the income, war-profits and excess-profits taxes imposed
2 by the authority of any foreign country or possession of the
3 United States as is allowed as a credit under section 238,
4 and (C) taxes assessed against local benefits of a kind tend-
5 ing to increase the value of the property assessed *other than*
6 *annual or periodical taxes assessed against construction or*
7 *repair of levees or drainage improvements.* In the case
8 of obligors specified in subdivision (b) of section 221
9 no deduction for the payment of the tax imposed by this
10 title, or any other tax paid pursuant to the tax-free cove-
11 nant clause, shall be allowed, nor shall such tax be included
12 in the gross income of the obligee. The deduction allowed
13 by this paragraph shall be allowed in the case of taxes im-
14 posed upon a shareholder of a corporation upon his interest
15 as shareholder, which are paid by the corporation with-
16 out reimbursement from the shareholder, but in such cases
17 no deduction shall be allowed the shareholder for the amount
18 of such taxes. For the purpose of this paragraph, estate,
19 inheritance, legacy, and succession taxes accrue on the due
20 date thereof except as otherwise provided by law of the
21 jurisdiction imposing such taxes:

22 (4) Losses sustained during the taxable year and not
23 compensated for by insurance or otherwise. No deduction
24 shall be allowed under this paragraph for any loss claimed to
25 have been sustained in any sale or other disposition of shares

1 of stock or securities where it appears that within thirty
2 days before or after the date of such sale or other disposi-
3 tion the taxpayer has acquired (otherwise than by bequest
4 or inheritance) or has entered into a contract or option to
5 acquire substantially identical property, and the property so
6 acquired is held by the taxpayer for any period after such
7 sale or other disposition, unless such claim is made by a
8 dealer in stock or securities and with respect to a transaction
9 made in the ordinary course of its business. If such ac-
10 quisition or the contract or option to acquire is to the extent
11 of part only of substantially identical property, then only a
12 proportionate part of the loss shall be disallowed. The
13 basis for determining the amount of the deduction for losses
14 sustained shall be the same as is provided in section 204
15 for determining the gain or loss from the sale or other dis-
16 position of property:

17 (5) Debts ascertained to be worthless and charged off
18 within the taxable year (a. in the discretion of the Com-
19 missioner, a reasonable addition to a reserve for bad debts);
20 and when satisfied that a debt is recoverable only in part,
21 the Commissioner may allow such debt to be charged off in
22 part:

(6) The amount received as dividends (A) from a
23 domestic corporation other than a corporation entitled to the
24 benefits of section 262, and other than a corporation organ-

1 ized under the China Trade Act, 1922, or (E) from any
2 foreign corporation when it is shown to the satisfaction of
3 the Commissioner that more than 50 per centum of the gross
4 income of such foreign corporation for the three-year period
5 ending with the close of its taxable year preceding the
6 declaration of such dividends (or for such part of such period
7 as the foreign corporation has been in existence) was de-
8 rived from sources within the United States as determined
9 under section 217;

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

13 (8) In the case of mines, oil and gas wells, other
14 natural deposits, and timber, a reasonable allowance for de-
15 pletion and for depreciation of improvements according to
16 the peculiar conditions in each case; such reasonable allow-
17 ance in all cases to be made under rules and regulations to
18 be prescribed by the Commissioner with the approval of the
19 Secretary. In the case of leases the deductions allowed by
20 this paragraph shall be equitably apportioned between the
21 lessor and lessee;

22 (9) In the case of insurance companies (other
23 than life insurance companies), in addition to the above
24 (unless otherwise allowed): (A) The net addition required
25 by law to be made within the taxable year to reserve funds

1 (including in the case of assessment insurance companies
2 the actual deposit of sums with State or Territorial officers
3 pursuant to law as additions to guarantee or reserve funds) ;
4 and (B) the sums other than dividends paid within the tax-
5 able year on policy and annuity contracts. This paragraph
6 shall apply only to mutual insurance companies other than
7 life insurance companies;

8 (10) In the case of mutual marine insurance com-
9 panies, there shall be allowed, in addition to the deductions
10 allowed in paragraphs (1) to (9), inclusive, unless other-
11 wise allowed, amounts repaid to policyholders on account
12 of premiums previously paid by them, and interest paid
13 upon such amounts between the ascertainment and the pay-
14 ment thereof;

15 (11) In the case of mutual insurance companies
16 (including fraternal societies and reciprocal underwriters, but not
17 including mutual life or mutual marine insurance companies)
18 requiring their members to make premium deposits to pro-
19 vide on losses and expenses, there shall be allowed, in addi-
20 tion to the deductions allowed in paragraphs (1) to (9),
21 inclusive, unless otherwise allowed, the amount of premium
22 deposits returned to their policyholders and the amount of
23 premium deposit retained for the payment of losses, ex-
24 penses, and reinsurance reserves.

1 (b) In the case of a foreign corporation or of a cor-
2 poration entitled to the benefits of section 262 the deductions
3 allowed in subdivision (a) shall be allowed only if and to
4 the extent that they are connected with income from sources
5 within the United States; and the proper apportionment and
6 allocation of the deductions with respect to sources within
7 and without the United States shall be determined as pro-
8 vided in section 217 under rules and regulations prescribed
9 by the Commissioner with the approval of the Secretary.

10 ITEMS NOT DEDUCTIBLE BY CORPORATIONS.

11 SEC. 235. In computing net income no deduction
12 shall in any case be allowed in respect of any of the items
13 specified in section 215.

14 CREDITS ALLOWED CORPORATIONS.

15 SEC. 236. For the purpose only of the tax imposed
16 by section 230 there shall be allowed the following credits:

17 (a) The amount received as interest upon obligations
18 of the United States which is included in gross income under
19 section 263, and

20 (b) In the case of a domestic corporation the net income
21 of which is \$25,000 or less, a specific credit of \$2,000; but
22 if the net income is more than \$25,000 the tax imposed by
23 section 230 shall not exceed the tax which would be payable
24 if the \$2,000 credit were allowed, plus the amount of the
25 net income in excess of \$25,000.

1 PAYMENT OF CORPORATION INCOME TAX AT SOURCE.

2 SEC. 237. In the case of foreign corporations subject to
3 taxation under this title not engaged in trade or business
4 within the United States and not having any office or place
5 of business therein, there shall be deducted and withheld at
6 the source in the same manner and upon the same items
7 of income as is provided in section 221 a tax equal to 12½
8 per centum thereof, and such tax shall be returned and
9 paid in the same manner and subject to the same conditions
10 as provided in that section: *Provided*, That in the case of in-
11 terest described in subdivision (b) of that section the de-
12 duction and withholding shall be at the rate of 2 per centum.

13 CREDIT FOR TAXES IN CASE OF CORPORATIONS.

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

1 or excess-profits tax) from sources without the United States
2 bears to its entire net income (computed without such de-
3 duction) for the same taxable year. In the case of domestic
4 insurance companies subject to the tax imposed by section
5 243 or 246, the term "net income" as used in this sub-
6 division means net income as defined in sections 245 and 246,
7 respectively.

8 (b) If accrued taxes when paid differ from the
9 amounts claimed as credits by the corporation, or if any tax
10 paid is refunded in whole or in part, the corporation shall at
11 once notify the Commissioner, who shall redetermine the
12 amount of the taxes for the year or years affected, and the
13 amount of taxes due upon such redetermination, if any, shall
14 be paid by the corporation upon notice and demand by the
15 collector, or the amount of taxes overpaid, if any, shall be
16 credited, or refunded to the corporation in accordance with
17 the provisions of section 281. In the case of such a tax ac-
18 crued but not paid, the Commissioner as a condition prece-
19 dent to the allowance of this credit may require the corpora-
20 tion to give a bond with sureties satisfactory to and to be
21 approved by him in such sum as he may require, conditioned
22 upon the payment by the taxpayer of any amount of taxes
23 found due upon any such redetermination; and the bond
24 herein prescribed shall contain such further conditions as
25 the Commissioner 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,
4 be taken in the year in which the taxes of the foreign coun-
5 try or the possession of the United States accrued, subject,
6 however, to the conditions prescribed in subdivision (b) of
7 this section. If the taxpayer elects to take such credits in
8 the year in which the taxes of the foreign country or the
9 possession of the United States accrued, the credits for all
10 subsequent years shall be taken upon the same basis.

11 (d) These credits shall be allowed only if the tax-
12 payer furnishes evidence satisfactory to the Commissioner
13 showing the amount of income derived from sources without
14 the United States, and all other information necessary for
15 the verification and computation of such credits.

16 (e) For the purposes of this section a domestic cor-
17 poration which owns a majority of the voting stock of a
18 foreign corporation from which it receives dividends (not
19 deductible under section 234) in any taxable year shall be
20 deemed to have paid the same proportion of any income,
21 war-profits, or excess-profits taxes paid by such foreign
22 corporation to any foreign country or to any possession of
23 the United States, upon or with respect to the accumulated
24 profits of such foreign corporation from which such dividends
25 were paid, which the amount of such dividends bears to the

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

1 (f) For the purposes of this section a corporation en-
2 titled to the benefits of section 262 or 263 shall be treated
3 as a foreign corporation.

4 CORPORATION RETURNS.

5 SEC. 239. (a) Every corporation subject to taxation
6 under this title shall make a return, stating specifically the
7 items of its gross income and the deductions and credits al-
8 lowed by this title. The return shall be sworn to by the
9 president, vice president, or other principal officer and by the
10 treasurer or assistant treasurer. If any foreign corporation
11 has no office or place of business in the United States but
12 has an agent in the United States, the return shall be made
13 by the agent. In cases where receivers, trustees in bank-
14 ruptcy, or assignees are operating the property or business
15 of corporations, such receivers, trustees, or assignees shall
16 make returns for such corporations in the same manner and
17 form as corporations are required to make returns. Any tax
18 due on the basis of such returns made by receivers, trustees,
19 or assignees shall be collected in the same manner as if col-
20 lected from the corporations of whose business or property
21 they have custody and control.

22 (b) Returns made under this section shall be subject
23 to the provisions of section 226. In the case of a return
24 made for a fractional part of a year, except a return made
25 under subdivision (a) of section 226, the credit provided in

1 subdivision (b) of section 236 shall be reduced to an
2 amount which bears the same ratio to the full credit therein
3 provided as the number of months in the period for which
4 the return is made bears to twelve months.

5 (c) There shall be included in the return or appended
6 thereto a statement of such facts as will enable the Commis-
7 sioner to determine the portion of the earnings or profits
8 of the corporation (including gains, profits and income not
9 taxed) accumulated during the taxable year for which the
10 return is made, which have been distributed or ordered to
11 be distributed, respectively, to its shareholders during such
12 year.

13 CONSOLIDATED RETURNS OF CORPORATIONS.

14 SEC. 240. (a) Corporations which are affiliated within
15 the meaning of this section may, for any taxable year, make
16 separate returns or, under regulations prescribed by the
17 Commissioner with the approval of the Secretary, make a
18 consolidated return of net income for the purpose of this title,
19 in which case the taxes thereunder shall be computed and
20 determined upon the basis of such return. If return is made
21 on either of such bases, all returns thereafter made shall be
22 upon the same basis unless permission to change the basis
23 is granted by the Commissioner.

24 (b) In any case in which a tax is assessed upon the
25 basis of a consolidated return, the total tax shall be computed

1 in the first instance as a unit and shall then be assessed upon
 2 the respective affiliated corporations in such proportions as
 3 may be agreed upon among them, or, in the absence of any
 4 such agreement, then on the basis of the net income properly
 5 assignable to each. There shall be allowed in computing
 6 the income tax only one specific credit computed as pro-
 7 vided in subdivision (b) of section 236.

8 (c) For the purpose of this section two or more
 9 domestic corporations shall be deemed to be affiliated (1)
 10 if one corporation owns at least ~~85~~ 95 per centum of the vot-
 11 ing stock of the other or others, or (2) if at least ~~85~~ 95 per
 12 centum of the voting stock of two or more corporations is
 13 owned by the same interests. A corporation organized
 14 under the China Trade Act, 1922, shall not be deemed to be
 15 affiliated with any other corporation within the meaning of
 16 this section.

17 (d) In any case of two or more related trades or busi-
 18 nesses (whether unincorporated or incorporated and whether
 19 organized in the United States or not), owned or controlled
 20 directly or indirectly by the same interests, the Commissioner
 21 shall consolidate the accounts of such related trades and busi-
 22 nesses, for the purpose of making an accurate distribution
 23 or apportionment of gains, profits, income, deductions, or
 24 capital between or among such related trades or businesses.

1 (d) *In any case of two or more related trades or bus-*
2 *inesses (whether unincorporated or incorporated and whether*
3 *organized in the United States or not) owned or controlled*
4 *directly or indirectly by the same interests, the Commissioner*
5 *may and at the request of the taxpayer shall, if necessary in*
6 *order to make an accurate distribution or apportionment of*
7 *gains, profits, income, deductions, or capital between or*
8 *among such related trades or businesses, consolidate the*
9 *accounts of such related trades or businesses.*

10 (c) For the purposes of this section a corporation en-
11 titled to the benefits of section 262 shall be treated as a for-
12 eign corporation.

13 **TIME AND PLACE FOR FILING CORPORATE RETURNS.**

14 **SEC. 241. (a)** Returns of corporations shall be
15 made at the same time as is provided in subdivision
16 (a) of section 227, except that in the case of foreign cor-
17 porations not having any office or place of business in the
18 United States returns shall be made at the same time as
19 provided in section 227 in the case of a nonresident alien
20 individual.

21 (b) Returns shall be made to the collector of the dis-
22 trict in which is located the principal place of business or
23 principal office or agency of the corporation, or, if it has no
24 principal place of business or principal office or agency in

1 the United States, then to the collector at Baltimore, Mary-
2 land.

3 TAXES ON INSURANCE COMPANIES.

4 SEC. 242. When used in this title the term
5 "life insurance company" means an insurance company en-
6 gaged in the business of issuing life insurance and annuity
7 contracts (including contracts of combined life, health, and
8 accident insurance), the reserve funds of which held for the
9 fulfillment of such contracts comprise more than 50 per
10 centum of its total reserve funds.

11 SEC. 243. In lieu of the taxes imposed by sections 230
12 and 800 tax imposed by section 230, there shall be levied,
13 collected, and paid for each taxable year upon the net income
14 of every life insurance company a tax as follows:

15 (1) In the case of a domestic life insurance company,
16 the same percentage of its net income as is imposed upon
17 other corporations by section 230 $12\frac{1}{2}$ per centum of its net
18 income;

19 (2) In the case of a foreign life insurance company,
20 the same percentage of its net income from sources within
21 the United States as is imposed upon the net income of
22 other corporations by section 230 $12\frac{1}{2}$ per centum of its net
23 income from sources within the United States.

24 SEC. 244. (a) In the case of a life insurance
25 company the term "gross income" means the gross amount

1 of income received during the taxable year from interest,
2 dividends, and rents.

3 (b) The term "reserve funds required by law" in-
4 cludes, in the case of assessment insurance, sums actually
5 deposited by any company or association with State or
6 Territorial officers pursuant to law as guaranty or reserve
7 funds, and any funds maintained under the charter or ar-
8 ticles of incorporation of the company or association ex-
9 clusively for the payment of claims arising under certifi-
10 cates of membership or policies issued upon the assessment
11 plan and not subject to any other use.

12 SEC. 245. (a) In the case of a life insurance
13 company the term "net income" means the gross income
14 less—

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

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

1 of the mean of such reserve funds (not required by law)
2 held at the beginning and end of the taxable year, as the
3 Commissioner finds to be necessary for the protection of the
4 holders of such policies only;

5 (3) The amount received as dividends (A) from a
6 domestic corporation other than a corporation entitled to
7 the benefits of section 262, and other than a corporation
8 organized under the China Trade Act, 1922, or (B) from
9 any foreign corporation when it is shown to the satisfaction
10 of the Commissioner that more than 50 per centum of the
11 gross income of such foreign corporation for the three-year
12 period 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 (4) An amount equal to 2 per centum of any sums
18 held at the end of the taxable year as a reserve for dividends
19 (other than dividends payable during the year following the
20 taxable year) the payment of which is deferred for a period
21 of not less than five years from the date of the policy
22 contract;

23 (5) Investment expenses paid during the taxable year:
24 *Provided, That if any general expenses are in part assigned*
25 *to or included in the investment expenses, the total deduction*

1 under this paragraph shall not exceed one-fourth of 1 per
2 centum of the book value of the mean of the invested assets
3 held at the beginning and end of the taxable year;

4 (6) Taxes and other expenses paid during the tax-
5 able year exclusively upon or with respect to the real estate
6 owned by the company, not including taxes assessed against
7 local benefits of a kind tending to increase the value of the
8 property assessed, and not including any amount paid out
9 for new buildings, or for permanent improvements or bet-
10 terments made to increase the value of any property. The
11 deduction allowed by this paragraph shall be allowed in
12 the case of taxes imposed upon a shareholder
13 of a company upon his interest as shareholder,
14 which are paid by the company without reimbursement
15 from the shareholder, but in such cases no deduction shall be
16 allowed the shareholder for the amount of such taxes;

17 (7) A reasonable allowance for the exhaustion, wear
18 and tear of property, including a reasonable allowance for
19 obsolescence;

20 (8) All interest paid or accrued within the taxable
21 year on its indebtedness, except on indebtedness incurred
22 or continued to purchase or carry obligations or securities
23 (other than obligations of the United States issued after
24 September 24, 1917, and originally subscribed for by the

1 (taxpayer) the interest upon which is wholly exempt from
2 taxation under this title; and

3 (9) In the case of a domestic life insurance company,
4 the net income of which (computed without the benefit
5 of this paragraph) is \$25,000 or less, the sum of \$2,000;
6 but if the net income is more than \$25,000 the tax im-
7 posed by section 243 shall not exceed the tax which
8 would be payable if the \$2,000 credit were allowed, plus
9 the amount of the net income in excess of \$25,000.

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

21 (c) In the case of a foreign life insurance company
22 the amount of its net income for any taxable year from
23 sources within the United States shall be the same pro-
24 portion of its net income for the taxable year from sources
25 within and without the United States, which the reserve

1 funds required by law and held by it at the end of the tax-
2 able year upon business transacted within the United States
3 is of the reserve funds held by it at the end of the taxable
4 year upon all business transacted.

5 SEC. 246. (a) In lieu of the ~~taxes imposed by sections~~
6 ~~230 and 200~~ tax imposed by section 230, there shall be levied,
7 collected, and paid for each taxable year upon the net income
8 of every insurance company (other than a life or mutual
9 insurance company) a tax as follows:

10 (1) In the case of such a domestic insurance company
11 the same percentage of its net income as is imposed upon
12 other corporations by section 230 company, $12\frac{1}{2}$ per centum
13 of its net income;

14 (2) In the case of such a foreign insurance company
15 the same percentage of its net income from sources within
16 the United States as is imposed upon the net income of other
17 corporations by section 230 company, $12\frac{1}{2}$ per centum of its
18 net income from sources within the United States.

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

21 (1) The term "gross income" means the combined
22 gross amount, earned during the taxable year, from invest-
23 ment income and from underwriting income as provided in
24 this subdivision, computed on the basis of the underwriting
25 and investment exhibit of the annual statement approved

1 by the National Convention of Insurance Commissioners:

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

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

8 To all interest, dividends and rents received during the
9 taxable year, add interest, dividends and rents due and
10 accrued at the end of the taxable year, and deduct all in-
11 terest, dividends and rents due and accrued at the end of the
12 preceding taxable year;

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

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

19 From the amount of gross premiums written on insur-
20 ance contracts during the taxable year, deduct return pre-
21 miums and premiums paid for reinsurance. To the result so
22 obtained add unearned premiums on outstanding business at
23 the end of the preceding taxable year and deduct unearned
24 premiums on outstanding business at the end of the taxable
25 year;

1 (6) The term "losses incurred" means losses incurred
2 during the taxable year on insurance contracts, computed as
3 follows:

4 To losses paid during the taxable year, add salvage and
5 reinsurance recoverable outstanding at the end of the preced-
6 ing taxable year, and deduct salvage and reinsurance recov-
7 erable outstanding at the end of the taxable year. To the
8 result so obtained add all unpaid losses outstanding at the
9 end of the taxable year and deduct unpaid losses outstanding
10 at the end of the preceding taxable year;

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

15 To all expenses paid during the taxable year add ex-
16 penses unpaid at the end of the taxable year and deduct
17 expenses unpaid at the end of the preceding taxable year.
18 For the purpose of computing the net income subject to
19 the tax imposed by this section there shall be deducted from
20 expenses incurred as defined in this paragraph all expenses
21 incurred which are not allowed as deductions by section
22 247.

23 SEC. 247. (a) In computing the net income of an
24 insurance company subject to the tax imposed by section
25 247 there shall be allowed as deductions:

1 (1) All ordinary and necessary expenses incurred, as
2 provided in paragraph (1) of subdivision (a) of section
3 234;

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

6 (3) Taxes as provided in paragraph (3) of subdivision
7 (a) of section 234;

8 (4) Losses incurred;

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

12 (6) The amount received as dividends from corpora-
13 tions as provided in paragraph (6) of subdivision (a) of
14 section 234;

15 (7) The amount of interest earned during the taxable
16 year which under paragraph (4) of subdivision (b) of
17 section 213 is exempt from taxation under this title, and the
18 amount of interest allowed as a credit under section 236;

19 (8) A reasonable allowance for the exhaustion, wear
20 and tear of property, as provided in paragraph (7) of sub-
21 division (a) of section 234;

22 (9) In the case of such a domestic 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 246 shall not exceed the tax which would be payable
 2 if the \$2,000 credit were allowed, plus the amount of the
 3 net income in excess of \$25,000.

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

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

9 **PART IV.—ADMINISTRATIVE PROVISIONS.**

10 **RETURNS OF PAYMENTS OF DIVIDENDS.**

11 **SEC. 254.** Every corporation subject to the tax imposed
 12 by this title shall, when required by the Commissioner,
 13 render a correct return, duly verified under oath, of its pay-
 14 ments of dividends, stating the name and address of each
 15 shareholder, the number of shares owned by him, and the
 16 amount of dividends paid to him.

17 **RETURNS OF BROKERS.**

18 **SEC. 255.** Every person doing business as a broker
 19 shall, when required by the Commissioner, render a correct
 20 return duly verified under oath, under such rules and
 21 regulations as the Commissioner, with the approval of
 22 the Secretary, may prescribe, showing the names of cus-
 23 tomers for whom such person has transacted any business,
 24 with such details as to the profits, losses, or other informa-
 25 tion which the Commissioner may require, as to each of such

1 customers, as will enable the Commissioner to determine
2 whether all income tax due on profits or gains of such cus-
3 tomers has been paid.

4 INFORMATION AT SOURCE.

5 SEC. 256. All persons, in whatever capacity acting, in-
6 cluding lessees or mortgagors of real or personal property,
7 fiduciaries, and employers, making payment to another per-
8 son, of interest, rent, salaries, wages, premiums, an-
9 nuities, compensations, remunerations, emoluments, or
10 other fixed or determinable gains, profits, and in-
11 come (other than payments described in sections 254
12 and 255), of \$1,000 or more in any taxable year, or, in the
13 case of such payments made by the United States, the
14 officers or employees of the United States having informa-
15 tion as to such payments and required to make returns in
16 regard thereto by the regulations hereinafter provided for,
17 shall render a true and accurate return to the Commissioner,
18 under such regulations and in such form and manner and
19 to such extent as may be prescribed by him with the ap-
20 proval of the Secretary, setting forth the amount of such
21 gains, profits, and income, and the name and address of the
22 recipient of such payment.

23 Such returns may be required, regardless of amounts,
24 (1) in the case of payments of interest upon bonds, mort-
25 gages, deeds of trust, or other similar obligations of corpo-

1 rations, and (2) in the case of collections of items (not
 2 payable in the United States) of interest upon the bonds
 3 of foreign countries and interest upon the bonds of and divi-
 4 dends from foreign corporations by persons undertaking as a
 5 matter of business or for profit the collection of foreign pay-
 6 ments of such interest or dividends by means of ~~coupons~~
 7 ~~checks coupons, checks,~~ or bills of exchange.

8 When necessary to make effective the provisions of
 9 this section the name and address of the recipient of income
 10 shall be furnished upon demand of the person paying the
 11 income.

12 The provisions of this section shall not apply to the
 13 payment of interest on obligations of the United States.

14 RETURNS TO BE PUBLIC RECORDS.

15 SEC. 257. (a) Returns upon which the tax has been de-
 16 termined by the Commissioner shall constitute public
 17 records; ~~but they but, except as hereinafter provided in this~~
 18 ~~section, they shall be open to inspection only upon order of~~
 19 the President and under rules and regulations prescribed
 20 by the Secretary and approved by the President: *Provided,*
 21 That the Committee on Ways and Means of the House
 22 of Representatives; the Committee on Finance of the Senate;
 23 or a special committee of the Senate or House, shall have
 24 the right to call on the Secretary of the Treasury, and it
 25 shall be his duty to furnish any data of any character con-

1 tained in or shown by the returns or any of them; that may
2 be required by the committee; and any such committee shall
3 have the right, acting directly as a committee, or by and
4 through such examiners or agents as it may designate or
5 appoint, to inspect all or any of the returns at such times
6 and in such manner as it may determine; and any relevant or
7 useful information thus obtained may be submitted by the
8 committee obtaining it to the Senate or the House, or to
9 both the Senate and House, as the case may be: *Provided*
10 *farther; That the President.*

11 *(b) (1) The Secretary and any officer or employe of*
12 *the Treasury Department, upon request from the Committee*
13 *on Ways and Means of the House of Representatives, the*
14 *Committee on Finance of the Senate, or a standing or select*
15 *committee of the Senate or House specially authorized to*
16 *investigate returns by a resolution of the Senate or House,*
17 *or a joint committee so authorized by concurrent resolution,*
18 *shall furnish such committee sitting in executive session with*
19 *any data of any character contained in or shown by any*
20 *return.*

21 *(2) Any such committee shall have the right, acting*
22 *directly as a committee, or by or through such examiners or*
23 *agents as it may designate or appoint, to inspect any or all*
24 *of the returns at such times and in such manner as it may*
25 *determine.*

1 (3) Any relevant or useful information thus obtained
2 may be submitted by the committee obtaining it to the Senate
3 or the House, or to both the Senate and the House, as the
4 case may be:

5 (c) The proper officers of any State may, upon the
6 request of the governor thereof, have access to the
7 returns of any corporation, or to any abstract thereof
8 showing the name and income of the corporation, at
9 such times and in such manner as the Secretary
10 may prescribe: ~~Provided further, That all prescribe.~~

11 (d) All bona fide shareholders of record owning 1 per
12 centum or more of the outstanding stock of any corporation
13 shall, upon making request of the Commissioner, be allowed
14 to examine the annual income returns of such corporation
15 and of its subsidiaries. Any shareholder who pursuant to the
16 provisions of this section is allowed to examine the return of
17 any corporation, and who makes known in any manner what-
18 ever not provided by law the amount or source of income,
19 profits, losses, expenditures, or any particular thereof, set
20 forth or disclosed in any such return, shall be guilty of a mis-
21 demeanor and be punished by a fine not exceeding \$1,000
22 or by imprisonment not exceeding one year, or both.

23 ~~(b)~~ (e) The Commissioner shall as soon as practicable in
24 each year cause to be prepared and made available to public

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 name and the post-office ad-
6 dress of each person making an income-tax return in such
7 district, together with the amount of income tax paid by and
8 the amount of refunds made to each such person.

9

PUBLICATION OF STATISTICS.

10 SEC. 258. The Commissioner, with the approval of
11 the Secretary, shall prepare and publish annually statis-
12 tics reasonably available with respect to the operation of
13 the income, war-profits and excess-profits tax laws, including
14 classifications of taxpayers and of income, the amounts al-
15 lowed as deductions, exemptions, and credits, and any other
16 facts deemed pertinent and valuable.

17

COLLECTION OF FOREIGN ITEMS.

18 SEC. 259. All persons undertaking as a matter of busi-
19 ness or for profit the collection of foreign payments of interest
20 or dividends by means of coupons, checks, or bills of exchange
21 shall obtain a license from the Commissioner and shall be
22 subject to such regulations enabling the Government to ob-
23 tain the information required under this title as the Commis-
24 sioner, with the approval of the Secretary, shall prescribe;
25 and whoever knowingly undertakes to collect such pay-

1 ments without having obtained a license therefor, or without
2 complying with such regulations, shall be guilty of a mis-
3 demeanor and shall be fined not more than \$5,000, or im-
4 prisoned for not more than one year, or both.

5 CITIZENS OF POSSESSIONS OF THE UNITED STATES.

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

15 Nothing in this section shall be construed to alter or
16 amend the provisions of the Act entitled "An Act making
17 appropriations for the naval service for the fiscal year ending
18 June 30, 1922, and for other purposes," approved July 12,
19 1921, relating to the imposition of income taxes in the Virgin
20 Islands of the United States.

21 PORTO RICO AND THE PHILIPPINE ISLANDS.

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

1 The Porto Rican or the Philippine Legislature shall have
2 power by due enactment to amend, alter, modify, or repeal
3 the income tax laws in force in Porto Rico or the Philippine
4 Islands, respectively.

5 INCOME FROM SOURCES WITHIN THE POSSESSIONS OF THE
6 UNITED STATES.

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

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

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

23 (3) If, in the case of such citizen, 50 per centum or
24 more of his gross income (computed without the benefit of
25 this section) for such period or such part thereof was de-

1 rived from the active conduct of a trade or business within
2 a possession of the United States either on his own account
3 or as an employee or agent of another.

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

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

12 CHINA TRADE ACT CORPORATIONS.

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

1 the special dividend certified under subdivision (b) of this
2 section.

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

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

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

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

24 (c) For the purposes of this section shares of stock of
25 a corporation shall be considered to be owned by a person

1 in whom the equitable right to the income from such shares
2 is in good faith vested.

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

6 PART V.—PAYMENT, COLLECTION, AND REFUND OF TAX
7 AND PENALTIES.

8 DATE ON WHICH TAX SHALL BE PAID.

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

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

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

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

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

13 (c) (1) At the request of the taxpayer, the Commis-
14 sioner may extend the time for payment of the amount de-
15 termined as the tax by the taxpayer, or any installment
16 thereof, for a period not to exceed six months from the date
17 prescribed in subdivision (a) or (b) for the payment of the
18 tax or an installment thereof. In such case the amount in
19 respect of which the extension is granted shall be paid on
20 or before the date of the expiration of the period of the ex-
21 tension.

22 (2) If the time for payment is thus extended there
23 shall be collected, as a part of such amount, interest thereon
24 at the rate of ~~5 per centum~~ *6 per centum* per annum from the
25 date when such payment should have been made if no ex-

1 tension had been granted, until the expiration of the period of
2 the extension.

3 (d) The provisions of this section shall not apply to
4 the payment of a tax required to be withheld at the source
5 under section 221 or 237.

6 EXAMINATION OF RETURN AND DETERMINATION OF TAX.

7 SEC. 271. As soon as practicable after the return is
8 filed the Commissioner shall examine it and shall determine
9 the correct amount of the tax.

10 OVERPAYMENTS.

11 SEC. 272. If the taxpayer has paid as an installment
12 of the tax more than the amount determined to be the cor-
13 rect amount of such installment, the excess shall be credited
14 against the unpaid installments, if any. If the amount
15 already paid, whether or not on the basis of installments,
16 exceeds the amount determined to be the correct amount
17 of the tax, the excess shall be credited or refunded as pro-
18 vided in section 281.

19 DEFICIENCY IN TAX.

20 SEC. 273. As used in this title the term "deficiency"
21 means—

22 (1) The amount by which the tax imposed by this
23 title exceeds the amount shown as the tax by the taxpayer
24 upon his return; but the amount so shown on the return
25 shall first be increased by the amounts previously assessed

1 (or collected without assessment) as a deficiency, and de-
 2 creased by the amounts previously abated, credited, re-
 3 funded, or otherwise repaid in respect of such tax; or

4 (2) If no amount is shown as the tax by the taxpayer
 5 upon his return, or if no return is made by the taxpayer,
 6 then the amount by which the tax exceeds the amounts pre-
 7 viously assessed (or collected without assessment) as a defi-
 8 ciency; but such amounts previously assessed, or collected
 9 without assessment, shall first be decreased by the amounts
 10 previously abated, credited, refunded, or otherwise repaid in
 11 respect of such tax.

12 SEC. 274. (a) If, in the case of any taxpayer, the
 13 Commissioner determines that there is a deficiency in respect
 14 of the tax imposed by this title, the taxpayer, except as pro-
 15 vided in subdivision (d), shall be notified of such deficiency
 16 by registered mail *mail*, but such deficiency shall be assessed
 17 only as hereinafter provided. Within 60 days after such
 18 notice is mailed the taxpayer may file an appeal with the
 19 Board of Tax Appeals established by section ~~900~~ 1000.

20 (b) If the Board determines that there is a deficiency,
 21 the amount so determined shall be assessed and shall be paid
 22 upon notice and demand from the collector. A proceeding
 23 in court may be begun, without assessment, for any part of
 24 the excess of the amount determined as the deficiency by the
 25 Commissioner over the amount assessed, or for any part of

1 the amount determined by the Commissioner if the Board
2 determines that there is no deficiency. No part of the
3 amount determined as a deficiency by the Commissioner but
4 disallowed as such by the Board shall be assessed, but a pro-
5 ceeding in court may be begun, without assessment, for the
6 collection of any part of the amount so disallowed. The
7 court shall include in its judgment interest upon the amount
8 thereof at the rate of 6 per centum per annum from the date
9 prescribed for the payment of the tax to the date of the judg-
10 ment. Such proceeding shall be begun within one year after
11 the final decision of the Board, and may be begun within
12 such year even though the period of limitation prescribed
13 in section 277 has expired.

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

19 (d) If the Commissioner believes that the assessment or
20 collection of a deficiency will be jeopardized by delay such
21 deficiency shall be assessed immediately and notice and de-
22 mand shall be made by the collector for the payment thereof.
23 In such case the assessment may be made (1) without giving
24 the notice provided in subdivision (a) of this section, or
25 (2) before the expiration of the 60-day period provided in

1 subdivision (a) of this section even though such notice has
2 been given, or (3) at any time prior to the final decision by
3 the Board upon such deficiency even though the taxpayer has
4 filed an appeal. If the taxpayer does not file a claim in
5 abatement as provided in section 279 the deficiency so
6 assessed (or, if the claim so filed covers only a part of the
7 deficiency, then the amount not covered by the claim) shall
8 be paid upon notice and demand from the collector.

9 (e) If the taxpayer has elected to pay the tax in install-
10 ments and a deficiency has been assessed, the deficiency
11 shall be prorated to the four installments. Except as pro-
12 vided in subdivision (d) of this section, that part of the
13 deficiency so prorated to any installment the date for pay-
14 ment of which has not arrived, shall be collected at the same
15 time as and as part of such installment. That part of the
16 deficiency so prorated to any installment the date for pay-
17 ment of which has arrived, shall be paid upon notice and
18 demand from the collector.

19 (f) Interest upon the amount determined as a de-
20 ficiency, or, if the tax is paid in installments, upon the part
21 of the deficiency prorated to each installment, shall be assessed
22 at the same time as the deficiency, shall be paid upon notice
23 and demand from the collector, and shall be collected as a
24 part of the tax, at the rate of ~~5 per centum~~ 6 per centum per
25 annum from the date prescribed for the payment of the tax,

1 or the payment of such installment, to the date the deficiency
2 is assessed.

3 (g) Where it is shown to the satisfaction of the Com-
4 missioner that the payment of a deficiency upon the date
5 prescribed for the payment thereof will result in undue hard-
6 ship to the taxpayer the Commissioner, with the approval of
7 the Secretary (except where the deficiency is due to negli-
8 gence, to intentional disregard of rules and regulations, or to
9 fraud with intent to evade tax), may grant an extension for
10 the payment of such deficiency or any part thereof for a period
11 not in excess of eighteen months. If an extension is granted,
12 the Commissioner may require the taxpayer to furnish a bond
13 in such amount, not exceeding double the amount of the defi-
14 ciency, and with such sureties, as the Commissioner deems
15 necessary, conditioned upon the payment of the deficiency in
16 accordance with the terms of the extension. In such case
17 there shall be collected, as a part of the tax, interest on the
18 part of the deficiency the time for payment of which is so
19 extended, at the rate of ~~5 per centum~~ *6 per centum* per annum
20 for the period of the extension, and no other interest shall be
21 collected on such part of the deficiency for such period. If
22 the part of the deficiency the time for payment of which is so
23 extended is not paid in accordance with the terms of the ex-
24 tension, there shall be collected, as a part of the tax, interest
25 on such unpaid amount at the rate of 1 per centum a month

1 for the period from the time fixed by the terms of the ex-
2 tension for its payment until it is paid, and no other interest
3 shall be collected on such unpaid amount for such period.

4 ADDITIONS TO THE TAX IN CASE OF DEFICIENCY.

5 SEC. 275. (a) If any part of ~~the~~ *any* deficiency is due to
6 negligence, or intentional disregard of rules and regulations
7 but without intent to defraud, 5 per centum of the total
8 amount of the deficiency (in addition to such deficiency)
9 shall be assessed, collected, and paid in the same manner as
10 if it were a deficiency, except that the provisions of subdi-
11 visions (e) and (f) of section 274 shall not be applicable.

12 (b) If any part of ~~the~~ *any* deficiency is due to fraud with
13 intent to evade tax, then 50 per centum of the total amount
14 of the deficiency (in addition to such deficiency) shall be so
15 assessed, collected, and paid, in lieu of the 50 per centum
16 addition to the tax provided in section 3176 of the Revised
17 Statutes, as amended.

18 ADDITIONS TO THE TAX IN CASE OF DELINQUENCY.

19 SEC. 276. (a) (1) Where the amount determined by
20 the taxpayer as the tax imposed by this title, or any install-
21 ment thereof, or any part of such amount or installment, is
22 not paid at the time prescribed for its payment, there shall
23 be collected as a part of the tax, interest upon such unpaid
24 amount at the rate of 1 per centum a month from the date
25 prescribed for its payment until it is paid.

1 (2) Where an extension of time for payment of the
2 amount so determined as the tax by the taxpayer, or any in-
3 stallment thereof, has been granted, and the amount the time
4 for payment of which has been extended, and the interest
5 thereon determined under paragraph (2) of subdivision (c)
6 of section 270, is not paid in full prior to the expiration of
7 the period of the extension, then, in lieu of the interest pro-
8 vided for in paragraph (1) of this subdivision, interest at
9 the rate of 1 per centum a month shall be collected on such
10 unpaid amount from the date of the expiration of the period
11 of the extension until it is paid.

12 (b) Where a deficiency, or any interest or additional
13 amounts assessed in connection therewith under subdivision
14 (f) of section 274, or under section 275, or any addition to
15 the tax in case of delinquency provided for in section 3176
16 of the Revised Statutes, as amended, is not paid in full within
17 ten days from the date of notice and demand from the col-
18 lector, there shall be collected as part of the tax, interest upon
19 the unpaid amount at the rate of 1 per centum a month from
20 the date of such notice and demand until it is paid. *If any*
21 *part of a deficiency prorated to any unpaid installment*
22 *under subdivision (c) of section 274 is not paid in full on*
23 *the date prescribed for the payment of such installment, there*
24 *shall be collected as part of the tax interest upon the unpaid*
25 *amount at the rate of 1 per centum a month from such date*
26 *until it is paid.*

1 (c) In the case of estates of incompetent, deceased, or
2 insolvent persons, there shall be collected interest at the rate
3 of ~~5 per centum~~ *5 per centum* per annum in lieu of the
4 interest provided in subdivisions (a) and (b) of this section.

5 (d) If a claim in abatement is filed, as provided in sec-
6 tion 279, the provisions of subdivisions (b) and (c) of this
7 section shall not apply to the amount covered by the claim in
8 abatement.

9 PERIOD OF LIMITATION UPON ASSESSMENT AND COLLEC-
10 TION OF TAX.

11 SEC. 277. (a) Except as provided in section 278 and
12 in subdivision (b) of section 274 and in subdivision (b) of
13 section 279—

14 (1) The amount of income, excess-profits, and war-
15 profits taxes imposed by the Revenue Act of 1921, and by
16 such Act as amended, for the taxable year 1921 and succeed-
17 ing taxable years, and the amount of income taxes imposed
18 by this Act, shall be assessed within four years after the re-
19 turn was filed, and no proceeding in court for the collection
20 of such taxes shall be begun after the expiration of such
21 period.

22 (2) The amount of income, excess-profits, and war-
23 profits taxes imposed by the Act entitled "An Act to provide
24 revenue, equalize duties, and encourage the industries of the
25 United States, and for other purposes," approved August 5,

1 1909, the Act entitled "An Act to reduce tariff duties and to
2 provide revenue for the Government, and for other pur-
3 poses," approved October 3, 1913, the Revenue Act of 1916,
4 the Revenue Act of 1917, the Revenue Act of 1918, and by
5 any such Act as amended, shall be assessed within five years
6 after the return was filed, and no proceeding in court for the
7 collection of such taxes shall be begun after the expiration of
8 such period.

9 (3) In the case of income received during the lifetime
10 of a decedent, the tax shall be ~~assessed within~~ *assessed, and*
11 *any proceeding in court for the collection of such tax shall be*
12 *begun, within one year after written request therefor (filed*
13 *after the return is made)* by the executor, administrator, or
14 other fiduciary representing the estate of such decedent, but
15 not after the expiration of the period prescribed for the assess-
16 ment of the tax in paragraph (1) or (2) of this subdivision.

17 (b) The period within which an assessment is required
18 to be made by subdivision (a) of this section in respect of any
19 deficiency shall be extended (1) by 60 days if a notice of
20 such deficiency has been mailed to the taxpayer under sub-
21 division (a) of section 274 and no appeal has been filed with
22 the Board of Tax Appeals, or, (2) if an appeal has been
23 filed, then by the number of days between the date of the
24 mailing of such notice and the date of the final decision by
25 the Board.

1 SEC. 278. (a) In the case of a false or fraudulent
2 return with intent to evade tax or of a failure to file a return
3 the tax may be assessed at ~~assessed~~, and a proceeding in court
4 for the collection of such tax may be begun without assess-
5 ment, at any time.

6 (b) Any deficiency attributable to a change in a deduc-
7 tion tentatively allowed under paragraph (9) of subdivision
8 (a) of section 214, or paragraph (8) of subdivision (a)
9 of section 234, of the Revenue Act of 1918 or the Revenue
10 Act of 1921, may be assessed at ~~assessed~~, and a proceeding
11 in court for the collection of such tax may be begun without
12 assessment, at any time.

13 (c) Where both the Commissioner and the taxpayer
14 have consented in writing to the assessment of the tax after
15 the time prescribed in section 277 for its assessment the tax
16 may be assessed at any time prior to the expiration of the
17 period agreed upon.

18 (d) Where the assessment of the tax is made within
19 the period prescribed in section 277 or in this section, such
20 tax may be collected at any time by distraint or by a pro-
21 ceeding in court, but nothing in this section shall be con-
22 strued as preventing the beginning, without assessment, of
23 a proceeding in court for the collection of the tax before the
24 expiration of such period.

1 (d) Where the assessment of the tax is made within the
2 period prescribed in section 277 or in this section, such tax
3 may be collected by distraint or by a proceeding in court,
4 begun within six years after the assessment of the tax. Noth-
5 ing in this Act shall be construed as preventing the beginning,
6 without assessment, of a proceeding in court for the collec-
7 tion of the tax at any time before the expiration of the period
8 within which an assessment may be made.

9 (e) This section shall not ~~(1)~~ authorize the assess-
10 ment of a tax or the beginning of a proceeding in court for
11 the collection of a tax if at the time of the enactment of this
12 Act such assessment or proceeding was barred by the period
13 of limitation then in existence, or ~~(2)~~ affect any assessment
14 made, or proceeding in court begun, before the enactment
15 of this Act.

16 (e) This section shall not (1) authorize the assessment
17 of a tax or the collection thereof by distraint or by a pro-
18 ceeding in court if at the time of the enactment of this Act
19 such assessment, distraint, or proceeding was barred by the
20 period of limitation then in existence, or (2) affect any assess-
21 ment made, or distraint or proceeding in court begun, before
22 the enactment of this Act.

23 CLAIMS IN ABATEMENT.

24 SEC. 279. (a) If a deficiency has been assessed under
25 subdivision (d) of section 274, the taxpayer, within 10

1 days after notice and demand from the collector for the
2 payment thereof, may file with the collector a claim for the
3 abatement of such deficiency, or any part thereof, or of any
4 interest or additional amounts assessed in connection there-
5 with, or of any part of any such interest or additional
6 amounts. Such claim shall be accompanied by a bond, in
7 such amount, not exceeding double the amount of the claim,
8 and with such sureties, as the collector deems necessary, con-
9 ditioned upon the payment of so much of the amount of the
10 claim as is not abated, together with interest thereon as pro-
11 vided in subdivision (c) of this section. Upon the filing of
12 such claim and bond, the collection of so much of the amount
13 assessed as is covered by such claim and bond shall be stayed
14 pending the final disposition of the claim.

15 (b) If a claim is filed as provided in subdivision (a)
16 of this section the collector shall transmit the claim immedi-
17 ately to the Commissioner who shall by registered mail
18 notify the taxpayer of his decision on the claim. The tax-
19 payer may within 60 days after such notice is mailed
20 file an appeal with the Board of Tax Appeals. If the claim
21 is denied in whole or in part by the Commissioner (or by the
22 Board in case an appeal has been filed) the amount, the claim
23 for which is denied, shall be collected as part of the tax upon
24 notice and demand from the collector, and the amount, the
25 claim for which is allowed, shall be abated. A proceeding

1 in court may be begun for any part of the amount, claim for
2 which is allowed by the Board. Such proceeding shall be
3 begun within one year after the final decision of the Board,
4 and may be begun within such year even though the period
5 of limitation prescribed in section 277 has expired.

6 (c) If the claim in abatement is denied in whole or in
7 part, there shall be collected, at the same time as the part
8 of the claim denied, and as a part of the tax, interest at the
9 rate of ~~5 per centum~~ *6 per centum* per annum upon the amount
10 of the claim denied, from the date of notice and demand from
11 the collector under subdivision (d) of section 274 to the date
12 of the notice and demand under subdivision (b) of this section.
13 If the amount included in the notice and demand from the col-
14 lector under subdivision (b) of this section is not paid in full
15 within 10 days after such notice and demand, then there
16 shall be collected, as part of the tax, interest upon the unpaid
17 amount at the rate of 1 per centum a month (or, in the case
18 of estates of incompetent, deceased, or insolvent persons, at
19 the rate of ~~5 per centum~~ *6 per centum* per annum) from the
20 date of such notice and demand until it is paid.

21 (d) Except as provided in this section, no claim in
22 abatement shall be filed in respect of any assessment made
23 after the enactment of this Act in respect of any income,
24 war-profits, or excess-profits tax.

TAXES UNDER PRIOR ACTS.

1
2 **SEC. 280.** If after the enactment of this Act the Com-
3 missioner determines that any assessment should be made
4 in respect of any income, war-profits, or excess-profits tax
5 imposed by the Revenue Act of 1916, the Revenue Act of
6 1917, the Revenue Act of 1918, or the Revenue Act of
7 1921, or by any such Act as amended, the amount which
8 should be assessed (whether as deficiency or as interest,
9 penalty, or other addition to the tax) shall be computed
10 as if this Act had not been enacted, but the amount so
11 computed shall be assessed, collected, and paid in the
12 same manner and subject to the same provisions and limi-
13 tations (including the provisions in case of delinquency
14 in payment after notice and demand) as in the case of the
15 taxes imposed by this title, *except as otherwise provided*
16 *in section 277.*

CREDITS AND REFUNDS.

17
18 **SEC. 281. (a)** Where there has been an overpay-
19 ment of any income, war-profits, or excess-profits tax im-
20 posed by this Act, the Act entitled "An Act to provide
21 revenue, equalize duties, and encourage the industries of
22 the United States, and for other purposes," approved
23 August 5, 1909, the Act entitled "An Act to reduce tariff
24 duties and to provide revenue for the Government, and for
25 other purposes," approved October 3, 1913, the Revenue

1 Act of 1916, the Revenue Act of 1917, the Revenue Act
2 of 1918, or the Revenue Act of 1921, or any such Act as
3 amended, the amount of such overpayment shall be credited
4 against any income, war-profits, or excess-profits tax or in-
5 stallment thereof then due from the taxpayer ~~under any~~
6 ~~other return~~, and any balance of such excess shall be re-
7 funded immediately to the taxpayer.

8 (b) Except as provided in subdivisions (c) and (d) no
9 such credit or refund shall be allowed or made after four years
10 from the time the tax was paid, unless before the expiration
11 of such four years a claim therefor is filed by the taxpayer.

12 (b) Except as provided in subdivisions (c) and
13 (e) of this section, (1) no such credit or refund shall be
14 allowed or made after four years from the time the tax was
15 paid, unless before the expiration of such four years a claim
16 therefor is filed by the taxpayer, nor (2) shall the amount of
17 the credit or refund exceed the portion of the tax paid during
18 the four years immediately preceding the filing of the claim.

19 (c) If the invested capital of a taxpayer is decreased
20 by the Commissioner, and such decrease is due to the fact
21 that the taxpayer failed to take adequate deductions in
22 previous years, with the result that there has been an over-
23 payment of income, war-profits, or excess-profits taxes in
24 any previous year or years, then the amount of such over-
25 payment shall be credited or refunded, without the filing

1 of a claim therefor, notwithstanding the period of limita-
2 tion provided for in subdivision (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)~~ (d) Where there has been an overpayment of tax
13 under section 221 or 237 any refund or credit made under
14 the provisions of this section shall be made to the with-
15 holding agent unless the amount of such tax was actually
16 withheld by the withholding agent.

17 *(e) If the taxpayer has, within five years from the*
18 *time the return for the taxable year 1917 was due, filed a*
19 *waiver of his right to have the taxes due for such taxable*
20 *year determined and assessed within five years after the*
21 *return was filed, or if he has, on or before June 15, 1924,*
22 *filed such a waiver in respect of the taxes due for the taxable*
23 *year 1918, then such credit or refund relating to the taxes*
24 *for the year in respect of which the waiver was filed shall*
25 *be allowed or made if claim therefor is filed either on or*

1 *before April 1, 1925. or within four years from the time*
2 *the tax was paid.*

3 (f) This section shall not (1) bar from allowance a
4 claim for credit or refund filed prior to the enactment of this
5 Act which but for such enactment would have been allowable,
6 or (2) bar from allowance a claim in respect of a tax for
7 the taxable year 1919 *or* 1920 if such claim is filed before
8 the expiration of five years after the date the return was due.

9 **CLOSING BY COMMISSIONER OF TAXABLE YEAR.**

10 **SEC. 282. (a)** If the Commissioner finds that a tax-
11 payer designs quickly to depart from the United States
12 or to remove his property therefrom, or to conceal himself
13 or his property therein, or to do any other act tending to
14 prejudice or to render wholly or partly ineffectual proceed-
15 ings to collect the tax for the taxable year then last past or
16 the taxable year then current unless such proceedings be
17 brought without delay, the Commissioner shall declare the
18 taxable period for such taxpayer immediately terminated
19 and shall cause notice of such finding and declaration to be
20 given the taxpayer, together with a demand for immediate
21 payment of the tax for the taxable period so declared termi-
22 nated and of the tax for the preceding taxable year or so much
23 of such tax as is unpaid, whether or not the time otherwise
24 allowed by law for filing return and paying the tax has ex-
25 pired; and such taxes shall thereupon become immediately

1 due and payable. In any proceeding in court brought to
2 enforce payment of taxes made due and payable by virtue
3 of the provisions of this section the finding of the Com-
4 missioner, made as herein provided, whether made after
5 notice to the taxpayer or not, shall be for all purposes pre-
6 sumptive evidence of the taxpayer's design.

7 (b) A taxpayer who is not in default in making any
8 return or paying income, war-profits, or excess-profits tax
9 under any Act of Congress may furnish to the United States,
10 under regulations to be prescribed by the Commissioner, with
11 the approval of the Secretary, security approved by the
12 Commissioner that he will duly make the return next there-
13 after required to be filed and pay the tax next thereafter
14 required to be paid. The Commissioner may approve and
15 accept in like manner security for return and payment of
16 taxes made due and payable by virtue of the provisions of
17 this section, provided the taxpayer has paid in full all other
18 income, war-profits, or excess-profits taxes due from him
19 under any Act of Congress.

20 (c) If security is approved and accepted pursuant to
21 the provisions of this section and such further or other
22 security with respect to the tax or taxes covered thereby
23 is given as the Commissioner shall from time to time find
24 necessary and require, payment of such taxes shall not be
25 enforced by any proceedings under the provisions of this

1 section prior to the expiration of the time otherwise allowed
2 for paying such respective taxes.

3 (d) In the case of a citizen of the United States about
4 to depart from the United States the Commissioner may, at
5 his discretion, waive any or all of the requirements placed
6 on the taxpayer by this section.

7 (e) No alien shall depart from the United States unless
8 he first procures from the collector or agent in charge a
9 certificate that he has complied with all the obligations im-
10 posed upon him by the income, war-profits, and excess-
11 profits tax laws.

12 (f) If a taxpayer violates or attempts to violate this
13 section there shall, in addition to all other penalties, be
14 added as part of the tax 25 per centum of the total amount
15 of the tax or deficiency in the tax, together with interest at
16 the rate of 1 per centum a month from the time the tax
17 became due.

18 EFFECTIVE DATE OF TITLE.

19 SEC. 283. This title shall take effect as of January 1,
20 1924.

21 TITLE III.—ESTATE TAX.

22 SEC. 300. 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-
25 trator, administrator appointed, qualified, and acting within

1 *the United States, then any person in actual or constructive*
2 *possession of any property of the decedent;*

3 The term "net estate" means the net estate as deter-
4 mined under the provisions of section 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. 301. ~~(a)~~ In lieu of the tax imposed by Title IV
16 of the Revenue Act of 1921, a tax equal to the sum of the
17 following percentages of the value of the net estate (deter-
18 mined as provided in section 303) is hereby imposed upon
19 the transfer of the net estate of every decedent dying after
20 the enactment of this Act, whether a resident or nonresident
21 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 \$100,000;

1 3 per centum of the amount by which the net estate
2 exceeds \$100,000 and does not exceed \$150,000;

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

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

7 9 per centum of the amount by which the net estate
8 exceeds \$450,000 and does not exceed \$750,000;

9 12 per centum of the amount by which the net estate
10 exceeds \$750,000 and does not exceed \$1,000,000;

11 15 per centum of the amount by which the net estate
12 exceeds \$1,000,000 and does not exceed \$1,500,000;

13 18 per centum of the amount by which the net estate
14 exceeds \$1,500,000 and does not exceed \$2,000,000;

15 21 per centum of the amount by which the net estate
16 exceeds \$2,000,000 and does not exceed \$3,000,000;

17 24 per centum of the amount by which the net estate
18 exceeds \$3,000,000 and does not exceed \$4,000,000;

19 27 per centum of the amount by which the net estate
20 exceeds \$4,000,000 and does not exceed \$5,000,000;

21 30 per centum of the amount by which the net estate
22 exceeds \$5,000,000 and does not exceed \$8,000,000;

23 35 per centum of the amount by which the net estate
24 exceeds \$8,000,000 and does not exceed \$10,000,000;

1 40 per centum of the amount by which the net estate
2 exceeds \$10,000,000.

3 1 per centum of the amount of the net estate not in
4 excess of \$50,000;

5 2 per centum of the amount by which the net estate ex-
6 ceeds \$50,000 and does not exceed \$150,000;

7 3 per centum of the amount by which the net estate ex-
8 ceeds \$150,000 and does not exceed \$250,000;

9 4 per centum of the amount by which the net estate ex-
10 ceeds \$250,000 and does not exceed \$450,000;

11 6 per centum of the amount by which the net estate ex-
12 ceeds \$450,000 and does not exceed \$750,000;

13 8 per centum of the amount by which the net estate
14 exceeds \$750,000 and does not exceed \$1,000,000;

15 10 per centum of the amount by which the net estate ex-
16 ceeds \$1,000,000 and does not exceed \$1,500,000;

17 12 per centum of the amount by which the net estate
18 exceeds \$1,500,000 and does not exceed \$2,000,000;

19 14 per centum of the amount by which the net estate ex-
20 ceeds \$2,000,000 and does not exceed \$3,000,000;

21 16 per centum of the amount by which the net estate ex-
22 ceeds \$3,000,000 and does not exceed \$4,000,000;

23 18 per centum of the amount by which the net estate ex-
24 ceeds \$4,000,000 and does not exceed \$5,000,000;

1 20 per centum of the amount by which the net estate ex-
2 ceeds \$5,000,000 and does not exceed \$8,000,000;

3 22 per centum of the amount by which the net estate ex-
4 ceeds \$8,000,000 and does not exceed \$10,000,000; and

5 25 per centum of the amount by which the net estate ex-
6 ceeds \$10,000,000.

7 (b) The tax imposed by this section shall be credited
8 with the amount of any estate, inheritance, legacy, or suc-
9 cession taxes actually paid to any State or Territory or the
10 District of Columbia, in respect of any property included in
11 the gross estate. The credit allowed by this subdivision
12 shall not exceed 25 per centum of the tax imposed by this
13 section.

14 SEC. 302. The value of the gross estate of the decedent
15 shall be determined by including the value at the time of
16 his death of all property, real or personal, tangible or in-
17 tangible, wherever situated—

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

23 (b) To the extent of any interest therein of the sur-
24 viving spouse, existing at the time of the decedent's death

1 as dower, curtesy, or by virtue of a statute creating an estate
2 in lieu of dower or curtesy;

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

14 (d) To the extent of any interest therein of which the
15 decedent has at any time made a transfer, or with respect to
16 which he has at any time created a trust, where the enjoy-
17 ment thereof was subject at the date of his death to any
18 change through the exercise of a power, either by the
19 decedent alone or in conjunction with any person, to alter,
20 amend, or revoke, or where the decedent relinquished any
21 such power in contemplation of his death, except in case of a
22 bona fide sale for a fair consideration in money or money's
23 worth;

24 (e) To the extent of the interest therein held jointly or
25 as tenants in the entirety by the decedent and any other per-

1 ~~son~~ as joint tenants by the decedent and any other person, or
2 as tenants by the entirety by the decedent and spouse,
3 or deposited, with any person carrying on the banking
4 business, in their joint names and payable to either or the sur-
5 vivor, except such part thereof as may be shown to have orig-
6 inally belonged to such other person and never to have been
7 received or acquired by the latter from the decedent for less
8 than a fair consideration in money or money's worth: *Pro-*
9 *vided*, That where such property or any part thereof, or part
10 of the consideration with which such property was acquired,
11 is shown to have been at any time acquired by such other
12 person from the decedent for less than a fair consideration
13 in money or money's worth, there shall be excepted only
14 such part of the value of such property as is proportionate
15 to the consideration furnished by such other person: *Pro-*
16 *vided further*, That where any property has been acquired
17 by gift, bequest, devise, or inheritance, as a tenancy
18 ~~in the entirety~~ by the decedent and spouse, or where so ac-
19 ~~quired by the decedent and any other person as joint tenants~~
20 and their interests are not otherwise specified or fixed by
21 ~~law, then to the extent of one-half of the value thereof by~~
22 ~~the entirety by the decedent and spouse, then to the extent~~
23 ~~of one-half of the value thereof, or, where so acquired by~~
24 ~~the decedent and any other person as joint tenants and their~~

1 *interests are not otherwise specified or fixed by law, then to*
2 *the extent of the value of a fractional part to be determined*
3 *by dividing the value of the property by the number of joint*
4 *tenants;*

5 (f) To the extent of any property passing under a
6 general power of appointment exercised by the decedent (1)
7 by will, or (2) by deed executed in contemplation of, or
8 intended to take effect in possession or enjoyment at or after,
9 his death, except in case of a bona fide sale for a fair consid-
10 eration in money or money's worth; and

11 (g) To the extent of the amount receivable by the
12 executor as insurance under policies taken out by the de-
13 cedent upon his own life; and to the extent of the excess over
14 \$40,000 of the amount receivable by all other beneficiaries
15 as insurance under policies taken out by the decedent upon
16 his own life.

17 (h) Subdivisions (b), (c), (d), (e), (f), and (g)
18 of this section shall apply to the transfers, trusts, estates,
19 interests, ~~right~~ rights, powers, and relinquishment of powers,
20 as severally enumerated and described therein, whether made
21 created, arising, existing, exercised, or relinquished before
22 or after the enactment of this Act.

23 SEC. 303. For the purpose of the tax the value of the
24 net estate shall be determined—

1 (a) In the case of a resident, by deducting from the
2 value of the gross estate—

3 (1) Such amounts for funeral expenses, administration
4 expenses, claims against the estate, unpaid mortgages upon,
5 or any indebtedness in respect to, property (except, in the
6 case of a resident decedent, where such property is not sit-
7 uated in the United States), to the extent that such claims,
8 mortgages, or indebtedness were incurred or contracted bona
9 fide and for a fair consideration in money or money's worth,
10 losses incurred during the settlement of the estate arising from
11 fires, storms, shipwreck, or other casualty, or from theft,
12 when such losses are not compensated for by insurance or
13 otherwise, and such amounts reasonably required and actually
14 expended for the support during the settlement of the estate
15 of those dependent upon the decedent, as are allowed by
16 the laws of the jurisdiction, whether within or without the
17 United States, under which the estate is being administered,
18 but not including any income taxes upon income received
19 after the death of the decedent, or any estate, succession,
20 legacy, or inheritance taxes;

21 (2) An amount equal to the value of any property
22 forming a part of the gross estate situated in the United
23 States of any person who died within five years prior to the
24 death of the decedent where such property can be identified
25 as having been received by the decedent from such prior

1 decedent by gift, bequest, devise, or inheritance, or which
2 can be identified as having been acquired in exchange for
3 property so received: *Provided*, That this deduction shall
4 be allowed only where an estate tax under this or any prior
5 Act of Congress was paid by or on behalf of the estate
6 of such prior decedent, and only in the amount of the value
7 placed by the Commissioner on such property in determin-
8 ing the value of the gross estate of such prior decedent, and
9 only to the extent that the value of such property is in-
10 cluded in the decedent's gross estate and not deducted under
11 paragraph (1) or (3) of subdivision (a) of this section;

12 (3) The amount of all bequests, legacies, devises, or
13 transfers, except bona fide sales for a fair consideration in
14 money or money's worth, in contemplation of or intended
15 to take effect in possession or enjoyment at or after the
16 decedent's death, to or for the use of the United States, any
17 State, Territory, any political subdivision thereof, or the
18 District of Columbia, for exclusively public purposes, or to
19 or for the use of any corporation organized and operated
20 exclusively for religious, charitable, scientific, literary, or
21 educational purposes, including the encouragement of art
22 and the prevention of cruelty to children or animals, no part
23 of the net earnings of which inures to the benefit of any
24 private stockholder or individual, or to a trustee or trustees
25 exclusively for such religious, charitable, scientific, literary,

1 or educational purposes; and trustees, or a fraternal society,
2 order, or association operating under the lodge system, but
3 only if such contributions or gifts are to be used by such
4 trustee or trustees, or by such fraternal society, order, or
5 association, exclusively for religious, charitable, scientific,
6 literary, or educational purposes, or for the prevention of
7 cruelty to children or animals. If the tax imposed by section
8 301, or any estate, succession, legacy, or inheritance taxes,
9 are, either by the terms of the will, by the law of the jurisdic-
10 tion under which the estate is administered, or by the law of
11 the jurisdiction imposing the particular tax, payable in whole
12 or in part out of the bequests, legacies, or devises otherwise
13 deductible under this paragraph, then the amount deductible
14 under this paragraph shall be the amount of such bequests,
15 legacies, or devises reduced by the amount of such taxes; and

16 (4) An exemption of \$50,000.

17 (b) In the case of a nonresident, by deducting from the
18 value of that part of his gross estate which at the time of his
19 death is situated in the United States—

20 (1) That proportion of the deductions specified in para-
21 graph (1) of subdivision (a) of this section which the value
22 of such part bears to the value of his entire gross estate,
23 wherever situated, but in no case shall the amount so de-
24 ducted exceed 10 per centum of the value of that part of his

1 gross estate which at the time of his death is situated in the
2 United States;

3 (2) An amount equal to the value of any property
4 forming a part of the gross estate situated in the United States
5 of any person who died within five years prior to the death
6 of the decedent where such property can be identified as hav-
7 ing been received by the decedent from such prior decedent
8 by gift, bequest, devise, or inheritance, or which can be
9 identified as having been acquired in exchange for prop-
10 erty so received: *Provided*, That this deduction shall be
11 allowed only where an estate tax under this or any prior
12 Act of Congress was paid by or on behalf of the estate of
13 such prior decedent, and only in the amount of the value
14 placed by the Commissioner on such property in determin-
15 ing the value of the gross estate of such prior decedent, and
16 only to the extent that the value of such property is in-
17 cluded in that part of the decedent's gross estate which at
18 the time of his death is situated in the United States and
19 not deducted under paragraphs (1) or (3) of subdivision
20 (b) of this section; and

21 (3) The amount of all bequests, legacies, devises, or
22 transfers, except bona fide sales for a fair consideration, in
23 money or money's worth, in contemplation of or intended to
24 take effect in possession or enjoyment at or after the de-
25 cedent's death, to or for the use of the United States, any

1 State, Territory, any political subdivision thereof, or the
2 District of Columbia, for exclusively public purposes, or to
3 or for the use of any domestic corporation organized and
4 operated exclusively for religious, charitable, scientific, lit-
5 erary, or educational purposes, including the encouragement
6 of art and the prevention of cruelty to children or animals,
7 no part of the net earnings of which inures to the benefit of
8 any private stockholder or individual, or to a trustee or
9 ~~trustees exclusively for such religious, charitable, scientific,~~
10 ~~literary, or educational purposes within the United States~~
11 *trustees, or a fraternal society, order, or association operating*
12 *under the lodge system, but only if such contributions or gifts*
13 *are to be used within the United States by such trustee or*
14 *trustees, or by such fraternal society, order, or association,*
15 *exclusively for religious, charitable, scientific, literary, or*
16 *educational purposes, or for the prevention of cruelty to*
17 *children or animals. If the tax imposed by section 301, or*
18 *any estate, succession, legacy or inheritance taxes, are, either*
19 *by the terms of the will, by the law of the jurisdiction under*
20 *which the estate is administered, or by the law of the juris-*
21 *isdiction imposing the particular tax, payable in whole or in*
22 *part out of the bequests, legacies, or devises otherwise deducti-*
23 *ble under this paragraph, then the amount deductible under*
24 *this paragraph shall be the amount of such bequests, legacies,*
25 *or devises reduced by the amount of such taxes.*

1 (c) No deduction shall be allowed in the case of a non-
2 resident unless the executor includes in the return required to
3 be filed under section 304 the value at the time of his
4 death of that part of the gross estate of the nonresident
5 not situated in the United States.

6 (d) For the purpose of this title, stock in a domestic cor-
7 poration owned and held by a nonresident decedent shall be
8 deemed property within the United States, and any property
9 of which the decedent has made a transfer or with respect to
10 which he has created a trust, within the meaning of subdivi-
11 sion (c) or (d) of section 302, shall be deemed to be situated
12 in the United States, if so situated either at the time of
13 the transfer or the creation of the trust, or at the time
14 of the decedent's death.

15 (e) The amount receivable as insurance upon the life of
16 a nonresident decedent, and any moneys deposited with any
17 person carrying on the banking business, by or for a non-
18 resident decedent who was not engaged in business in the
19 United States at the time of his death, shall not, for the
20 purpose of this title, be deemed property within the United
21 States.

22 (f) Missionaries duly commissioned and serving under
23 boards of foreign missions of the various religious denomina-
24 tions in the United States, dying while in the foreign mis-
25 sionary service of such boards, shall not, by reason merely

1 of their intention to permanently remain in such foreign
2 service, be deemed nonresidents of the United States, but
3 shall be presumed to be residents of the State, the District of
4 Columbia, or the Territories of Alaska or Hawaii wherein
5 they respectively resided at the time of their commission
6 and their departure for such foreign service.

7 SEC. 304. (a) The executor, within two months after
8 the decedent's death, or within a like period after qualifying
9 as such, shall give written notice hereof to the collector.
10 The executor shall also, at such times and in such manner
11 as may be required by regulations made pursuant to law,
12 file with the collector a return under oath in duplicate,
13 setting forth (1) the value of the gross estate of the decedent
14 at the time of his death, or, in case of a nonresident, of that
15 part of his gross estate situated in the United States; (2) the
16 deductions allowed under section 303; (3) the value of the
17 net estate of the decedent as defined in section 303; and (4)
18 the tax paid or payable thereon; or such part of such infor-
19 mation as may at the time be ascertainable and such supple-
20 mental data as may be necessary to establish the correct tax.

21 (b) Return shall be made in all cases where the gross
22 estate at the death of the decedent exceeds \$50,000, and
23 in the case of the estate of every nonresident any part of
24 whose gross estate is situated in the United States. If the
25 executor is unable to make a complete return as to any part

1 of the gross estate of the decedent, he shall include in his
2 return a description of such part and the name of every
3 person holding a legal or beneficial interest therein, and
4 upon notice from the collector such person shall in like man-
5 ner make a return as to such part of the gross estate.

6 Sec. 305. (a) The tax imposed by this title shall be
7 due and payable one year after the decedent's death, and
8 shall be paid by the executor to the collector.

9 (b) Where the Commissioner finds that the payment
10 on the due date of any part of the amount determined by the
11 executor as the tax would impose undue hardship upon the
12 estate, the Commissioner may extend the time for payment of
13 any such part not to exceed five years from the due date.
14 In such case the amount in respect of which the extension is
15 granted shall be paid on or before the date of the expiration
16 of the period of the extension.

17 (c) If the time for the payment is thus extended there
18 shall be collected, as a part of such amount, interest thereon
19 at the rate of ~~5 per centum~~ 6 per centum per annum from
20 the expiration of six months after the due date of the tax to
21 the expiration of the period of the extension.

22 (d) *The time for which the Commissioner may extend*
23 *the time for payment of the estate tax imposed by Title IV*
24 *of the Revenue Act of 1921 is hereby increased from three*
25 *years to five years.*

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. 307. As used in this title the term "deficiency"
5 means—

6 (1) The amount by which the tax imposed by this title
7 exceeds the amount shown as the tax by the executor upon
8 his return; but the amount so shown on the return shall first
9 be increased by the amounts previously assessed (or collected
10 without assessment) as a deficiency, and decreased by the
11 amounts previously abated, refunded or otherwise repaid
12 in respect of such tax; or

13 (2) If no amount is shown as the tax by the executor
14 upon his return, or if no return is made by the executor, then
15 the amount by which the tax exceeds the amounts previously
16 assessed (or collected without assessment) as a deficiency;
17 but such amounts previously assessed, or collected without as-
18 sessment, shall first be decreased by the amounts previously
19 abated, refunded, or otherwise repaid in respect of such tax.

20 SEC. 308. (a) If the Commissioner determines that
21 there is a deficiency in respect of the tax imposed by this title,
22 the executor, except as provided in subdivision (d), shall be
23 notified of such deficiency by registered ~~mail~~ mail, but such
24 deficiency shall be assessed only as hereinafter provided.
25 Within 60 days after such notice is mailed the executor may

1 file an appeal with the Board of Tax Appeals established by
2 section 900 1000.

3 (b) If the Board determines that there is a deficiency,
4 the amount so determined shall be assessed and shall be paid
5 upon notice and demand from the collector. A proceed-
6 ing in court may be begun, without assessment, for any part
7 of the excess of the amount determined as the deficiency
8 by the Commissioner over the amount assessed, or for
9 any part of the amount determined by the Commissioner
10 if the Board determines that there is no deficiency
11 *No part of the amount determined as a deficiency by the*
12 *Commissioner but disallowed as such by the Board shall be*
13 *assessed, but a proceeding in court may be begun, without*
14 *assessment, for the collection of any part of the amount*
15 *so disallowed. The court shall include in its judgment*
16 *interest upon the amount thereof at the rate of 6 per centum*
17 *per annum from the date prescribed for the payment of the*
18 *tax to the date of the judgment. Such proceeding shall be*
19 *begun within one year after the final decision of the Board,*
20 *and may be begun within such year even though the period*
21 *of limitation prescribed in section 310 has expired.*

22 (c) If the executor does not file an appeal with the
23 Board within the time prescribed in subdivision (a) of this
24 section, the deficiency of which the executor has been notified

1 shall be assessed, and shall be paid upon notice and demand
2 from the collector.

3 (d) If the Commissioner believes that the assessment or
4 collection of a deficiency will be jeopardized by delay, such
5 deficiency shall be assessed immediately and notice and de-
6 mand shall be made by the collector for the payment thereof.
7 In such case the assessment may be made (1) without giving
8 the notice provided in subdivision (a) of this section, or
9 (2) before the expiration of the 60-day period provided in
10 subdivision (a) of this section even though such notice has
11 been given, or (3) at any time prior to the final decision by
12 the Board upon such deficiency even though the executor has
13 filed an appeal. If the executor does not file a claim in abate-
14 ment as provided in section 312, the deficiency so assessed
15 (or, if the claim so filed covers only a part of the deficiency,
16 then the amount not covered by the claim) shall be paid upon
17 notice and demand from the collector.

18 (e) Interest upon the amount determined as a defi-
19 ciency shall be assessed at the same time as the deficiency,
20 shall be paid upon notice and demand from the collector,
21 and shall be collected as a part of the tax, at the rate of
22 ~~5 per centum~~ 6 per centum per annum from the due date
23 of the tax to the date the deficiency is assessed.

24 (f) Where it is shown to the satisfaction of the Com-
25 missioner that the payment of a deficiency upon the date

1 prescribed for the payment thereof will result in undue hard-
2 ship to the estate, the Commissioner with the approval of
3 the Secretary (except where the deficiency is due to negli-
4 gence, to intentional disregard of rules and regulations, or
5 to fraud with intent to evade tax) may grant an extension
6 for the payment of such deficiency or any part thereof for
7 a period not in excess of two years. If an extension is
8 granted, the Commissioner may require the executor to fur-
9 nish a bond in such amount, not exceeding double the
10 amount of the deficiency, and with such sureties, as the
11 Commissioner deems necessary, conditioned upon the pay-
12 ment of the deficiency in accordance with the terms of the
13 extension. In such case there shall be collected, as a part
14 of the tax, interest on the part of the deficiency the time for
15 payment of which is so extended, at the rate of ~~5 per centum~~
16 *6 per centum* per annum for the period of the extension, and
17 no other interest shall be collected on such part of the de-
18 ficiency for such period. If the part of the deficiency the
19 time for payment of which is so extended is not paid in
20 accordance with the terms of the extension, there shall be
21 collected, as a part of the tax, interest on such unpaid amount
22 at the rate of 1 per centum a month for the period from the
23 time fixed by the terms of the extension for its payment until
24 it is paid, and no other interest shall be collected on such
25 unpaid amount for such period.

1 (g) The 50 per centum addition to the tax provided
2 by section 3176 of the Revised Statutes, as amended, shall,
3 when assessed after the enactment of this Act in connection
4 with an estate tax, be assessed, collected, and paid in the
5 same manner as if it were a deficiency, except that the pro-
6 visions of subdivision (e) of this section shall not be ap-
7 plicable.

8 SEC. 309. (a) (1) Where the amount determined by
9 the executor as the tax imposed by this title, or any part of
10 such amount, is not paid on the due date of the tax, there shall
11 be collected as a part of the tax, interest upon such unpaid
12 amount at the rate of 1 per centum a month from the due
13 date until it is paid.

14 (2) Where an extension of time for payment of the
15 amount so determined as the tax by the executor has been
16 granted, and the amount the time for payment of which has
17 been extended, and the interest thereon determined under
18 subdivision (c) of section 305, is not paid in full prior to
19 the expiration of the period of the extension, then, in lieu of
20 the interest provided for in paragraph (1) of this subdivi-
21 sion, interest at the rate of 1 per centum a month shall be
22 collected on such unpaid amount from the date of the ex-
23 piration of the period of the extension until it is paid.

24 (b) Where a deficiency, or any interest assessed in
25 connection therewith under subdivision (e) of section 308,

1 or any addition to the tax provided for in section 3176 of the
2 Revised Statutes, as amended, is not paid in full within 30
3 days from the date of notice and demand from the collector,
4 there shall be collected as part of the tax, interest upon the
5 unpaid amount at the rate of 1 per centum a month from
6 the date of such notice and demand until it is paid.

7 (c) If a claim in abatement is filed, as provided in
8 section 312, the provisions of subdivision (b) of this section
9 shall not apply to the amount covered by the claim in abate-
10 ment.

11 SEC. 310. (a) Except as provided in section 311 and
12 in subdivision (b) of section 308 and in subdivision (b) of
13 section 312, the amount of the estate taxes imposed by this
14 title shall be assessed within four years after the return was
15 filed, and no proceeding in court for the collection of such
16 taxes shall be begun after the expiration of five years after
17 the return was filed.

18 (b) The period within which an assessment is required
19 to be made by subdivision (a) of this section in respect of
20 any deficiency shall be extended (1) by 60 days if a notice
21 of such deficiency has been mailed to the executor under sub-
22 division (a) of section ~~309~~ 308 and no appeal has been filed
23 with the Board of Tax Appeals, or (2) if an appeal has
24 been filed, then by the number of days between the date of

1 the mailing of such notice and the date of the final decision
2 by the Board.

3 SEC. 311. (a) In the case of a false or fraudulent re-
4 turn with intent to evade tax or of a failure to file a return
5 the tax may be ~~assessed at~~ *assessed, and a proceeding in*
6 *court for the collection of such tax may be begun without*
7 *assessment, at any time.*

8 ~~(b)~~ *Where the assessment of the tax is made within*
9 *the period prescribed in section 310 or in this section, such*
10 *tax may be collected at any time by distraint or by a pro-*
11 *ceeding in court, but nothing in this section shall be con-*
12 *strued as preventing the beginning, without assessment, of*
13 *a proceeding in court for the collection of the tax before the*
14 *expiration of the period prescribed in section 310.*

15 *(b) Where the assessment of the tax is made within the*
16 *period prescribed in section 310 or in this section, such tax*
17 *may be collected by distraint or by a proceeding in court,*
18 *begun within six years after the assessment of the tax.*
19 *Nothing in this Act shall be construed as preventing the*
20 *beginning, without assessment, of a proceeding in court for*
21 *the collection of the tax at any time before the expiration of*
22 *the period within which an assessment may be made.*

23 *(c) This section shall not (1) authorize the assessment*
24 *of a tax or the collection thereof by distraint or by a pro-*

1 *ceeding in court if at the time of the enactment of this Act*
2 *such assessment, distraint, or proceeding was barred by the*
3 *period of limitation then in existence, or (2) affect any*
4 *assessment made, or distraint or proceeding in court begun,*
5 *before the enactment of this Act.*

6 **SEC. 312. (a)** If a deficiency has been assessed under
7 subdivision (d) of section 308, the executor, within 30 days
8 after notice and demand from the collector for the payment
9 thereof, may file with the collector a claim for the abate-
10 ment of such deficiency, or any part thereof, or of any inter-
11 est or additional amounts assessed in connection therewith, or
12 of any part of any such interest or additional amounts.
13 Such claim shall be accompanied by a bond, in such amount,
14 not exceeding double the amount of the claim, and with such
15 sureties, as the collector deems necessary, conditioned upon
16 the payment of so much of the amount of the claim as is not
17 abated, together with interest thereon as provided in subdivi-
18 sion (c) of this section. Upon the filing of such claim and
19 bond, the collection of so much of the amount assessed as is
20 covered by such claim and bond shall be stayed pending the
21 final disposition of the claim.

22 **(b)** If a claim is filed as provided in subdivision (a) of
23 this section the collector shall transmit the claim immediately
24 to the Commissioner who shall by registered mail notify the
25 executor of his decision on the claim. The executor may

1 within 60 days after such notice is mailed file an appeal with
2 the Board of Tax Appeals. If the claim is denied in whole
3 or in part by the Commissioner (or by the Board in case
4 an appeal has been filed) the amount, the claim for which
5 is denied, shall be collected as part of the tax upon notice
6 and demand from the collector, and the amount, the claim
7 for which is allowed, shall be abated. A proceeding in
8 court may be begun for any part of the amount, claim for
9 which is allowed by the Board. Such proceeding shall be
10 begun within one year after the final decision of the Board,
11 and may be begun within such year even though the period
12 of limitation prescribed in section 310 has expired.

13 (c) If the claim in abatement is denied in whole or in
14 part, there shall be collected, at the same time as the part
15 of the claim denied, and as a part of the tax, interest at the
16 rate of ~~5 per centum~~ *6 per centum* per annum upon the
17 amount of the claim denied, from the date of notice and
18 demand from the collector under subdivision (d) of section
19 308 to the date of the notice and demand under subdivision
20 (b) of this section. If the amount included in the notice
21 and demand from the collector under subdivision (b) of this
22 section is not paid in full within 30 days after such
23 notice and demand, then there shall be collected, as part
24 of the tax, interest upon the unpaid amount at the rate of 1

1 per centum a month on the date of such notice and demand
2 until it is paid.

3 (d) Except as provided in this section, no claim in
4 abatement shall be filed in respect of an assessment made
5 after the enactment of this Act in respect of any estate tax.

6 **SEC. 313. (a)** The collector shall grant to the person
7 paying the tax duplicate receipts, either of which shall be
8 sufficient evidence of such payment, and shall entitle the
9 executor to be credited and allowed the amount thereof by
10 any court having jurisdiction to audit or settle his accounts.

11 (b) If the executor makes written application to the
12 Commissioner for determination of the amount of the tax and
13 discharge from personal liability therefor, the Commissioner
14 (as soon as possible, and in any event within one year after
15 the making of such application, or if the application is
16 made before the return is filed, then within one year after
17 the return is filed, but not after the expiration of the period
18 prescribed for the assessment of the tax in section 310) shall
19 notify the executor of the amount of the tax. The executor,
20 upon payment of the amount of which he is notified, shall
21 be discharged from personal liability for any deficiency in
22 tax thereafter found to be due and shall be entitled to a
23 receipt or writing showing such discharge.

24 (c) The provisions of subdivision (b) shall not oper-
25 ate as a release of the gross estate, or any part thereof, from

1 the lien for any deficiency that may thereafter be determined
2 to be due while title to such gross estate, or any part thereof,
3 remains in the heirs, devisees, or distributees; but if the title
4 to any part of the gross estate has passed to a bona fide pur-
5 chaser for value, that part of the gross estate, the title
6 to which has so passed, shall not be subject to a lien or to
7 any claim or demand for any such tax.

8 *(c) The provisions of subdivision (b) shall not operate*
9 *as a release of any part of the gross estate from the lien for*
10 *any deficiency that may thereafter be determined to be due,*
11 *unless the title to such part of the gross estate has passed to*
12 *a bona fide purchaser for value, in which case such part*
13 *shall not be subject to a lien or to any claim or demand for*
14 *any such deficiency, but the lien shall attach to the con-*
15 *sideration received from such purchaser by the heirs, legatees,*
16 *devisees, or distributees.*

17 **SEC. 314. (a)** If the tax herein imposed is not paid
18 on or before the due date thereof, the collector shall, upon
19 instruction from the Commissioner, proceed to collect the
20 tax under the provisions of general law, or commence appro-
21 priate proceedings in any court of the United States having
22 jurisdiction, in the name of the United States, to subject the
23 property of the decedent to be sold under the judgment or de-
24 cree of the court. From the proceeds of such sale the amount
25 of the tax, together with the costs and expenses of every de-

1 description to be allowed by the court, shall be first paid, and
2 the balance shall be deposited according to the order of the
3 court, to be paid under its direction to the person entitled
4 thereto.

5 (b) If the tax or any part thereof is paid by, or col-
6 lected out of that part of the estate passing to or in the pos-
7 session of, any person other than the executor in his capacity
8 as such, such person shall be entitled to reimbursement out
9 of any part of the estate still undistributed or by a just and
10 equitable contribution by the persons whose interest in the
11 estate of the decedent would have been reduced if the tax
12 had been paid before the distribution of the estate or whose
13 interest is subject to equal or prior liability for the payment
14 of taxes, debts, or other charges against the estate, it being
15 the purpose and intent of this title that so far as is practicable
16 and unless otherwise directed by the will of the decedent the
17 tax shall be paid out of the estate before its distribution. If
18 any part of the gross estate consists of proceeds of policies of
19 insurance upon the life of the decedent receivable by a bene-
20 ficiary other than the executor, the executor shall be en-
21 titled to recover from such beneficiary such portion of the
22 total tax paid as the proceeds, in excess of \$40,000, of such
23 policies bear to the net estate. If there is more than one such
24 beneficiary the executor shall be entitled to recover from
25 such beneficiaries in the same ratio.

1 Sec. 315. (a) Unless the tax is sooner paid in full,
2 it shall be a lien for ten years upon the gross estate of the
3 decedent, except that such part of the gross estate as
4 is used for the payment of charges against the estate and
5 expenses of its administration, allowed by any court
6 having jurisdiction thereof, shall be divested of such lien.
7 If the Commissioner is satisfied that the tax liability of
8 an estate has been fully discharged or provided for, he
9 may, under regulations prescribed by him with the
10 approval of the Secretary, issue his certificate, releasing
11 any or all property of such estate from the lien herein im-
12 posed.

13 (b) If (1) the decedent makes a transfer of, or
14 creates a trust with respect to, any property in contempla-
15 tion of or intended to take effect in possession or enjoyment
16 at or after his death (except in the case of a bona fide sale
17 for a fair consideration in money or money's worth) or (2)
18 if insurance passes under a contract executed by the
19 decedent in favor of a specific beneficiary, and if in either
20 case the tax in respect thereto is not paid when due, then
21 the transferee, trustee, or beneficiary shall be personally li-
22 able for such tax, and such property, to the extent of the
23 decedent's interest therein at the time of such transfer, or
24 to the extent of such beneficiary's interest under such con-
25 tract of insurance, shall be subject to a like lien equal to

1 the amount of such tax. Any part of such property sold by
 2 such transferee or trustee to a bona fide purchaser for a fair
 3 consideration in money or money's worth shall be divested
 4 of the lien and a like lien shall then attach to all the property
 5 of such transferee or trustee, except any part sold to a bona
 6 fide purchaser for a fair consideration in money or money's
 7 worth.

8 SEC. 316. If after the enactment of this Act the Com-
 9 missioner determines that any assessment should be made in
 10 respect of any estate tax imposed by the Revenue Act of
 11 1917, the Revenue Act of 1918, or the Revenue Act of
 12 1921, or by any such Act as amended, the amount which
 13 should be assessed (whether as deficiency or additional tax
 14 or as interest, penalty, or other addition to the tax) shall be
 15 computed as if this Act had not been enacted, but the
 16 amount so computed shall be assessed, collected, and paid
 17 in the same manner and subject to the same provisions and
 18 limitations (including the provisions in case of delinquency
 19 in payment after notice and demand) as in the case of the
 20 taxes imposed by this title, except that the period of limita-
 21 tion prescribed in section ~~4006~~ 1109 shall be applied in
 22 lieu of the period prescribed in subdivision (a) of section
 23 310.

24 SEC. 317. (c) Whoever knowingly makes any false
 25 statement in any notice or return required to be filed under

1 this title shall be liable to a penalty of not exceeding \$5,000,
2 or imprisonment not exceeding one year, or both.

3 (b) Whoever fails to comply with any duty imposed
4 upon him by section 304, or, having in his possession
5 or control any record, file, or paper, containing or supposed
6 to contain any information concerning the estate of the
7 decedent, or, having in his possession or control any prop-
8 erty comprised in the gross estate of the decedent, fails to
9 exhibit the same upon request to the Commissioner or any
10 collector or law officer of the United States or his duly
11 authorized deputy or agent, who desires to examine the
12 same in the performance of his duties under this title, shall
13 be liable to a penalty of not exceeding \$500, to be recovered,
14 with costs of suit, in a civil action in the name of the United
15 States.

16 SEC. 318. (a) The term "resident" as used in
17 this title includes a citizen of the United States with
18 respect to whose property any probate or administration pro-
19 ceedings are had in the United States Court for China.
20 Where no part of the gross estate of such decedent is situated
21 in the United States at the time of his death, the total
22 amount of tax due under this title shall be paid to or col-
23 lected by the clerk of such court, but where any part of the
24 gross estate of such decedent is situated in the United States
25 at the time of his death, the tax due under this title shall be

1 paid to or collected by the collector of the district in which
2 is situated the part of the gross estate in the United States
3 or, if such part is situated in more than one district, then
4 the collector of such district as may be designated by the
5 Commissioner.

6 (b) For the purpose of this section the clerk of the
7 United States Court for China shall be a collector for the
8 territorial jurisdiction of such court, and taxes shall be col-
9 lected by and paid to him in the same manner and subject
10 to the same provisions of law, including penalties, as the
11 taxes collected by and paid to a collector in the United
12 States.

13 ~~Sec. 349.~~ On and after January 1, 1924, a tax equal
14 to the sum of the following is hereby imposed upon the
15 transfer of property by gift, whether made directly or indi-
16 rectly, by every person, whether a resident or nonresident
17 of the United States:

18 1 per centum of the amount of gifts not in excess of
19 \$50,000;

20 2 per centum of the amount by which the gifts exceed
21 \$50,000 and do not exceed \$100,000;

22 3 per centum of the amount by which the gifts exceed
23 \$100,000 and do not exceed \$150,000;

24 4 per centum of the amount by which the gifts exceed
25 \$150,000 and do not exceed \$250,000;

1 6 per centum of the amount by which the gifts exceed
2 \$250,000 and do not exceed \$400,000;

3 9 per centum of the amount by which the gifts exceed
4 \$400,000 and do not exceed \$750,000;

5 12 per centum of the amount by which the gifts exceed
6 \$750,000 and do not exceed \$1,000,000;

7 15 per centum of the amount by which the gifts exceed
8 \$1,000,000 and do not exceed \$1,500,000;

9 18 per centum of the amount by which the gifts exceed
10 \$1,500,000 and do not exceed \$2,000,000;

11 21 per centum of the amount by which the gifts exceed
12 \$2,000,000 and do not exceed \$3,000,000;

13 24 per centum of the amount by which the gifts exceed
14 \$3,000,000 and do not exceed \$4,000,000;

15 27 per centum of the amount by which the gifts exceed
16 \$4,000,000 and do not exceed \$5,000,000;

17 30 per centum of the amount by which the gifts exceed
18 \$5,000,000 and do not exceed \$8,000,000;

19 35 per centum of the amount by which the gifts exceed
20 \$8,000,000 and do not exceed \$10,000,000;

21 40 per centum of the amount by which the gifts exceed
22 \$10,000,000.

23 **SEC. 320.** The amount of the gifts subject to the tax
24 imposed by section 310, in the case of residents, shall be
25 the sum of all the gifts made by such resident during the

1 calendar year, and in the case of nonresidents, the sum of
 2 all gifts so made of property situated within the United
 3 States. If the gift is made in property the fair market value
 4 thereof at the date of the gift shall be considered the amount
 5 of the gift subject to the tax.

6 Where property is sold or exchanged for less than a
 7 fair consideration in money or money's worth, then the
 8 amount by which the fair market value of the property ex-
 9 ceeded the consideration received shall, for the purpose of the
 10 tax imposed by section 319, be deemed a gift, and shall be
 11 included in computing the amount of gifts made during the
 12 calendar year.

13 SEC. 321. For the purpose of this tax the amount of
 14 the gift subject to the tax imposed by section 319 shall be
 15 determined—

16 (a) In the case of a resident, by deducting from the
 17 total amount of such gifts—

18 (1) An exemption of \$50,000;

19 (2) The amount of all gifts or contributions made
 20 within the calendar year to or for any donee or purpose
 21 specified in paragraph (3) of subdivision (a) of section 303,
 22 or to the special fund for vocational rehabilitation authorized
 23 by section 7 of the Vocational Rehabilitation Act;

24 (3) Gifts the aggregate amount of which to any one
 25 person does not exceed \$500.

1 (b) In the case of a nonresident, by deducting from the
2 total amount of such gifts—

3 (1) The amount of all gifts or contributions made
4 within the calendar year to or for any donee or purpose speci-
5 fied in paragraph (3) of subdivision (a) of section 302, or to
6 the special fund for vocational rehabilitation authorized by
7 section 7 of the Vocational Rehabilitation Act;

8 (2) Gifts the aggregate amount of which to any one
9 person does not exceed \$500.

10 SEC. 322. In case a tax has been imposed under section
11 319 upon any gift, and thereafter upon the death of the
12 donor the amount thereof is required by any provision of
13 this title to be included in the gross estate of the decedent
14 then there shall be credited against and applied in reduction
15 of the estate tax, which would otherwise be chargeable against
16 the estate of the decedent under the provisions of section 301,
17 an amount equal to the tax paid with respect to such gift;
18 and in the event the donor has in any year paid the tax im-
19 posed by section 319 with respect to a gift or gifts which
20 upon the death of the donor must be included in his gross
21 estate and a gift or gifts not required to be so included, then
22 the amount of the tax which shall be deemed to have been
23 paid with respect to the gift or gifts required to be so in-
24 cluded shall be that proportion of the entire tax paid on
25 account of all such gifts which the amount of the gift or gifts

1 required to be so included bears or bear to the total amount
2 of gifts in that year.

3 **SEC. 323.** Any person who within the year 1924 or
4 any calendar year thereafter makes any gift or gifts of an
5 aggregate value in excess of \$10,000 shall, on or before the
6 15th day of the third month following the close of the cal-
7 endar year, file with the collector a return under oath in
8 duplicate, listing and setting forth therein all gift and
9 contributions by him made during such calendar year, and
10 the fair market value of the property so made, and also all sales
11 and exchanges of property owned by him made within such
12 year for less than a fair consideration in money or money's
13 worth, stating therein the fair market value of the property
14 so sold or exchanged and that of the consideration received
15 by him, both as of the date of such sale or exchange.

16 **SEC. 324.** The tax imposed by section 319 shall be
17 paid by the donor on or before the 15th day of the third
18 month following the close of the calendar year, and shall be
19 assessed, collected, and paid in the same manner and subject,
20 in so far as applicable, to the same provisions of law as the
21 tax imposed by section 301.

22 **TITLE IV.—TAX ON TELEGRAPH AND TELE-**
23 **PHONE MESSAGES.**

24 **SEC. 400.** There shall be levied, assessed, collected, and
25 paid, in lieu of the taxes imposed by section 500 of the
26 Revenue Act of 1921—

1 (a) *In the case of each telegraph, telephone, cable, or*
2 *radio, dispatch, message, or conversation, which originates*
3 *within the United States, and for the transmission of which*
4 *the charge is more than 14 cents and not more than 50*
5 *cents, a tax of 5 cents; and if the charge is more than 50*
6 *cents, a tax of 10 cents: Provided, That only one payment*
7 *of such tax shall be required, notwithstanding the lines or*
8 *stations of one or more persons are used for the transmission*
9 *of such dispatch, message, or conversation; and*

10 (b) *A tax equivalent to 10 per centum of the amount*
11 *paid to any telegraph or telephone company for any leased*
12 *wire or talking circuit special service furnished. This sub-*
13 *division shall not apply to the amount paid for so much of*
14 *such service as is utilized (1) in the collection and dissemi-*
15 *nation of news through the public press, or (2) in the con-*
16 *duct, by a common carrier or telegraph or telephone com-*
17 *pany, of its business as such;*

18 (c) *No tax shall be imposed under this section upon*
19 *any payment received for services rendered to the United*
20 *States or to any State or Territory or the District of*
21 *Columbia. The right to exemption under this subdivision*
22 *shall be evidenced in such manner as the Commissioner, with*
23 *the approval of the Secretary, may by regulation prescribe.*

24 (d) *Under regulations prescribed by the Commissioner,*
25 *with the approval of the Secretary, refund shall be made of the*

1 *proportionate part of the tax collected under subdivision (c)*
2 *or (d) of section 500 of the Revenue Act of 1918 on tickets*
3 *or mileage books purchased and only partially used before*
4 *January 1, 1922.*

5 *SEC. 401. The taxes imposed by section 400 shall be*
6 *paid by the person paying for the services or facilities*
7 *rendered.*

8 *SEC. 402. (a) Each person receiving any payments*
9 *referred to in section 400 shall collect the amount of the tax,*
10 *if any, imposed by such section from the person making such*
11 *payments, and shall make monthly returns under oath, in*
12 *duplicate, and pay the taxes so collected to the collector of the*
13 *district in which the principal office or place of business is*
14 *located.*

15 *(b) Any person making a refund of any payment*
16 *upon which tax is collected under this section may repay*
17 *therewith the amount of the tax collected on such payment;*
18 *and the amount so repaid may be credited against amounts*
19 *included in any subsequent monthly return.*

20 *(c) The returns required under this section shall con-*
21 *tain such information, and be made at such times and in*
22 *such manner, as the Commissioner, with the approval of the*
23 *Secretary, may by regulation prescribe.*

24 *(d) The tax shall, without assessment by the Com-*
25 *missioner or notice from the collector, be due and payable*

1 *to the collector at the time so fixed for filing the return. If*
2 *the tax is not paid when due, there shall be added as part*
3 *of the tax interest at the rate of 1 per centum a month*
4 *from the time when the tax became due until paid.*

5 TITLE IV F.—TAX ON CIGARS, TOBACCO,
6 AND MANUFACTURES THEREOF.

7 SEC. 400 500. (a) Upon cigars and cigarettes manu-
8 factured in or imported into the United States, and
9 hereafter sold by the manufacturer or importer, or re-
10 moved for consumption or sale, there shall be levied, col-
11 lected, and paid under the provisions of existing law, in lieu
12 of the internal-revenue taxes now imposed thereon by sec-
13 tion 700 of the Revenue Act of 1921, the following
14 taxes, to be paid by the manufacturer or importer thereof—

15 On cigars of all descriptions made of tobacco, or any
16 substitute therefor, and weighing not more than three pounds
17 per thousand, \$1.50 per thousand;

18 On cigars made of tobacco, or any substitute therefor,
19 and weighing more than three pounds per thousand, if manu-
20 factured or imported to retail at not more than 5 cents each,
21 \$4 per thousand;

22 If manufactured or imported to retail at more than
23 5 cents each and not more than 8 cents each, \$6 per
24 thousand;

1 If manufactured or imported to retail at more than 8
2 cents each and not more than 15 cents each, \$9 per thou-
3 sand;

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

7 If manufactured or imported to retail at more than
8 20 cents each, \$15 per thousand;

9 On cigarettes made of tobacco, or any substitute there-
10 for, and weighing not more than three pounds per thousand,
11 \$3 per thousand;

12 Weighing more than three pounds per thousand, \$7.20
13 per thousand.

14 (b) Whenever in this section reference is made to
15 cigars manufactured or imported to retail at not over a
16 certain price each, then in determining the tax to be paid
17 regard shall be had to the ordinary retail price of a single
18 cigar.

19 (c) The Commissioner may, by regulation, require the
20 manufacturer or importer to affix to each box, package, or
21 container a conspicuous label indicating the clause of this
22 section under which the cigars therein contained have been
23 tax-paid, which must correspond with the tax-paid stamp
24 on such box or container.

1 (d) Every manufacturer of cigarettes (including small
2 cigars weighing not more than three pounds per thousand)
3 shall put up all the cigarettes and such small cigars that
4 he manufactures or has manufactured for him, and sells
5 or removes for consumption or sale, in packages or parcels
6 containing five, eight, ten, twelve, fifteen, sixteen, twenty,
7 twenty-four, forty, fifty, eighty, or one hundred cigarettes
8 each, and shall securely affix to each of such packages or
9 parcels a suitable stamp denoting the tax thereon and shall
10 properly cancel the same prior to such sale or removal for
11 consumption or sale under such regulations as the Commis-
12 sioner, with the approval of the Secretary, shall prescribe;
13 and all cigarettes imported from a foreign country shall be
14 packed, stamped, and the stamps canceled in a like manner,
15 in addition to the import stamp indicating inspection of the
16 customhouse before they are withdrawn therefrom.

17 (e) *Section 3392 of the Revised Statutes, as amended,*
18 *is amended to read as follows:*

19 "Sec. 3392. All cigars weighing more than three
20 pounds per thousand shall be packed in boxes not before used
21 for that purpose containing, respectively, three, five, seven,
22 ten, twelve, thirteen, twenty-five, fifty, one hundred, two hun-
23 dred, two hundred and fifty, or five hundred cigars each;
24 and every person who sells, or offers for sale, or delivers, or
25 offers to deliver, any cigars in any other form than in new

1 boxes as above described, or who packs in any box any cigars
2 in excess of or less than the number provided by law to be
3 put in each box, respectively, or who falsely brands any box,
4 or affixes a stamp on any box denoting a less amount of tax
5 than that required by law, shall be fined for each offense not
6 more than \$1,000 and be imprisoned not more than two
7 years: *Provided*, That nothing in this section shall be con-
8 strued as preventing the sale of cigars at retail by retail
9 dealers from boxes packed, stamped, and branded in the
10 manner prescribed by law: *Provided* further, That each
11 employe of a manufacturer of cigars shall be permitted to
12 use, for personal consumption and for experimental purposes,
13 not to exceed twenty-one cigars per week without the manu-
14 facturer of cigars being required to pack the same in boxes
15 or to stamp or pay any internal-revenue tax thereon, such
16 exemption to be allowed under such rules and regulations
17 as the Secretary of the Treasury may prescribe."

18 SEC. 494-501. (a) Upon all tobacco and snuff manu-
19 factured in or imported into the United States, and hereafter
20 sold by the manufacturer or importer, or removed for con-
21 sumption or sale, there shall be levied, collected, and paid,
22 in lieu of the internal-revenue taxes now imposed thereon by
23 section 701 of the Revenue Act of 1921, a tax of 18
24 cents per pound, to be paid by the manufacturer or importer
25 thereof.

1 (b) Section 3362 of the Revised Statutes, as amended
2 by section 701 of the Revenue Act of 1918, is re-enacted
3 without change, as follows:

4 "SEC. 3362. All manufactured tobacco shall be put up
5 and prepared by the manufacturer for sale, or removal for
6 sale or consumption, in packages of the following description
7 and in no other manner:

8 "All smoking tobacco, snuff, fine-cut chewing tobacco,
9 all cut and granulated tobacco, all shorts, the refuse of fine-cut
10 chewing, which has passed through a riddle of thirty-six
11 meshes to the square inch, and all refuse scraps, clippings,
12 cuttings, and sweepings of tobacco, and all other kinds of
13 tobacco not otherwise provided for, in packages containing
14 one-eighth of an ounce, three-eighths of an ounce, and further
15 packages with a difference between each package and the
16 one next smaller of one-eighth of an ounce up to and includ-
17 ing two ounces, and further packages with a difference be-
18 tween each package and the one next smaller of one-fourth
19 of an ounce to and including four ounces, and packages of
20 five ounces, six ounces, seven ounces, eight ounces, ten
21 ounces, twelve ounces, fourteen ounces, and sixteen ounces:
22 *Provided*, That snuff may, at the option of the manufacturer,
23 be put up in bladders and in jars containing not exceeding
24 twenty pounds.

1 "All cavendish, plug, and twist tobacco, in wooden
2 packages not exceeding two hundred pounds net weight.

3 "And every such wooden package shall have printed or
4 marked thereon the manufacturer's name and place of manu-
5 facture, the registered number of the manufactory, and the
6 gross weight, the tare, and the net weight of the tobacco in
7 each package: *Provided*, That these limitations and descrip-
8 tions of packages shall not apply to tobacco and snuff trans-
9 ported in bond for exportation and actually exported: *And*
10 *provided further*, That perique tobacco, snuff flour, fine-cut
11 shorts, the refuse of fine-cut chewing tobacco, refuse scraps,
12 clippings, cuttings, and sweepings of tobacco, may be sold in
13 bulk as material, and without the payment of tax, by one
14 manufacturer directly to another manufacturer, or for export,
15 under such restrictions, rules, and regulations as the Com-
16 missioner of Internal Revenue may prescribe: *And provided*
17 *further*, That wood, metal, paper, or other materials may be
18 used separately or in combination for packing tobacco, snuff,
19 and cigars, under such regulations as the Commissioner of
20 Internal Revenue may establish."

21 SEC. 402 502. There shall be levied, collected, and
22 paid, in lieu of the taxes imposed by section 703
23 of the Revenue Act of 1921, upon cigarette paper made
24 up into packages, books, sets, or tubes, made up in or
25 imported into the United States and hereafter sold by the

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

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

20 SEC. 403 503. Section 3360 of the Revised Statutes, as
21 amended by section 704 of the Revenue Act of 1918, is
22 amended to read as reenacted without change, as follows:

23 "SEC. 3360. (a) Every dealer in leaf tobacco shall
24 file with the collector of the district in which his business
25 is carried on a statement in duplicate, subscribed under oath,

1 setting forth the place, and, if in a city, the street and num-
2 ber of the street, where his business is to be carried on,
3 and the exact location of each place where leaf tobacco is
4 held by him on storage, and, whenever he adds to or dis-
5 continues any of his leaf tobacco storage places, he shall
6 give immediate notice to the collector of the district in
7 which he is registered.

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

14 "Every such dealer shall be assigned a number by
15 the collector of the district, which number shall appear in
16 every inventory, invoice and report rendered by the dealer,
17 who shall also obtain certificates from the collector of the
18 district setting forth the place where his business is car-
19 ried on and the places designated by the dealer as the
20 places of storage of his tobacco, which certificates shall be
21 posted conspicuously within the dealer's registered place
22 of business, and within each designated place of storage.

23 "(b) Every dealer in leaf tobacco shall make and de-
24 liver to the collector of the district a true inventory of the
25 quantity of the different kinds of tobacco held or owned,

1 and where stored by him, on the 1st day of January of
2 each year, or at the time of commencing and at the time
3 of concluding business, if before or after the 1st day of
4 January, such inventory to be made under oath and ren-
5 dered in such form as may be prescribed by the Commis-
6 sioner.

7 "Every dealer in leaf tobacco shall render such in-
8 voices and keep such records as shall be prescribed by the
9 Commissioner, and shall enter therein, day by day, and
10 upon the same day on which the circumstance, thing or
11 act to be recorded is done or occurs, an accurate account
12 of the number of hogsheads, tierces, cases and bales, and
13 quantity of leaf tobacco contained therein, purchased or
14 received by him, on assignment, consignment, for storage,
15 by transfer or otherwise, and of whom purchased or re-
16 ceived, and the number of hogsheads, tierces, cases and
17 bales, and the quantity of leaf tobacco contained therein,
18 sold by him, with the name and residence in each instance
19 of the person to whom sold, and if shipped, to whom
20 shipped, and to what district; such records shall be kept at
21 his place of business at all times and preserved for a period
22 of two years, and the same shall be open at all hours for the
23 inspection of any internal-revenue officer or agent.

24 "Every dealer in leaf tobacco on or before the tenth
25 day of each month, shall furnish to the collector of the dis-

1 trict a true and complete report of all purchases, receipts,
2 sales and shipments of leaf tobacco made by him during the
3 month next preceding, which report shall be verified and
4 rendered in such form as the Commissioner, with the ap-
5 proval of the Secretary, shall prescribe.

6 “(c) Sales or shipments of leaf tobacco by a dealer
7 in leaf tobacco shall be in quantities of not less than a
8 hogshead, tierce, case, or bale, except loose leaf tobacco
9 comprising the breaks on warehouse floors, and except to
10 a duly registered manufacturer of cigars for use in his own
11 manufactory exclusively.

12 “Dealers in leaf tobacco shall make shipments of leaf
13 tobacco only to other dealers in leaf tobacco, to registered
14 manufacturers of tobacco, snuff, cigars or cigarettes, or for
15 export.

16 “(d) Upon all leaf tobacco sold, removed or shipped
17 by any dealer in leaf tobacco in violation of the provisions
18 of subdivision (c), or in respect to which no report has been
19 made by such dealer in accordance with the provisions of sub-
20 division (b), there shall be levied, assessed, collected and
21 paid a tax equal to the tax then in force upon manufactured
22 tobacco, such tax to be assessed and collected in the same
23 manner as the tax on manufactured tobacco.

24 “(e) Every dealer in leaf tobacco---

1 “(1) who neglects or refuses to furnish the statement.
2 to give bond, to keep books, to file inventory or to render the
3 invoices, returns or reports required by the Commissioner.
4 or to notify the collector of the district of additions to his
5 places of storage; or

6 “(2) who ships or delivers leaf tobacco, except as
7 herein provided; or

8 “(3) who fraudulently omits to account for tobacco
9 purchased, received, sold, or shipped,
10 shall be fined not less than \$100 or more than \$500, or
11 imprisoned not more than one year, or both.

12 “(4) For the purpose of this section a farmer or grower
13 of tobacco or a tobacco growers' cooperative association shall
14 not be regarded as a dealer in leaf tobacco in respect to the
15 leaf tobacco produced by him or handled by such association.
16 As used in this section the term 'tobacco growers' coop-
17 erative association' means an association of farmers or growers
18 of tobacco organized and operated as sales agent for the pur-
19 pose of marketing the tobacco produced by its members and
20 turning back to them the proceeds of sales, less the necessary
21 selling expenses, on the basis of the quantity and quality of
22 tobacco furnished by them.”

23 “(f) For the purposes of this section a farmer or
24 grower of tobacco shall not be regarded as a dealer in leaf
tobacco in respect to the leaf tobacco produced by him.”

1 TITLE ~~X~~ VII.—TAX ON ADMISSIONS AND DUES.

2 Sec. ~~500~~ 600. (a) On and after the date this title takes
3 effect, there shall be levied, assessed, collected, and paid, in
4 lieu of the taxes imposed by section 800 of the Revenue Act
5 of 1921—

6 (1) A tax of 1 cent for each 10 cents or fraction there-
7 of of the amount paid for admission to any place on or after
8 such date, including admission by season ticket or subscrip-
9 tion, to be paid by the person paying for such admission;
10 but where the amount paid for admission is 50 cents or less,
11 no tax shall be imposed;

12 (2) Upon tickets or cards of admission to theaters,
13 operas, and other places of amusement, sold at news stands,
14 hotels, and places other than the ticket offices of such theaters,
15 operas, or other places of amusement, at not to exceed 50
16 cents in excess of the sum of the established price therefor
17 at such ticket offices plus the amount of any tax imposed
18 under paragraph (1), a tax equivalent to 5 per centum of
19 the amount of such excess; and if sold for more than 50 cents
20 in excess of the sum of such established price plus the amount
21 of any tax imposed under paragraph (1), a tax equivalent
22 to 50 per centum of the whole amount of such excess, such
23 taxes to be returned and paid, in the manner and subject to
24 the interest provided in section ~~603~~ 703, by the person
25 selling such tickets;

1 (3) A tax equivalent to 50 per centum of the amount
2 for which the proprietors, managers, or employees of any
3 opera house, theater, or other place of amusement sell or
4 dispose of tickets or cards of admission in excess of the
5 regular or established price or charge therefor, such tax to
6 be returned and paid, in the manner and subject to the
7 interest provided in section 493703, by the person selling
8 such tickets;

9 (4) In the case of persons having the permanent use
10 of boxes or seats in an opera house or any place of amuse-
11 ment or a lease for the use of such box or seat in such opera
12 house or place of amusement (in lieu of the tax imposed by
13 paragraph (1)), a tax equivalent to 10 per centum of the
14 amount for which a similar box or seat is sold for each per-
15 formance or exhibition at which the box or seat is used or
16 reserved by or for the lessee or holder, such tax to be paid
17 by the lessee or holder; and

18 (5) A tax of $1\frac{1}{2}$ cents for each 10 cents or fraction
19 thereof of the amount paid for admission to any public
20 performance for profit at any roof garden, cabaret, or
21 other similar entertainment, to which the charge for
22 admission is wholly or in part included in the price paid
23 for refreshment, service, or merchandise; the amount paid
24 for such admission to be deemed to be 20 per centum of the
25 amount paid for refreshment, service, and merchandise: such

1 tax to be paid by the person paying for such refreshment,
2 service, or merchandise. Where the amount paid for admis-
3 sion is 50 cents or less, no tax shall be imposed.

4 (b) No tax shall be levied under this title in respect
5 of (1) any admissions all the proceeds of which inure (A)
6 exclusively to the benefit of religious, educational, or char-
7 itable institutions, societies, or organizations, societies for the
8 prevention of cruelty to children or animals, or societies or
9 organizations conducted for the sole purpose of maintaining
10 symphony orchestras and receiving substantial support from
11 voluntary contributions, or of improving any city, town,
12 village, or other municipality, or of maintaining a coopera-
13 tive or community center moving-picture theatre:—if no
14 part of the net earnings thereof inures to the benefit of any
15 private stockholder or individual; or (B) exclusively to the
16 benefit of persons in the military or naval forces of the
17 United States; or (C) exclusively to the benefit of persons
18 who have served in such forces and are in need; or (D) ex-
19 clusively to the benefit of National Guard organizations, Re-
20 serve Officers' associations or organizations, posts or organiza-
21 tions of war veterans, or auxiliary units or societies of any
22 such posts or organizations, if such posts, organizations, units,
23 or societies are organized in the United States or any of its
24 possessions, and if no part of their net earnings inures to the
25 benefit of any private stockholder or individual; or (E)

1 exclusively to the benefit of members of the police or fire
2 department of any city, town, village, or other municipality,
3 or the dependents or heirs of such members; or (2) any ad-
4 missions to agricultural fairs if no part of the net earnings
5 thereof inures to the benefit of any stockholders or members
6 of the association conducting the same, or admissions to any
7 exhibit, entertainment, or other pay feature conducted by
8 such association as part of any such fair,—if the proceeds
9 therefrom are used exclusively for the improvement, mainte-
10 nance and operation of such agricultural fairs.

11 (c) The term "admission" as used in this title includes
12 seats and tables, reserved or otherwise, and other similar
13 accommodations, and the charges made therefor.

14 (d) The price (exclusive of the tax to be paid by the
15 person paying for admission) at which every admission
16 ticket or card is sold shall be conspicuously and indelibly
17 printed, stamped, or written on the face or back of each
18 part of the ticket which is to be taken up by the man-
19 agement of the theater, opera, or other place of amusement,
20 together with the name of the vendor if sold other than at
21 the ticket office of the theater, opera, or other place of
22 amusement. Whoever sells an admission ticket or card on
23 which the name of the vendor and price is not so printed,
24 stamped, or written, or at a price in excess of the price so
25 printed, stamped, or written thereon, is guilty of a mis-

1 demeanor, and upon conviction thereof shall be fined not
2 more than \$100.

3 ~~SEC. 504~~ 601. On and after the date this title takes effect
4 there shall be levied, assessed, collected, and paid, in lieu of
5 the taxes imposed by section 801 of the Revenue Act of 1921,
6 a tax equivalent to 10 per centum of any amount paid on or
7 after such date, for any period after such date, (a) as dues or
8 membership fees (where the dues or fees of an active resident
9 annual member are in excess of \$10 per year) to any social,
10 athletic, or sporting club or organization; or (b) as initiation
11 fees to such a club or organization, if such fees amount to
12 more than \$10, or if the dues or membership fees (not in-
13 cluding initiation fees) of an active resident annual member
14 are in excess of \$10 per year; such taxes to be paid by the
15 person paying such dues or fees: *Provided*, That there
16 shall be exempted from the provisions of this section all
17 amounts paid as dues or fees to a fraternal society, order,
18 or association, operating under the lodge system, or to any
19 local fraternal organization among the students of a college
20 or university. In the case of life memberships a life mem-
21 ber shall pay annually, at the time for the payment of dues
22 by active resident annual members, a tax equivalent to the
23 tax upon the amount paid by such a member, but shall pay
24 no tax upon the amount paid for life membership.

1 **Sec. ~~502~~ 602.** (a) Every person receiving any pay-
2 ments for such admission, dues, or fees shall collect the
3 amount of the tax imposed by section ~~500 or 504~~ 600 or
4 601 from the person making such payments. Every club
5 or organization having life members shall collect from such
6 members the amount of the tax imposed by section ~~504~~
7 601. Such persons shall make monthly returns under oath,
8 in duplicate, and pay the taxes so collected to the collector
9 of the district in which the principal office or place of
10 business is located.

11 (b) Any person making a refund of any payment upon
12 which tax is collected under this section may repay there-
13 with the amount of the tax collected on such payment; and
14 the amount so repaid may be credited against amounts
15 included in any subsequent monthly return.

16 (c) The returns required under this section shall con-
17 tain 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 regulation prescribe.

20 (d) The tax shall, without assessment by the Com-
21 missioner or notice from the collector, be due and payable
22 to the collector at the time so fixed for filing the return. If
23 the tax is not paid when due, there shall be added as part of
24 the tax interest at the rate of 4 per centum a month from
25 the time when the tax became due until paid.

1 Sec. ~~503~~ 603. This title shall take effect on the expira-
2 tion of thirty days after the enactment of this Act.

3 TITLE VI FIVE.—EXCISE TAXES.

4 Sec. 600; There 700. On and after the expiration of
5 thirty days after the enactment of this Act there shall be levied
6 assessed, collected, and paid upon the following articles sold
7 or leased by the manufacturer, producer, or importer a tax
8 equivalent to the following percentage of the price for which
9 so sold or leased---

10 (1) Automobile trucks and automobile wagons (in-
11 cluding tire inner tubes, parts, and accessories therefor,
12 sold on or in connection therewith or with the sale thereof);
13 3 per centum: *Provided*, That this paragraph (1) shall not
14 apply to automobile trucks or automobile wagons, (nor to
15 the chassis thereof if sold separately) if the selling price of
16 the chassis of a truck or wagon is not in excess of
17 \$1,000;

18 (2) Other automobiles and motor cycles (including
19 tire inner tubes, parts, and accessories therefor, sold on or
20 in connection therewith or with the sale thereof), except
21 tractors, 5 per centum;

22 (3) Tires, inner tubes, parts, or accessories for any of
23 the articles enumerated in subdivision (1) or (2), sold to
24 any person other than a manufacturer or producer of any of

1 the articles taxed under subdivision (1) or (2), 2½ per
2 centum;

3 (1) Automobile truck chassis and automobile wagon
4 chassis sold or leased for an amount in excess of \$1,000,
5 and automobile truck bodies and automobile wagon bodies
6 sold or leased for an amount in excess of \$200 (including
7 in both cases tires, inner tubes, parts, and accessories therefor
8 sold on or in connection therewith or with the sale thereof),
9 3 per centum. A sale or lease of an automobile truck or of
10 an automobile wagon shall, for the purposes of this subdivi-
11 sion, be considered to be a sale of the chassis and of the
12 body;

13 (2) Other automobile chassis and bodies and motor
14 cycles (including tires, inner tubes, parts, and accessories
15 thereon sold on or in connection therewith or with the sale
16 thereof), except tractors, 5 per centum. A sale or lease of
17 an automobile shall, for the purposes of this subdivision, be
18 considered to be a sale of the chassis and of the body;

19 (3) Tires, inner tubes, parts, or accessories for any of
20 the articles enumerated in subdivision (1) or (2), sold to
21 any person other than a manufacturer or producer of any
22 of the articles enumerated in subdivision (1) or (2), 2½ per
23 centum. This subdivision shall not apply to chassis or bodies
24 for automobile trucks, automobile wagons, or other auto-
25 mobiles;

1 (4) Cameras, weighing not more than 100 pounds,
2 and lenses for such cameras, 10 per centum;

3 (5) Photographic films and plates (other than moving-
4 picture films and other than X-ray films or plates), 5 per
5 centum;

6 (6) Firearms, shells, and cartridges, except those sold
7 for the use of the United States, any State, Territory, or
8 possession of the United States, any political subdivision
9 thereof, or the District of Columbia, 10 per centum;

10 (7) Cigar or cigarette holders and pipes, composed
11 wholly or in part of meerschaum or amber, and humidors,
12 10 per centum;

13 ~~(8) Automatic slot-device vending machines, 5 per~~
14 ~~centum, and automatic slot-device weighing machines, 10~~
15 ~~per centum; if the manufacturer, producer, or importer~~
16 ~~of any such machine operates it for profit, he shall pay a~~
17 ~~tax in respect to each such machine put into operation~~
18 ~~equivalent to 5 per centum of its fair market value in the~~
19 ~~case of a vending machine; and 10 per centum of its fair~~
20 ~~market value in the case of a weighing machine.~~

21 (8) *Coin-operated devices, coin-operated machines, and*
22 *devices and machines operated by any substitute for a coin,*
23 *10 per centum; if the manufacturer, producer, or importer*
24 *of any such device or machine operates it for profit, he shall*
25 *pay a tax in respect of each such device or machine put into*

1 *operation equivalent to 10 per centum of its fair market*
2 *value;*

3 *(9) Mah jong, pung chow, and similar tile sets, and*
4 *the component parts thereof, 10 per centum;*

5 *(10) Radio receiving sets, 10 per centum;*

6 *(11) Parts and accessories for radio receiving sets,*
7 *sold or leased to any person other than a manufacturer or*
8 *producer of such sets, 10 per centum.*

9 If any manufacturer, producer, or importer of any of
10 the articles enumerated in this section customarily sells such
11 articles both at wholesale and at retail, the tax in the case
12 of any article sold by him at retail shall be computed on the
13 price for which like articles are sold by him at wholesale.

14 The taxes imposed by this section shall, in the case of
15 any article in respect of which a corresponding tax is im-
16 posed by section 900 of the Revenue Act of 1921, be in lieu
17 of such tax.

18 ~~SEC. 604 701.~~ (a) If any person who manufactures,
19 produces, or imports any article enumerated in section ~~600~~
20 ~~700~~, sells or leases such article to a corporation affiliated with
21 such person within the meaning of section 240 of this Act,
22 at less than the fair market price obtainable therefor, the
23 tax thereon shall be computed on the basis of the price at
24 which such article is sold or leased by such affiliated
25 corporation.

1 (b) If any such person sells or leases such
 2 article whether through any agreement, arrange-
 3 ment, or understanding, or otherwise, at less than the
 4 fair market price obtainable therefor, either: (1) in such
 5 manner as directly or indirectly to benefit such person or
 6 any person directly or indirectly interested in the business
 7 of such person, or (2) with intent to cause such benefit, the
 8 amount for which such article is sold or leased shall
 9 be taken to be the amount which would have been received
 10 from the sale or lease of such article if sold or leased at the
 11 fair market price.

12 SEC. ~~602~~ 702. There shall be levied, assessed, collected,
 13 and paid, in lieu of the tax imposed by section 902 of the
 14 Revenue Act of 1921, upon sculpture, paintings, statuary, art
 15 porcelains, and bronzes, sold by any person other than the
 16 artist, a tax equivalent to 5 per centum of the price for which
 17 so sold. This section shall not apply to the sale of any such
 18 article (1) to an educational or religious institution or pub-
 19 lic art museum, or (2) by any dealer in such articles to an-
 20 other dealer in such articles for resale.

21 SEC. ~~603~~ 703. Every person liable for any tax imposed
 22 by section ~~600~~ or ~~602~~ 700 or 702 shall make monthly returns
 23 under oath in duplicate and pay the taxes imposed by such
 24 sections to the collector for the district in which is located the
 25 principal place of business. Such returns shall contain such

1 information and be made at such times and in such manner as
 2 the Commissioner, with the approval of the Secretary, may
 3 by regulations prescribe.

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

10 ~~SEC. 604 704.~~ (a) On and after the expiration of thirty
 11 days after the enactment of this Act there shall be levied,
 12 assessed, collected, and paid (in lieu of the tax imposed by
 13 section 905 of the Revenue Act of 1921) upon all articles
 14 commonly or commercially known as jewelry, whether real
 15 or imitation; pearls, precious and semiprecious stones, and
 16 imitations thereof; articles made of, or ornamented, mounted
 17 or fitted with, precious metals or imitations thereof or ivory;
 18 watches; clocks; opera glasses; lorgnettes; marine glasses;
 19 field glasses; and binoculars; upon any of the above when
 20 sold or leased by or for a dealer or his estate for consumption
 21 or use, a tax equivalent to 5 per centum of the price for
 22 which so sold or leased.

23 (b) The tax imposed by subdivision (a) shall not
 24 apply to (1) surgical instruments, musical instruments,
 25 ~~eyeglasses, spectacles, or silver-plated flat tableware table-~~

1 *ware, or articles used for religious purposes; (2) articles*
 2 *sold or leased for an amount not in excess of \$40 \$25;*
 3 *or (3) watches sold or leased for an amount not in excess*
 4 *of \$60.*

5 (c) Every person selling any of the articles enumer-
 6 ated in this section shall make returns under oath in du-
 7 plicate (monthly or quarterly as the Commissioner, with
 8 the approval of the Secretary, may prescribe) and pay the
 9 taxes imposed in respect to such articles by this section
 10 to the collector for the district in which is located the
 11 principal place of business. Such returns shall contain such
 12 information and be made at such times and in such man-
 13 ner as the Commissioner, with the approval of the Secretary,
 14 may by regulations prescribe.

15 (d) The tax shall, without assessment by the Com-
 16 missioner or notice from the collector, be due and pay-
 17 able to the collector at the time so fixed for filing the return.
 18 If the tax is not paid when due, it shall be added as part
 19 of the tax interest at the rate of _____ per centum _____ month from
 20 the time when the tax became due until paid.

21 SEC. ~~605~~ 705. (a) If (1) any person has, prior to Jan-
 22 uary 1, 1924, made a bona fide contract with a dealer for the
 23 sale or lease, after the tax takes effect, of any article in respect
 24 of which a tax is imposed by section ~~600~~ 700, or by this sub-
 25 division, and in respect of which no corresponding tax was

1 imposed by section 900 of the Revenue Act of 1921, and
2 (2) such contract does not permit the adding, to the amount
3 to be paid thereunder, of the whole of the tax imposed by
4 section ~~600~~ 700 of this Act or by this subdivision; then the
5 vendee or lessee shall, in lieu of the vendor or lessor, pay so
6 much of the tax imposed by section ~~600~~ 700 of this Act or by
7 this subdivision as is not so permitted to be added to the
8 contract price. If a contract of the character above de-
9 scribed was made with any person other than a dealer, no
10 tax shall be collected under this Act.

11 (b) If (1) any person has, prior to January 1, 1924,
12 made a bona fide contract with any other person for the
13 sale or lease, after the tax takes effect, of any article in re-
14 spect of which a tax is imposed by section ~~600~~ 700 of this
15 Act, and in respect of which a corresponding but greater
16 tax was imposed by section 900 of the Revenue Act of
17 1921; (2) the contract price includes the amount of the
18 tax imposed by section 900 of the Revenue Act of 1921,
19 and (3) such contract does not permit the deduction, from
20 the amount to be paid thereunder, of the whole of the dif-
21 ference between the corresponding tax imposed by section
22 900 of the Revenue Act of 1921 and the tax imposed by
23 section ~~600~~ 700 of this Act; then the vendor or lessor shall
24 refund to the vendee or lessee so much of the amount of

1 such difference as is not so permitted to be deducted from
2 the contract price.

3 (e) If (1) any person has, prior to January 1, 1924,
4 made a bona fide contract with any other person for the sale
5 or lease, after the date of the enactment of this Act, of any
6 article in respect of which a tax was imposed by section 900
7 or 904 of the Revenue Act of 1921, and in respect of which
8 no corresponding tax is imposed by section ~~600~~ 700 of this
9 Act, (2) the contract price includes the amount of the tax
10 imposed by section 900 or 904 of the Revenue Act of 1921,
11 and (3) such contract does not permit deduction, from the
12 amount to be paid thereunder, of the tax imposed by section
13 900 or 904 of the Revenue Act of 1921; then the vendor
14 or lessor shall refund to the vendee or lessee so much of
15 the amount of such tax as is not so permitted to be deducted
16 from the contract price.

17 (d) The taxes payable by the vendee or lessee under
18 subdivision (a), shall be paid to the vendor or lessor at the
19 time the sale or lease is consummated, and collected, re-
20 turned, and paid to the United States by such vendor or
21 lessor in the same manner and subject to the same interest
22 as provided by section ~~603~~ 703.

23 (e) Any refund by the vendor or lessor under subdivi-
24 sion (b) or (c) shall be made at the time the sale or lease
25 is consummated. Upon the failure of the vendor or lessor

1 so to refund, he shall be liable to the vendee or lessee for
2 damages in the amount of three times the amount of such
3 refund, and the court shall include in any judgment in
4 favor of the vendee or lessee in any suit for the recovery of
5 such damages, costs of the suit and a reasonable attorney's
6 fee to be fixed by the court.

7 (f) A vendee who purchases any article with intent
8 to use it in the manufacture or production of another article
9 intended for sale shall be included in the term "dealer," as
10 used in this section.

11 TITLE VII VIII.—SPECIAL TAXES.

12 CAPITAL STOCK TAX.

13 SEC. 700. (a) On and after July 1, 1924, in lieu of
14 the tax imposed by section 4000 of the Revenue Act of
15 1921—

16 (1) Every domestic corporation shall pay annually a
17 special excise tax with respect to carrying on or doing busi-
18 ness, equivalent to \$1 for each \$1,000 of so much of the fair
19 average value of its capital stock for the preceding year end-
20 ing June 30 as is in excess of \$5,000. In estimating the
21 value of capital stock the surplus and undivided profits shall
22 be included:

23 (2) Every foreign corporation shall pay annually a
24 special excise tax with respect to carrying on or doing busi-
25 ness in the United States, equivalent to \$1 for each \$1,000

1 of the average amount of capital employed in the transaction
2 of its business in the United States during the preceding year
3 ending June 30.

4 (b) The taxes imposed by this section shall not apply
5 in any year to any corporation which was not engaged in
6 business (or, in the case of a foreign corporation, not engaged
7 in business in the United States) during the preceding year
8 ending June 30; nor to any corporation enumerated in sec-
9 tion 234; nor to any insurance company subject to the tax
10 imposed by section 243 or 246.

11 (c) Section 257 shall apply to all returns filed with
12 the Commissioner for purposes of the tax imposed by this
13 section.

14 MISCELLANEOUS OCCUPATIONAL TAXES.

15 SEC. 704-800. On and after July 1, 1924, there shall
16 be levied, collected, and paid annually the following special
17 taxes—

18 (1) Brokers shall pay \$50. Every person whose busi-
19 ness it is to negotiate purchases or sales of stocks, bonds, ex-
20 change, bullion, coined money, bank notes, promissory notes,
21 other securities, produce or merchandise, for others, shall be
22 regarded as a broker. If a broker is a member of a stock
23 exchange, or if he is a member of any produce exchange,
24 board of trade, or similar organization, where produce or
25 merchandise is sold, he shall pay an additional amount as

1 follows: If the average value, during the preceding year
 2 ending June 30, of a seat or membership in such exchange
 3 or organization was \$2,000 or more but not more than
 4 \$5,000, \$100; if such value was more than \$5,000, \$150.

5 (1) *Brokers, except brokers exclusively negotiating*
 6 *purchases or sales of produce or merchandise, shall pay*
 7 *\$50. Every person whose business it is to negotiate pur-*
 8 *chases or sales of stock, bonds, exchange, bullion, coined*
 9 *money, bank notes, promissory notes, other securities, produce*
 10 *or merchandise, for others, shall be regarded as a broker.*
 11 *If any broker is a member of a stock exchange, or if he is a*
 12 *member of any produce exchange, board of trade, or similar*
 13 *organization, where produce or merchandise is sold, he shall*
 14 *(whether or not he is liable to any tax under the first sentence*
 15 *of this paragraph, and in addition to such tax, if any) pay*
 16 *an amount as follows: If the average value, during the pre-*
 17 *ceding year ending June 30, of a seat or membership in such*
 18 *exchange or organization was \$2,000 or more but not more*
 19 *than \$5,000, \$100; if such value was more than \$5,000 but*
 20 *not more than \$10,000, \$150; if such value was more than*
 21 *\$10,000, \$250.*

22 (2) **Pawnbrokers shall pay \$100. Every person**
 23 **whose business or occupation it is to take or receive, by way**
 24 **of pledge, pawn, or exchange, any goods, wares, or merchan-**
 25 **dise, or any kind of personal property whatever, as security**

1 for the repayment of money loaned thereon, shall be regarded
2 as a pawnbroker.

3 (3) Ship brokers shall pay \$50. Every person whose
4 business it is as a broker to negotiate freights and other busi-
5 ness for the owners of vessels or for the shippers or con-
6 signors or consignees of freight carried by vessels, shall be
7 regarded as a ship broker.

8 (4) Customhouse brokers shall pay \$50. Every per-
9 son whose occupation it is, as the agent of others, to arrange
10 entries and other customhouse papers, or transact business at
11 any port of entry relating to the importation or exportation
12 of goods, wares, or merchandise, shall be regarded as a
13 customhouse broker.

14 (5) Proprietors of bowling alleys and billiard rooms
15 shall pay ~~\$5~~ \$10 for each alley or table. Every building or
16 place where bowls are thrown or where games of billiards
17 or pool are played, shall be regarded as a bowling alley or a
18 billiard room, respectively, unless no charge is made for the
19 use of the alleys or tables.

20 (6) Proprietors of shooting galleries shall pay \$20.
21 Every building, space, tent, or area, where a charge is
22 made for the discharge of firearms at any form of target shall
23 be regarded as a shooting gallery.

24 (7) Proprietors of riding academies shall pay \$100.
25 Every building, space, tent, or area, where a charge is made

1 for instruction in horsemanship or for facilities for the prac-
2 tice of horsemanship shall be regarded as a riding academy:
3 *Provided*, That this tax shall not be collected from associa-
4 tions composed exclusively of members of units of the Fed-
5 eralized National Guard or the Organized Reserve and whose
6 receipts are used exclusively for the benefit of such units.

7 (8) Persons carrying on the business of operating or
8 renting passenger automobiles for hire shall pay \$10 for
9 each such automobile having a seating capacity of more than
10 two and not more than seven, and \$20 for each such
11 automobile having a seating capacity of more than seven.
12 The tax imposed by this subdivision shall not be collected
13 in respect of automobiles used exclusively for conveying
14 school children to and from school.

15 (9) Every person carrying on the business of a
16 brewer, distiller, wholesale liquor dealer, retail liquor dealer,
17 wholesale dealer in malt liquor, retail dealer in malt liquor,
18 or manufacturer of stills, as defined in section 3244 as
19 amended and section 3247 of the Revised Statutes, in any
20 State, Territory, or District of the United States contrary
21 to the laws of such State, Territory, or District, or in any
22 place therein in which carrying on such business is prohibited
23 by local or municipal law, shall pay, in addition to all
24 other taxes, special or otherwise, imposed by existing law
25 or by this Act, \$1,000. The payment of the tax imposed

1 by this subdivision shall not be held to exempt any person
 2 from any penalty or punishment provided for by the laws of
 3 any State, Territory, or District for carrying on such business
 4 in such State, Territory, or District, or in any manner to
 5 authorize the commencement or continuance of such business
 6 contrary to the laws of such State, Territory, or District, or
 7 in places prohibited by local or municipal law.

8 If any person first becomes subject to the tax imposed
 9 by subdivision (1), ~~(2)~~, ~~(3)~~, or (4) after December 31 in
 10 any fiscal year, he shall pay for such fiscal year only one-
 11 half the tax specified in such subdivision:

12 The taxes imposed by this section shall, in the case of
 13 persons upon whom a corresponding tax is imposed by sec-
 14 tion 1001 of the Revenue Act of 1921, be in lieu of such tax.

15 SPECIAL TOBACCO MANUFACTURERS' TAX.

16 SEC. ~~792~~ 801. On and after July 1, 1924, there shall be
 17 levied, collected, and paid annually, in lieu of the taxes im-
 18 posed by section 1002 of the Revenue Act of 1921, the
 19 following special taxes, the amount of such taxes to be com-
 20 puted on the basis of the sales for the preceding year ending
 21 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

1 each pay at the rate of 6 cents for every ten thousand
2 cigarettes, or fraction thereof.

3 In arriving at the amount of special tax to be paid
4 under this section, and in the levy and collection of such
5 tax, each person engaged in the manufacture of more than
6 one of the classes of articles specified in this section shall
7 be considered and deemed a manufacturer of each class
8 separately.

9 In computing under this section the amount of annual
10 sales no account shall be taken of tobacco, cigars, or ciga-
11 rettes sold for export and in due course so exported.

12 SPECIAL TAX ON USE OF BOATS.

13 SEC. ~~703~~ 802. On and after July 1, 1924, and there-
14 after on July 1 in each year, and also at the time of
15 the original purchase of a new boat by a user, if on any
16 other date than July 1, there shall be levied, assessed, col-
17 lected, and paid, in lieu of the tax imposed by section 1003
18 of the Revenue Act of 1921, upon the use of yachts,
19 pleasure boats, power boats, sailing boats, and motor boats
20 with fixed engines, of over five net tons and over thirty-two
21 feet in length, not used exclusively for trade, fishing, or
22 national defense, or not built according to plans and specifi-
23 cations approved by the Navy Department, a special excise
24 tax to be based on each yacht or boat, at rates as follows:
25 Yachts, pleasure boats, power boats, motor boats with fixed

1 engines, and sailing boats, of over five net tons, length over
 2 thirty-two feet and not over fifty feet, \$1 for each foot;
 3 length over fifty feet, and not over one hundred feet, \$2 for
 4 each foot; length over one hundred feet, \$4 for each foot.

5 In determining the length of such yachts, pleasure
 6 boats, power boats, motor boats with fixed engines, and sail-
 7 ing boats, the measurement of over-all length shall govern.

8 In the case of a tax imposed at the time of the original
 9 purchase of a new boat on any other date than July 1, the
 10 amount to be paid shall be the same number of twelfths of the
 11 amount of the tax as the number of calendar months (includ-
 12 ing the month of sale) remaining prior to the following
 13 July 1.

14 This section shall not apply to vessels or boats used
 15 without profit by any benevolent, charitable, or religious
 16 organizations, exclusively for furnishing aid, comfort, or relief
 17 to seamen.

18 **PENALTY FOR NONPAYMENT OF SPECIAL TAXES.**

19 **SEC. 704 803.** Any person who carries on any business
 20 or occupation for which a special tax is imposed by section
 21 700, 701, or 702 800 or 801, without having paid the
 22 special tax therein provided, shall, besides being liable for
 23 the payment of such special tax, be subject to a penalty of
 24 not more than \$1,000 or to imprisonment for not more than
 25 one year, or both.

TAX ON NARCOTICS.

1
2 SEC. 705 804. Section 1 of the Act entitled "An Act
3 to provide for the registration of, with collectors of
4 internal revenue, and to impose a special tax upon all
5 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 reenacted 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, derivative,

1 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
24 to such special tax: *Provided*, That the provisions of this
25 paragraph shall not apply to any person having in his or her

1 possession any of the aforesaid drugs which have been
2 obtained 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,
17 administered, 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. 706 805. Section 6 of such Act of December 17,
17 1914, as amended by section 1007 of the Revenue Act of
18 1918, is reenacted without change, as follows:

19 "SEC. 6. That the provisions of this Act shall not be
20 construed to apply to the manufacture, sale, distribution,
21 giving away, dispensing, or possession of preparations and
22 remedies which do not contain more than two grains of
23 opium, or more than one-fourth of a grain of morphine, or
24 more than one-eighth of a grain of heroin, or more than
25 one grain of codeine, or any salt or derivative of any of

1 them in one fluid ounce, or, if a solid or semisolid prepara-
2 tion, in one avoirdupois ounce; or to liniments, ointments,
3 or other preparations which are prepared for external use,
4 only, except liniments, ointments, and other preparations
5 which contain cocaine or any of its salts or alpha or beta
6 eucaine or any of their salts or any synthetic substitute for
7 them: *Provided*, That such remedies and preparations are
8 manufactured, sold, distributed, given away, dispensed, or
9 possessed as medicines and not for the purpose of evading
10 the intentions and provisions of this Act: *Provided further*,
11 That any manufacturer, producer, compounder, or vendor
12 (including dispensing physicians) of the preparations and
13 remedies mentioned in this section shall keep a record of
14 all sales, exchanges, or gifts of such preparations and
15 remedies in such manner as the Commissioner of Internal
16 Revenue, with the approval of the Secretary of the Treas-
17 ury, shall direct. Such record shall be preserved for a
18 period of two years in such a way as to be readily accessi-
19 ble to inspection by any officer, agent or employee of the
20 Treasury Department duly authorized for that purpose, and
21 the State, Territorial, District, municipal, and insular officers
22 named in section 5 of this Act, and every such person so
23 possessing or disposing of such preparations and remedies
24 shall register as required in section 1 of this Act and, if
25 he is not paying a tax under this Act, he shall pay a special

1 tax of \$1 for each year, or fractional part thereof, in which
2 he is engaged in such occupation, to the collector of internal
3 revenue of the district in which he carries on such occupa-
4 tion as provided in this Act. The provisions of this Act
5 as amended shall not apply to decocainized coca leaves or
6 preparations made therefrom, or to other preparations of
7 coca leaves which do not contain cocaine."

8 SEC. ~~797~~ 806. All opium, its salts, derivatives, and com-
9 pounds, and coca leaves, salts, derivatives, and compounds
10 thereof, which may now be under seizure or which may
11 hereafter be seized by the United States Government
12 from any person or persons charged with any violation
13 of the Act of October 1, 1890, as amended by the Acts
14 of March 3, 1897, February 9, 1909, and January 17,
15 1914, or the Act of December 17, 1914, as amended,
16 shall upon conviction of the person or persons from
17 whom seized be confiscated by and forfeited to the
18 United States; and the Secretary is hereby authorized
19 to deliver for medical or scientific purposes to any
20 department, bureau, or other agency of the United States
21 Government, upon proper application therefor under such
22 regulation as may be prescribed by the Commissioner, with
23 the approval of the Secretary, any of the drugs so seized,
24 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 pos-
 6 session of the United States under the operation of said
 7 Acts, or the provisions of this section, shall be destroyed
 8 without certification by a committee appointed by the
 9 Commissioner, with the approval of the Secretary, that they
 10 are of no value for medical or scientific purposes.

11 TITLE VIII IX.—STAMP TAXES.

12 SEC. 800 900. On and after the expiration of thirty
 13 days after the enactment of this Act there shall be levied,
 14 collected, and paid, for and in respect of the several bonds,
 15 debentures, or certificates of stock and of indebtedness, and
 16 other documents, instruments, matters, and things mentioned
 17 and described in Schedule A of this title, or for or in respect of
 18 the vellum, parchment, or paper upon which such instru-
 19 ments, matters, or things, or any of them, are written or
 20 printed, by any person who makes, signs, issues, sells, re-
 21 moves, consigns, or ships the same, or for whose use or
 22 benefit the same are made, signed, issued, sold, removed,
 23 consigned, or shipped, the several taxes specified in such
 24 schedule. The taxes imposed by this section shall, in the

1 case of any article upon which a corresponding stamp tax
2 is now imposed by law, be in lieu of such tax.

3 SEC. ~~801~~ 901. There shall not be taxed under this title
4 any bond, note, or other instrument, issued by the United
5 States, or by any foreign Government, or by any
6 State, Territory, or the District of Columbia, or
7 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 domestic building and
15 loan associations substantially all the business of which is con-
16 fined to making loans to members, or by mutual ditch or
17 irrigation companies.

18 SEC. ~~802~~ 902. Whoever—

19 (a) Makes, signs, issues, or accepts, or causes to be
20 made, signed, issued, or accepted, any instrument, document,
21 or paper of any kind or description whatsoever without the
22 full amount of tax thereon being duly paid;

23 (b) Manufactures or imports and sells, or offers for
24 sale, or causes to be manufactured or imported and sold, or

1 offered for sale, any playing cards, package, or other article
2 without the full amount of tax being duly paid;

3 (c) Makes use of any adhesive stamp to denote any tax
4 imposed by this title without canceling or obliterating such
5 stamp as prescribed in section 804 904;

6 Is guilty of a misdemeanor and upon conviction thereof
7 shall pay a fine of not more than \$100 for each offense.

8 SEC. 803 903. Whoever---

9 (a) Fraudulently cuts, tears, or removes from any
10 vellum, parchment paper, instrument, writing, package, or
11 article, upon which any tax is imposed by this title, any
12 adhesive stamp or the impression of any stamp, die, plate,
13 or other article provided, made, or used in pursuance of
14 this title;

15 (b) Fraudulently uses, joins, fixes, or places to, with,
16 or upon any vellum, parchment, paper, instrument, writ-
17 ing, package, or article, upon which any tax is imposed
18 by this title, (1) any adhesive stamp, or the impression of
19 any stamp, die, plate, or other article, which has been cut,
20 torn, or removed from any other vellum, parchment, paper,
21 instrument, writing, package, or article, upon which any
22 tax is imposed by this title; or (2) any adhesive stamp or
23 the impression of any stamp, die, plate, or other article of
24 insufficient value; or (3) any forged or counterfeited stamp,

1 or the impression of any forged or counterfeited stamp, die,
2 plate, or other article;

3 (c) Willfully removes, or alters the cancellation, or
4 defacing marks of, or otherwise prepares, any adhesive stamp,
5 with intent to use, or cause the same to be used, after it
6 has been already used, or knowingly or willfully buys,
7 sells, offers for sale, or gives away, any such washed or re-
8 stored stamp to any person for use, or knowingly uses the
9 same;

10 (d) Knowingly and without lawful excuse (the
11 burden of proof of such excuse being on the accused) has
12 in possession any washed, restored, or altered stamp, which
13 has been removed from any vellum, parchment, paper, in-
14 strument, writing, package, or article;

15 Is guilty of a misdemeanor, and upon conviction shall
16 be punished by a fine of not more than \$1,000, or by im-
17 prisonment for not more than five years, or both, and any
18 such reused, canceled, or counterfeit stamp and the vellum,
19 parchment, document, paper, package, or article upon which
20 it is placed or impressed shall be forfeited to the United
21 States.

22 **SEC. 804 904.** Whenever an adhesive stamp is used for
23 denoting any tax imposed by this title, except as hereinafter
24 provided, the person using or affixing the same shall write
25 or stamp or cause to be written or stamped thereupon

1 the initials of his or its name and the date upon which
2 the same is attached or used, so that the same may
3 not again be used: *Provided*, That the Commissioner may
4 prescribe such other method for the cancellation of such
5 stamps as he may deem expedient.

6 SEC. 805 905. (a) The Commissioner shall cause to be
7 prepared and distributed for the payment of the taxes pre-
8 scribed in this title suitable stamps denoting the tax
9 on the document, articles, or thing to which the same may
10 be affixed, and shall prescribe such method for the affixing
11 of said stamps in substitution for or in addition to the method
12 provided in this title, as he may deem expedient.

13 (b) All internal revenue laws relating to the assess-
14 ment and collection of taxes are hereby extended to and
15 made a part of this title, so far as applicable, for the purpose
16 of collecting stamp taxes omitted through mistake or fraud
17 from any instrument, document, paper, writing, parcel,
18 package, or article named herein.

19 SEC. 806 906. The Commissioner shall furnish to the
20 Postmaster General without prepayment a suitable
21 quantity of adhesive stamps to be distributed to and
22 kept on sale by the various postmasters in the United States.
23 The Postmaster General may require each such postmaster to
24 give additional or increased bond as postmaster for the value
25 of the stamps so furnished, and each such postmaster shall

1 deposit the receipts from the sale of such stamps to the credit
2 of and render accounts to the Postmaster General at such
3 times and in such form as he may by regulations prescribe.
4 The Postmaster General shall at least once monthly transfer
5 all collections from this source to the Treasury as internal-
6 revenue collections.

7 SEC. ~~807~~ 907. (a) Each collector shall furnish, without
8 prepayment, to any assistant treasurer or designated deposi-
9 tary of the United States, located in the district of such col-
10 lector, a suitable quantity of adhesive stamps to be kept on
11 sale by such assistant treasurer or designated depository.

12 (b) Each collector shall furnish, without prepayment,
13 to any person who is (1) located in the district of such
14 collector, (2) duly appointed and acting as agent of any
15 State for the sale of stock transfer stamps of such State, and
16 (3) designated by the Commissioner for the purpose, a suit-
17 able quantity of such adhesive stamps as are required by
18 subdivisions 2, 3, and 4 of Schedule A of this title, to be
19 kept on sale by such person.

20 (c) In such cases the collector may require a bond,
21 with sufficient sureties, in a sum to be fixed by the Com-
22 missioner, conditioned for the faithful return, whenever so
23 required, of all quantities or amounts undisposed of, and
24 for the payment monthly of all quantities or amounts sold

1 or not remaining on hand. The Secretary may from time
2 to time make such regulations as he may find necessary to
3 insure the safe-keeping or prevent the illegal use of all such
4 adhesive stamps.

5 SCHEDULE A.—STAMP TAXES.

6 1. Bonds of indebtedness: On all bonds, debentures,
7 or certificates of indebtedness issued by any person, and all
8 instruments, however termed, issued by any corporation
9 with interest coupons or in registered form, known generally
10 as corporate securities, on each \$100 of face value or frac-
11 tion thereof, 5 cents: *Provided*, That every renewal of the
12 foregoing shall be taxed as a new issue: *Provided further*,
13 That when a bond conditioned for the repayment or pay-
14 ment of money is given in a penal sum greater than the debt
15 secured, the tax shall be based upon the amount secured.

16 2. Capital stock, issued: On each original issue, whether
17 on organization or reorganization, of certificates of stock, or
18 of profits, or of interest in property or accumulations, by any
19 corporation, on each \$100 of face value or fraction thereof,
20 5 cents: *Provided*, That where a certificate is issued without
21 face value, the tax shall be 5 cents per share, unless the
22 actual value is in excess of \$100 per share, in which case
23 the tax shall be 5 cents on each \$100 of actual value or
24 fraction thereof, or unless the actual value is less than \$100

1 per share, in which case the tax shall be 1 cent on each \$20
2 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, 1 cent,
10 and for each additional \$100 or fractional part thereof in ex-
11 cess of \$100, 1 cent: *Provided*. That on every sale or
12 agreement of sale or agreement to sell as aforesaid there
13 shall be made and delivered by the seller to the buyer a
14 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-

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 exceed-
18 ing \$1,000 or be imprisoned not more than six months,
19 or both.

20 No bill, memorandum, agreement, or other evidence
21 of such sale, or agreement of sale, or agreement to sell, in
22 case of cash sales of products of merchandise for immediate
23 or prompt delivery which in good faith are actually intended
24 to be delivered shall be subject to this tax.

25 This subdivision shall not affect but shall be in addi-
26 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, except*
6 *bank notes issued for circulation, and for each renewal of*
7 *the same, for a sum not exceeding \$100, 2 cents; and for*
8 *each additional \$100, or fractional part thereof, 2 cents.*

9 *This subdivision shall not apply to a promissory note*
10 *secured by the pledge of bonds or obligations of the United*
11 *States issued after April 24, 1917, or secured by the pledge*
12 *of a promissory note which itself is secured by the pledge of*
13 *such bonds or obligations: Provided, That in either case the*
14 *per value of such bonds or obligations shall be not less than the*
15 *amount of such note.*

16 § 6. *Conveyances: Deed, instrument, or writing, where-*
17 *by any lands, tenements, or other realty sold shall be*
18 *granted, assigned, transferred, or otherwise conveyed to,*
19 *or vested in, the purchaser or purchasers, or any other person*
20 *or persons, by his, her, or their direction, when the consid-*
21 *eration or value of the interest or property conveyed, ex-*
22 *clusive of the value of any lien or encumbrance remaining*
23 *thereon at the time of sale, exceeds \$100 and does not ex-*
24 *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. 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. Entry for the withdrawal of any goods or mer-
8 chandise from customs bonded warehouse, 50 cents.

9 § 9. 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. 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. Power of attorney granting authority to do or per-
21 form some act for or in behalf of the grantor, which authority
22 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 ~~11~~ 12. 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 10 cents per pack.

11 ~~12~~ 13. 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

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 IX X.—BOARD OF TAX APPEALS.

14 SEC. 900. (a) There is hereby established a board
 15 to be known as the Board of Tax Appeals (hereinafter
 16 referred to as the "Board"), to be composed of such
 17 number of members, not less than seven nor more than
 18 twenty-eight, as the President from time to time determines
 19 necessary. Each member shall be appointed by the Presi-
 20 dent, with the advice and consent of the Senate, without
 21 regard to the civil service laws but solely on the grounds
 22 of fitness to perform the duties of the office, for a term of
 23 ten years, except that in the case of original appointments
 24 the President, in order to secure rotation in office, may
 25 make appointments for two, four, six, or eight years; and

1 except that a member appointed to fill a vacancy shall be
2 appointed only for the unexpired term of the mem-
3 ber whom he succeeds. Any member of the Board
4 may be removed by the President for inefficiency,
5 neglect of duty, or malfeasance in office, but for no
6 other reason. Each member shall receive a salary at
7 the rate of \$7,500 per annum. No member of the Board
8 shall be permitted to practice before said Board or any offi-
9 cial of the Treasury Department, or to be connected, directly
10 or indirectly, with any person or any firm of lawyers, solici-
11 tors, accountants, or agents practicing before said Board or
12 any official of the Treasury Department on behalf of tax-
13 payers for a period of two years after his term of office ter-
14 minates, or from the time such member resigns or otherwise
15 leaves the service of the Government. A majority of the
16 Board shall constitute a quorum for the transaction of busi-
17 ness. A vacancy shall not impair the powers nor affect the
18 duties of the Board nor of the remaining members. The
19 Board shall designate biennially a member to act as chairman.
20 The Board may have a judicial seal, which shall be judicially
21 noticed.

22 (b) The Board and its divisions shall hear and de-
23 termine appeals filed under sections 274, 270, 308, and 312.

24 *SEC. 1000. (a) There is hereby established a board*
25 *to be known as the Board of Tax Appeals (hereinafter*

1 referred to as the "Board"). The Board shall be composed
2 of seven members, except that for a period of two years after
3 the enactment of _____ Act the Board shall be composed of
4 such number of members, not more than twenty-eight, as
5 the President determines to be necessary.

6 (b) Each member of the Board shall be appointed by
7 the President, by and with the advice and consent of the
8 Senate, solely on the grounds of fitness to perform the
9 duties of the office. The term of office of all members who
10 are to compose the Board during the period of two years
11 after the enactment of this Act, shall expire at the end of
12 such period. The terms of office of the first seven members
13 who are thereafter to compose the Board shall expire, two
14 at the end of the fourth year, two at the end of the sixth
15 year, two at the end of the eighth year, and one at the end
16 of the tenth year, after the expiration of such two-year
17 period. The term of office of each such member shall be
18 designated by the President, and the terms of office of their
19 successors shall expire ten years after the expiration of their
20 predecessors' terms, except that any individual appointed
21 to fill a vacancy occurring prior to the expiration of the
22 term for which his predecessor was appointed shall be
23 appointed only for the unexpired term of his predecessor,
24 and a member in office at the expiration of the term for
25 which he was appointed may continue in office until his

1 successor is qualified. Any member of the Board may be
2 removed by the President for inefficiency, neglect of duty,
3 or malfeasance in office, but for no other reason. Each
4 member shall receive a salary at the rate of \$10,000 per
5 annum.

6 (c) No member of the Board shall be permitted to
7 practice before the Board or any official of the Bureau of
8 Internal Revenue for a period of two years after leaving
9 office.

10 (d) The Board shall at least biennially designate a
11 member to act as chairman. The Board shall have a seal
12 which shall be judicially noticed.

13 (e) The Board and its divisions shall hear and
14 determine appeals filed under sections 274, 279, 308, and 312.
15 A majority of the members of the Board or of any division
16 thereof shall constitute a quorum for the transaction of the
17 business of the Board or of the division, respectively. A
18 vacancy in the Board or in any division thereof shall not
19 impair the powers nor affect the duties of the Board or
20 division, nor of the remaining members of the Board or
21 division, respectively.

22 ~~(e)~~ (f) The chairman may from time to time divide
23 the Board into divisions and assign the members thereto, and
24 designate a chief thereof. If a division, as a result of a va-
25 cancy or the absence or inability of a member assigned

1 thereto to serve thereon, is composed of less than three mem-
2 bers, the chairman may assign other members thereto, or he
3 may direct the division to proceed with the transaction of
4 business. A division shall hear and determine appeals filed
5 with the Board and assigned to such division by the chair-
6 man. Upon the expiration of thirty days after a decision by
7 a division, such decision, and the findings of fact made in
8 connection therewith, shall become the final decision and
9 findings of the Board, unless within such period the chair-
10 man has directed that such decision shall be reviewed by the
11 Board.

12 ~~(d)~~ (g) In any proceeding in court under sections 274,
13 279, 308, or 312, and in any suit or proceeding by a tax-
14 payer to recover any amounts paid in pursuance of a decision
15 of the Board, the findings of the Board shall be prima facie
16 evidence of the facts therein stated.

17 ~~(e)~~ (h) Notice and an opportunity to be heard shall be
18 given the taxpayer and the Commissioner and a decision
19 shall be made as quickly as practicable. The proceedings
20 of the Board and of its divisions shall be informal and in
21 accordance with such rules as the Board may prescribe.
22 Opinions (other than findings of fact) shall not be in writing
23 unless the chairman so orders. The findings of fact in each
24 case shall be reported in writing. The principal office of
25 the Board shall be in the District of Columbia, but the Board

1 or any of its divisions may sit at any place within the United
2 States. The times and places of meeting of the Board and
3 of its divisions shall be prescribed by the chairman, with a
4 view to securing reasonable opportunity to taxpayers to
5 appear before the Board or any of its divisions, with as little
6 inconvenience and expense to taxpayers as is practicable.

7 (f) Any member of the Board may administer oaths;
8 examine witnesses, and require, by subpoena, the attendance
9 and testimony of witnesses, and the production of all neces-
10 sary books, papers, and documents. The attendance of wit-
11 nesses and the production of such documentary evidence may
12 be required from any place in the United States at any
13 designated place of hearing.

14 (i) For the efficient administration of the functions
15 vested in the Board or any division thereof, any member of
16 the Board may administer oaths, examine witnesses, and
17 require, by subpoena ordered by the Board or any division
18 thereof and signed by the member, (1) the attendance and
19 testimony of witnesses, and the production of all necessary
20 returns, books, papers, documents, correspondence, and other
21 evidence, from any place in the United States at any
22 designated place of hearing, (2) the taking of a deposition
23 before any designated individual competent to administer
24 oaths under this Act, and (3) the answer in writing
25 under oath to any question of fact submitted. In the

1 *case of a deposition the testimony shall be reduced to writ-*
2 *ing by the individual taking the deposition or under his*
3 *direction and shall then be subscribed by the deponent. Any*
4 *witnesses summoned or whose deposition is taken under this*
5 *subdivision shall be paid the same fees and mileage as are*
6 *paid witnesses in the courts of the United States.*

7 (g) (j) *The Secretary shall furnish the Board with such*
8 *clerical assistance, quarters, stationery, furniture, office equip-*
9 *ment, and other supplies as may be necessary for the efficient*
10 *execution of the functions vested in it by this section.*

11 (h) *The members and employees assigned to the*
12 *Board, in addition to their compensation, shall receive their*
13 *necessary travelling expenses and actual expenses incurred*
14 *for subsistence while travelling on duty and away from their*
15 *designated stations, in an amount not to exceed \$7 per*
16 *day. The expenditures of the Board, including the ex-*
17 *penditures for salaries, expenses of transportation and for*
18 *maintenance, witness fees, rent (where suitable quarters are*
19 *not available), printing and binding, and contingent and mis-*
20 *cellaneous expenses shall be allowed and paid, upon the pres-*
21 *entation of itemized vouchers thereof approved by the*
22 *Board and signed by the chairman, out of any appropriation*
23 *available for the collection of internal-revenue taxes.*

24 (k) *The members and employees of the Board and*
25 *employees assigned thereto shall receive their necessary travel-*

1 *ling expenses, and their actual expenses incurred for sub-*
 2 *sistence while travelling on duty and away from their desig-*
 3 *nated stations in an amount not to exceed \$7 per day in the*
 4 *case of members, and \$4 per day in the case of employees.*
 5 *The Board is authorized in accordance with the civil service*
 6 *laws to appoint, and in accordance with the Classification Act*
 7 *of 1923 to fix the compensation of, such employees, and to*
 8 *make such expenditures, including expenditures for personal*
 9 *services and rent at the seat of the government and elsewhere,*
 10 *and for law books, books of reference and periodicals, as*
 11 *may be necessary efficiently to execute the functions vested in*
 12 *the Board, in case such assistants and such expenditures are*
 13 *not suitably provided for by the Secretary under subdivision*
 14 *(j). All expenditures of the Board shall be allowed and paid*
 15 *upon the presentation of itemized vouchers therefor, signed by*
 16 *the chairman, out of any moneys appropriated for the collec-*
 17 *tion of internal-revenue taxes and allotted to the Board, or*
 18 *out of any moneys specifically appropriated for the purposes*
 19 *of the Board. The Board shall be an independent agency in*
 20 *the executive branch of the Government.*

21 **TITLE X XI.—GENERAL ADMINISTRATIVE**

22 **PROVISIONS.**

23 **LAWS MADE APPLICABLE.**

24 **SEC. 1100.** All administrative, special, or stamp
 25 provisions of law, including the law relating to the assess-

1 ment of taxes, so far as applicable, are hereby extended to and
2 made a part of this Act.

3 RULES AND REGULATIONS.

4 SEC. ~~1001~~ 1101. The Commissioner, with the approval
5 of the Secretary, is authorized to prescribe all needful rules
6 and regulations for the enforcement of this Act, ~~provided~~
7 ~~such regulations shall not enlarge or modify any provisions~~
8 ~~of this Act and of any other law, and all such rules and regu-~~
9 ~~lations and all amendments thereto shall be annually reported~~
10 ~~to Congress.~~

11 RECORDS, STATEMENTS, AND SPECIAL RETURNS.

12 SEC. ~~1002~~ 1102. (a) Every person liable to any tax im-
13 posed by this Act, or for the collection thereof, shall keep
14 such records, render under oath such statements, make such
15 returns, and comply with such rules and regulations, as the
16 Commissioner, with the approval of the Secretary, may from
17 time to time prescribe.

18 (b) Whenever in the judgment of the Commissioner
19 necessary he may require any person, by notice served upon
20 him, to make a return, render under oath such statements,
21 or keep such records as the Commissioner deems sufficient
22 to show whether or not such person is liable to tax.

23 (c) The Commissioner, with the approval of the
24 Secretary, may by regulation prescribe that any return re-
25 quired by Titles IV, V, VI, ~~or VII~~ VII, or VIII to be

1 under oath may, if the amount of the tax covered thereby is
2 not in excess of \$10, be signed or acknowledged before two
3 witnesses instead of under oath.

4 *(d) Any oath or affirmation required by the provisions*
5 *of this Act or regulations made under authority thereof, may*
6 *be administered by any officer authorized to administer oaths*
7 *for general purposes by the law of the United States or of*
8 *any State, Territory, or possession of the United States,*
9 *wherein such oath or affirmation is administered, or by any*
10 *consular officer of the United States.*

11 ~~SEC. 4003 1103.~~ Section 3176 of the Revised Statutes,
12 as amended, is amended to read as follows:

13 **“SEC. 3176.** If any person, corporation, company, or
14 association fails to make and file a return or list at the time
15 prescribed by law or by regulation made under authority of
16 law, or makes, willfully or otherwise, a false or fraudulent
17 return or list, the collector or deputy collector shall make
18 the return or list from his own knowledge and from such in-
19 formation as he can obtain through testimony or otherwise
20 In any such case the Commissioner of Internal Revenue
21 may, from his own knowledge and from such information as
22 he can obtain through testimony or otherwise, make a return
23 or amend any return made by a collector or deputy collector.
24 Any return or list so made and subscribed by the Commis-
25 sioner, or by a collector or deputy collector and approved

1 by the Commissioner, shall be prima facie good and sufficient
2 for all legal purposes.

3 "If the failure to file a return (other than a return under
4 Title II of the Revenue Act of 1924) or a list is due to sick-
5 ness or absence, the collector may allow such further time,
6 not exceeding thirty days, for making and filing the return
7 or list as he deems proper.

8 "The Commissioner of Internal Revenue shall deter-
9 mine and assess all taxes, other than stamp taxes, as to
10 which returns or lists are so made under the provisions of
11 this section. In case of any failure to make and file a return
12 or list within the time prescribed by law, or prescribed by
13 the Commissioner of Internal Revenue or the collector in
14 pursuance of law, the Commissioner shall add to the tax
15 25 per centum of its amount, except that when a return
16 is filed after such time and it is shown that the failure to
17 file it was due to a reasonable cause and not to willful neg-
18 lect, no such addition shall be made to the tax. In case a
19 false or fraudulent return or list is willfully made, the Com-
20 missioner shall add to the tax 50 per centum of its amount.

21 "The amount so added to any tax shall be collected
22 at the same time and in the same manner and as a part of
23 the tax unless the tax has been paid before the discovery
24 of the neglect, falsity, or fraud, in which case the amount
25 so added shall be collected in the same manner as the tax."

1 **EXAMINATION OF BOOKS AND WITNESSES.**

2 **SEC. 4004 1104.** The Commissioner, for the purpose of
3 ascertaining the correctness of any return or for the pur-
4 pose of making a return where none has been made,
5 is hereby authorized, by any revenue agent or inspector
6 designated by him for that purpose, to examine any books,
7 papers, records, or memoranda bearing upon the matters
8 required to be included in the return, and may require the
9 attendance of the person rendering the return or of any
10 officer or employee of such person, or the attendance of
11 any other person having knowledge in the premises, and
12 may take his testimony with reference to the matter required
13 by law to be included in such return, with power to ad-
14 minister oaths to such person or persons.

15 **UNNECESSARY EXAMINATIONS.**

16 **SEC. 4005 1105.** No taxpayer shall be subjected to
17 unnecessary examinations or investigations, and only one
18 inspection of a taxpayer's books of account shall be made
19 for each taxable year unless the taxpayer requests otherwise
20 or unless the Commissioner, after investigation, notifies the
21 taxpayer in writing that an additional inspection is necessary.

22 **FINAL DETERMINATIONS AND ASSESSMENTS.**

23 **SEC. 4006 1106.** If after a determination and assessment
24 in any case the taxpayer has paid in whole any tax or penalty,
25 or accepted any abatement, credit, or refund based

1 on such determination and assessment, and an agree-
2 ment is made in writing between the taxpayer
3 and the Commissioner, with the approval of the Sec-
4 retary, that such determination and assessment shall be final
5 and conclusive, then (except upon a showing of fraud or
6 malfeasance or misrepresentation of fact materially affecting
7 the determination or assessment thus made) (1) the case
8 shall not be reopened or the determination and assessment
9 modified by any officer, employee, or agent of the United
10 States, and (2) no suit, action, or proceeding to annul,
11 modify, or set aside such determination or assessment shall
12 be entertained by any court of the United States.

13

ADMINISTRATIVE REVIEW.

14 SEC. ~~4007~~ 1107. In the absence of fraud or mistake in
15 mathematical calculation, the findings of facts in and the
16 decision of the Commissioner upon (or in case the Sec-
17 retary is authorized to approve the same, then after such
18 approval) the merits of any claim presented under or
19 authorized by the internal-revenue laws shall not, except
20 as provided in section ~~900~~ 1000, be subject to review by any
21 other administrative or accounting officer, employee, or agent
22 of the United States.

23

RETROACTIVE REGULATIONS.

24 SEC. ~~4008~~ 1108. In case a regulation or Treasury deci-
25 sion relating to the internal-revenue laws, made by the Com-

1 missioner or the Secretary, or by the Commissioner with
2 the approval of the Secretary, is reversed by a subse-
3 quent regulation or Treasury decision, and such reversal is
4 not immediately occasioned or required by a decision of a
5 court of competent jurisdiction, such subsequent regulation or
6 Treasury decision may, in the discretion of the Commis-
7 sioner, with the approval of the Secretary, be applied without
8 retroactive effect.

9 LIMITATION ON ASSESSMENTS AND SUITS BY THE UNITED
10 STATES.

11 SEC. ~~4000~~ 1109. (a) Except as provided in sections
12 277, 278, 310, and 311, and subdivisions (b) and (c) of this
13 section, all internal-revenue taxes shall, notwithstanding the
14 provisions of section 3182 of the Revised Statutes or any
15 other provision of law, be assessed within four years after
16 such taxes became due, and no proceeding in court for the
17 collection of such taxes shall be begun after the expiration
18 of five years after such taxes became due.

19 (b) In case of a false or fraudulent return with intent
20 to evade tax, of a failure to file a required return, or of a
21 willful attempt in any manner to defeat or evade tax, the
22 tax may be assessed ~~at~~ assessed, and a proceeding in court
23 for the collection of such tax may be begun without assessment,
24 at any time.

1 ~~(c)~~ Where the assessment of the tax is made within
2 the period prescribed in subdivisions ~~(a)~~ and ~~(b)~~ such tax
3 may be collected at any time by distraint or by a proceeding
4 in court; but nothing in this subdivision shall be construed as
5 preventing the beginning, without assessment, of a proceed-
6 ing in court for the collection of the tax, before the expira-
7 tion of the period provided in subdivision ~~(a)~~ for the be-
8 ginning of such proceeding.

9 *(c) Where the assessment of the tax is made within the*
10 *period prescribed in subdivisions (a) and (b) such tax may*
11 *be collected by distraint or by a proceeding in court, begun*
12 *within six years after the assessment of the tax. Nothing in*
13 *this Act shall be construed as preventing the beginning, with-*
14 *out assessment, of a proceeding in court for the collection of*
15 *the tax at any time before the expiration of the period pro-*
16 *vided in subdivision (a) for the beginning of such proceeding.*

17 ~~(d)~~ This section shall not ~~(1)~~ authorize the assessment
18 of a tax or the beginning of a proceeding in court for the
19 collection of a tax if at the time of the enactment of this
20 Act such assessment or proceeding was barred by the period
21 of limitation then in existence; or ~~(2)~~ affect any assessment
22 made; or proceeding in court begun; before the enactment
23 of this Act.

24 *(d) This section shall not (1) authorize the assessment*
25 *of a tax or the collection thereof by distraint or by a pro-*

1 *ceeding in court if at the time of the enactment of this Act*
2 *such assessment, distraint, or proceeding was barred by the*
3 *period of limitation then in existence, or (2) affect any*
4 *assessment made, or distraint or proceeding in court begun,*
5 *before the enactment of this Act.*

6 **LIMITATION ON PROSECUTIONS BY THE UNITED STATES.**

7 **SEC. ~~1010~~ 1110.** (a) The Act entitled "An Act to
8 limit the time within which prosecutions may be instituted
9 against persons charged with violating internal-revenue
10 laws," approved July 5, 1884, as amended, is reenacted
11 ~~without change~~, *amended to read as follows:*

12 "That no person shall be prosecuted, tried, or punished
13 for any of the various offenses arising under the internal-
14 revenue laws of the United States unless the indictment is
15 found or the information instituted within three years next
16 after the commission of the offense: *Provided, That for*
17 *offenses involving the defrauding or attempting to defraud*
18 *the United States or any agency thereof, whether by con-*
19 *spiracy or not, and in any manner, the period of limitation*
20 *shall be six years, but this proviso shall not apply to acts,*
21 *offenses, or transactions which were barred by law at the*
22 *time of the enactment of the Revenue Act of 1924: Provided*
23 *further, That the time during which the person committing*
24 *the offense is absent from the district wherein the same is*
25 *committed shall not be taken as any part of the time limited*

1 by law for the commencement of such proceedings: *Pro-*
 2 *vided further*, That the provisions of this Act shall not
 3 apply to offenses committed prior to its passage: *Provided*
 4 *further*, That where a complaint shall be instituted before a
 5 commissioner of the United States within the period above
 6 limited, the time shall be extended until the discharge of
 7 the grand jury at its next session within the district: *And*
 8 *provided further*, That this Act shall not apply to offenses
 9 committed by officers of the United States.”

10 (b) Any prosecution or proceeding under an indict-
 11 ment found or information instituted prior to the enactment
 12 of the Revenue Act of 1921 shall not be affected in any
 13 manner by this section, nor by the amendment by the
 14 Revenue Act of 1921 of such Act of July 5, 1884, but such
 15 prosecution or proceeding shall be subject to the limitations
 16 imposed by law prior to the enactment of the Revenue Act
 17 of 1921.

18 REFUNDS.

19 ~~SEC. 4011 1111.~~ Section 3220 of the Revised Statutes,
 20 as amended, is reenacted without change, as follows:

21 “SEC. 3220. The Commissioner of Internal Revenue,
 22 subject to regulations prescribed by the Secretary of the
 23 Treasury, is authorized to remit, refund, and pay back all
 24 taxes erroneously or illegally assessed or collected, all penal-
 25 ties collected without authority, and all taxes that appear to

1 be unjustly assessed or excessive in amount, or in any manner
 2 wrongfully collected; also to repay to any collector or deputy
 3 collector the full amount of such sums of money as may be
 4 recovered against him in any court, for any internal revenue
 5 taxes collected by him, with the cost and expenses of suit;
 6 also all damages and costs recovered against any assessor,
 7 assistant assessor, collector, deputy collector, agent, or in-
 8 spector, in any suit brought against him by reason of any-
 9 thing done in the due performance of his official duty, and
 10 shall make report to Congress at the beginning of each
 11 regular session of Congress of all transactions under this
 12 section."

13 SEC. ~~1042~~ 1112. (a) Section 3228 of the Revised
 14 Statutes, as amended, is amended to read as follows:

15 "SEC. 3228. (a) All claims for the refunding or credit-
 16 ing of any internal-revenue tax alleged to have been errone-
 17 ously or illegally assessed or collected, or of any penalty
 18 alleged to have been collected without authority, or of any
 19 sum alleged to have been excessive or in any manner
 20 wrongfully collected must, except as provided in section
 21 281 of the Revenue Act of 1924, be presented to the Com-
 22 missioner of Internal Revenue within four years next after
 23 the payment of such tax, penalty, or ~~sum.~~ sum."

24 "(b) Except as provided in section 281 of the Revenue
 25 Act of 1924, claims for credit or refund (other than claims

1 in respect of taxes imposed by the Revenue Act of 1916,
 2 the Revenue Act of 1917, or the Revenue Act of 1918)
 3 which at the time of the enactment of the Revenue Act of
 4 1921 were barred from allowance by the period of limitation
 5 then in existence, shall not be allowed."

6 (b) This section shall not bar from allowance a claim
 7 for credit or refund filed prior to the enactment of this Act
 8 which but for such enactment would have been allowable.

9 SEC. 4043 1113. The second proviso of the first section
 10 of the Act entitled "An Act Authorizing the Commissioner
 11 of Internal Revenue to redeem or make allowance for in-
 12 ternal-revenue stamps," approved May 12, 1900, as amend-
 13 ed, is amended to read as follows: "*Provided further*, That
 14 no claim for the redemption of or allowance for stamps shall
 15 be allowed unless presented within four years after the pur-
 16 chase of such stamps from the Government."

17 LIMITATIONS UPON SUITS AND PROCEEDINGS BY THE
 18 TAXPAYER.

19 SEC. 4044 1114. (a) Section 3226 of the Revised Stat-
 20 utes, as amended, is amended to read as follows:

21 "SEC. 3226. No suit or proceeding shall be main-
 22 tained in any court for the recovery of any internal-revenue
 23 tax alleged to have been erroneously or illegally assessed or
 24 collected, or of any penalty claimed to have been collected
 25 without authority, or of any sum alleged to have been ex-

1 cessive or in any manner wrongfully collected until a claim
2 for refund or credit has been duly filed with the Commissioner
3 of Internal Revenue, according to the provisions of law in
4 that regard, and the regulations of the Secretary of the
5 Treasury established in pursuance thereof; but such suit or
6 proceeding may be maintained, whether or not such tax,
7 penalty, or sum has been paid under protest or duress. No
8 such suit or proceeding shall be begun before the expiration
9 of six months from the date of filing such claim unless the
10 Commissioner renders a decision thereon within that time,
11 nor after the expiration of five years from the date of the
12 payment of such tax, penalty, or sum, unless such suit or
13 proceeding is begun within two years after the disallowance
14 of the part of such claim to which such suit or proceeding
15 relates. The Commissioner shall within 90 days after
16 any such disallowance notify the taxpayer thereof by mail."

17 (b) This section shall not affect any proceeding in
18 court instituted prior to the enactment of this Act.

19 SEC. ~~4045~~ 1115. Section 3225 of the Revised Statutes,
20 as amended, is repealed *and any claim for credit or refund*
21 *of taxes imposed by the Revenue Act of 1916, the Revenue*
22 *Act of 1917, the Revenue Act of 1918, the Revenue Act of*
23 *1921, or any such Act as amended, heretofore denied in*
24 *whole or in part because of the provisions of such section*

1 *may be reopened and decided without reference to its provisions.*
2

3 DISTRAINT OF BANK ACCOUNTS.

4 SEC. 1016 1116. Section 3187 of the Revised Statutes
5 is amended by inserting after "securities" the words "bank
6 accounts" and a comma.

7 PENALTIES.

8 SEC. 1017. (a) Any person required under this Act
9 to pay, or to collect, account for and pay over, any tax, or
10 required by law or regulations made under authority thereof
11 to make a return, keep any records, or supply any infor-
12 mation, for the purposes of the computation, assessment, or
13 collection of any such tax, who willfully refuses to pay,
14 collect, or truthfully account for and pay over, any such
15 tax, make such return, keep such records, or supply such
16 information, at the time or times required by law or regula-
17 tions, or who willfully attempts in any manner to evade
18 such tax, shall, in addition to other penalties provided by
19 law, be guilty of a misdemeanor and be fined not more than
20 \$10,000 or imprisoned for not more than one year, or both,
21 together with the costs of prosecution.

22 SEC. 1117. (a) Any person required under this Act or
23 regulations made under authority thereof to keep any records
24 or supply any information, for the purposes of the computa-
25 tion, assessment, or collection of any tax imposed by this Act,

1 *who fails to keep such records or supply such information at*
2 *the time or times required by law or regulations, shall, in*
3 *addition to other penalties provided by law, be subject to a*
4 *penalty of not more than \$1,000.*

5 *(b) Any person required under this Act to pay any*
6 *tax, or required by law or regulations made under authority*
7 *thereof to make a return, keep any records, or supply any*
8 *information, for the purposes of the computation, assessment,*
9 *or collection of any tax imposed by this Act, who willfully*
10 *fails to pay such tax, make such return, keep such records,*
11 *or supply such information, at the time or times required by*
12 *law or regulations, shall, in addition to other penalties pro-*
13 *vided by law, be guilty of a misdemeanor and, upon convic-*
14 *tion thereof, be fined not more than \$10,000, or imprisoned*
15 *for not more than one year, or both, together with the*
16 *costs of prosecution.*

17 *(c) Any person required under this Act to collect,*
18 *account for and pay over any tax imposed by this Act, who*
19 *willfully fails to collect or truthfully account for and pay*
20 *over such tax, and any person who willfully attempts in*
21 *any manner to evade or defeat any tax imposed by this Act*
22 *or the payment thereof, shall, in addition to other penalties*
23 *provided by law, be guilty of a felony and, upon conviction*
24 *thereof, be fined not more than \$10,000, or imprisoned for*

1 not more than five years, or both, together with the costs of
2 prosecution.

3 (d) Any person who willfully (1) aids or assists in
4 the preparation or presentation of a false or fraudulent
5 return, affidavit, claim, or document, authorized or required
6 by the internal revenue laws, or (2) procures, counsels, or
7 advises the preparation or presentation of such return, affi-
8 davit, claim, or document, shall (whether or not such falsity
9 or fraud is with the knowledge or consent of the person au-
10 thorized or required to present such return, affidavit, claim,
11 or document) be guilty of a felony and, upon conviction
12 thereof, be fined not more than \$10,000, or imprisoned for
13 not more than five years, or both, together with the costs of
14 prosecution.

15 ~~(d)~~ (e) Any person who willfully ~~refuses~~ fails to pay,
16 collect, or truthfully account for and pay over, any tax im-
17 posed by Titles IV, V, VI, VII, ~~and VIII~~ VIII, and IX,
18 or willfully attempts in any manner to evade or defeat any
19 such tax or the payment thereof, shall, in addition
20 to other penalties provided by law, be liable to
21 a penalty of the amount of the tax evaded, or not paid,
22 collected or accounted for and paid over, to be assessed and
23 collected in the same manner as taxes are assessed and
24 collected. No penalty shall be assessed under this subdivision
25 for any offense for which a penalty may be assessed under

1 authority of section 3176 of the Revised Statutes, as amended.
 2 or for any offense for which a penalty has been recovered
 3 under section 3256 of the Revised Statutes.

4 ~~(*)~~ (f) The term " person " as used in this section in-
 5 cludes an officer or employee of a corporation or a member
 6 or employee of a partnership, who as such officer, employee,
 7 or member is under a duty to perform the act in respect of
 8 which the violation occurs.

9 REVISÉD STATUTES.

10 SEC. 4048 1118. Sections 3164, 3165, 3167, 3172, and
 11 3173 of the Revised Statutes, as amended, are reenacted
 12 without change, as follows:

13 "SEC. 3164. It shall be the duty of every collector of
 14 internal revenue having knowledge of any willful viola-
 15 tion of any law of the United States relating to the revenue,
 16 within thirty days after coming into possession of such
 17 knowledge, to file with the district attorney of the district
 18 in which any fine, penalty, or forfeiture may be incurred,
 19 a statement of all the facts and circumstances of the case
 20 within his knowledge, together with the names of the wit-
 21 nesses, setting forth the provisions of law believed to be so
 22 violated on which reliance may be had for condemnation
 23 or conviction.

24 "SEC. 3165. Every collector, deputy collector, internal-
 25 revenue agent, and internal-revenue officer assigned to duty

1 under an internal-revenue agent, is authorized to administer
2 oaths and to take evidence touching any part of the adminis-
3 tration of the internal-revenue laws with which he is charged,
4 or where such oaths and evidence are authorized by law or
5 regulation authorized by law to be taken.

6 "Sec. 3167. It shall be unlawful for any collector,
7 deputy collector, agent, clerk, or other officer or employee of
8 the United States to divulge or to make known in any man-
9 ner whatever not provided by law to any person the opera-
10 tions, style of work, or apparatus of any manufacturer or
11 producer visited by him in the discharge of his official duties,
12 or the amount or source of income, profits, losses, expendi-
13 tures, or any particular thereof, set forth or disclosed in any
14 income return, or to permit any income return or copy
15 thereof or any book containing any abstract or particulars
16 thereof to be seen or examined by any person except as pro-
17 vided by law; and it shall be unlawful for any person to print
18 or publish in any manner whatever not provided by law
19 any income return, or any part thereof or source of income,
20 profits, losses, or expenditures appearing in any income re-
21 turn; and any offense against the foregoing provision shall
22 be a misdemeanor and be punished by a fine not exceeding
23 \$1,000 or by imprisonment not exceeding one year, or both,
24 at the discretion of the court; and if the offender be an officer

1 or employee of the United States he shall be dismissed from
2 office or discharged from employment.

3 "SEC. 3172. Every collector shall, from time to time,
4 cause his deputies to proceed through every part of his district
5 and inquire after and concerning all persons therein who are
6 liable to pay any internal-revenue tax, and all persons owning
7 or having the care and management of any objects liable
8 to pay any tax, and to make a list of such persons and
9 enumerate said objects.

10 "SEC. 3173. It shall be the duty of any person, part-
11 nership, firm, association, or corporation, made liable to
12 any duty, special tax, or other tax imposed by law, when
13 not otherwise provided for, (1) in case of a special tax,
14 on or before the thirty-first day of July in each year, and
15 (2) in other cases before the day on which the taxes accrue,
16 to make a list or return, verified by oath, to the collector
17 or a deputy collector of the district where located, of the
18 articles or objects, including the quantity of goods, wares,
19 and merchandise, made or sold and charged with a tax,
20 the several rates and aggregate amount, according to the
21 forms and regulations to be prescribed by the Commissioner
22 of Internal Revenue, with the approval of the Secretary of
23 the Treasury, for which such person, partnership, firm,
24 association, or corporation is liable: *Provided*, That if any
25 person liable to pay any duty or tax, or owning, possessing,

1 or having the care or management of property, goods,
2 wares, and merchandise, article or objects liable to pay any
3 duty, tax, or license, shall fail to make and exhibit a list or
4 return required by law, but shall consent to disclose the par-
5 ticulars of any and all the property, goods, wares, and mer-
6 chandise, articles, and objects liable to pay any duty or tax,
7 or any business or occupation liable to pay any tax as afore-
8 said, then, and in that case, it shall be the duty of the col-
9 lector or deputy collector to make such list or return, which,
10 being distinctly read, consented to, and signed and verified
11 by oath by the person so owning, possessing, or having the
12 care and management as aforesaid, may be received as the
13 list of such person: *Provided further*, That in case no annual
14 list or return has been rendered by such person to the col-
15 lector or deputy collector as required by law, and the person
16 shall be absent from his or her residence or place of business
17 at the time the collector or a deputy collector shall call for
18 the annual list or return, it shall be the duty of such collector
19 or deputy collector to leave at such place of residence or
20 business, with some one of suitable age and discretion, if such
21 be present, otherwise to deposit in the nearest post office, a
22 note or memorandum addressed to such person, requiring
23 him or her to render to such collector or deputy collector the
24 list or return required by law within ten days from the date
25 of such note or memorandum, verified by oath. And if

1 any person, on being notified or required as aforesaid, shall
2 refuse or neglect to render such list or return within the
3 time required as aforesaid, or whenever any person who is
4 required to deliver a monthly or other return of objects
5 subject to tax fails to do so at the time required, or delivers
6 any return which, in the opinion of the collector, is erro-
7 neous, false, or fraudulent, or contains any undervaluation
8 or understatement, or refuses to allow any regularly author-
9 ized Government officer to examine the books of such per-
10 son, firm, or corporation, it shall be lawful for the collector
11 to summon such person; or any other person having posses-
12 sion, custody, or care of books of account containing entries
13 relating to the business of such person or any other person
14 he may deem proper, to appear before him and produce
15 such books at a time and place named in the summons, and
16 to give testimony or answer interrogatories, under oath,
17 respecting any objects or income liable to tax or the returns
18 thereof. The collector may summon any person residing
19 or found within the State or Territory in which his district
20 lies; and when the person intended to be summoned does
21 not reside and can not be found within such State or Terri-
22 tory, he may enter any collection district where such person
23 may be found and there make the examination herein au-
24 thorized. And to this end he may there exercise all the
25 authority which he might lawfully exercise in the district for

1 which he was commissioned: *Provided*, That 'person,' as
 2 used in this section, shall be construed to include any corpora-
 3 tion, joint-stock company or association, or insurance com-
 4 pany when such construction is necessary to carry out its
 5 provisions."

6 INTEREST ON REFUNDS AND CREDITS.

7 SEC. ~~4040~~ 1119. Upon the allowance of a credit or re-
 8 fund of any internal-revenue tax erroneously or illegally as-
 9 sessed or collected, or of any penalty collected without author-
 10 ity, or of any sum which was excessive or in any manner
 11 wrongfully collected, interest shall be allowed and paid on the
 12 amount of such credit or refund at the rate of $\bar{5}$ ~~per centum~~ *6*
 13 *per centum* per annum from the date such tax, penalty, or sum
 14 was paid to the date of the allowance of the refund, or in
 15 case of a credit, to the due date of the amount against which
 16 the credit is taken, but if the amount against which the
 17 credit is taken is an additional assessment, then to the date
 18 of the assessment of that amount. The term "additional
 19 assessment" as used in this section means a further assess-
 20 ment for a tax of the same character previously paid in part.

21 INTEREST ON JUDGMENTS.

22 SEC. ~~4020~~ 1120. Section 177 of the Judicial Code, as
 23 amended, is reenacted without change, as follows:

24 "SEC. 177. No interest shall be allowed on any claim
 25 up to the time of the rendition of judgment by the Court of

1 Claims, unless upon a contract expressly stipulating for the
2 payment of interest, except that interest may be allowed in
3 any judgment of any court rendered after the passage of the
4 Revenue Act of 1921 against the United States for any
5 internal-revenue tax erroneously or illegally assessed or col-
6 lected, or for any penalty collected without authority or any
7 sum which was excessive or in any manner wrongfully col-
8 lected, under the internal-revenue laws."

9 PAYMENT OF AND RECEIPTS FOR TAXES.

10 SEC. 4024 1121. (a) Collectors may receive, at par
11 with an adjustment for accrued interest, notes or certificates
12 of indebtedness issued by the United States and uncertified
13 checks in payment of income, war-profits, and excess-
14 profits taxes and any other taxes payable other than by
15 stamp, during such time and under such rules and regula-
16 tions as the Commissioner, with the approval of the Secre-
17 tary, shall prescribe; but if a check so received is not paid
18 by the bank on which it is drawn the person by whom such
19 check has been tendered shall remain liable for the payment
20 of the tax and for all legal penalties and additions to the same
21 extent as if such check had not been tendered.

22 (b) Every collector to whom any payment of any tax
23 ~~(other than stamp tax)~~ income tax is made shall upon request
24 give to the person making such payment a full written or
25 printed receipt, stating the amount paid and the particular ac-

1 count for which such payment was made; and whenever any
2 debtor pays taxes on account of payments made or to be made
3 by him to separate creditors the collector shall, if requested by
4 such debtor, give a separate receipt for the tax paid on ac-
5 count of each creditor in such form that the debtor can con-
6 veniently produce such receipts separately to his several
7 creditors in satisfaction of their respective demands up to the
8 amounts stated in the receipts; and such receipt shall be
9 sufficient evidence in favor of such debtor to justify him in
10 withholding from his next payment to his creditor the amount
11 therein stated; but the creditor may, upon giving to his
12 debtor a full written receipt acknowledging the payment to
13 him of any sum actually paid and accepting the amount of
14 tax paid as aforesaid (specifying the same) as a further
15 satisfaction of the debt to that amount, require the surrender
16 to him of such collector's receipt.

17 (c) In the payment of any tax under this Act not pay-
18 able by stamp a fractional part of a cent shall be disregarded
19 unless it amounts to one-half cent or more, in which case it
20 shall be increased to 1 cent.

21 (d) Section 37 of the Act of August 27, 1894, en-
22 titled "An Act To reduce taxation, to provide revenue for
23 the Government, and for other purposes." is hereby repealed.

METHOD OF COLLECTING TAX.

25 ~~SEC. 4022~~ 1122. Whether or not the method of col-
26 lecting any tax imposed by Titles IV, V, VI, ~~or VII~~ VIII,

1 *or VIII* is specifically provided therein, any such tax may,
 2 under regulations prescribed by the Commissioner with the
 3 approval of the Secretary, be collected by stamp, coupon,
 4 serial-numbered ticket, or such other reasonable device or
 5 method as may be necessary or helpful in securing a com-
 6 plete and prompt collection of the tax. All administrative
 7 and penalty provisions of Title ~~VIII~~ IX, in so far as appli-
 8 cable, shall apply to the collection of any tax which the
 9 Commissioner determines or prescribes shall be collected in
 10 such manner.

11 OVERPAYMENTS AND OVERCOLLECTIONS.

12 SEC. ~~4023~~ 1123. In the case of any overpayment or
 13 overcollection of any tax imposed by Title ~~V~~ ~~or VI~~ IV, VI,
 14 *or VII*, the person making such overpayment or overcollec-
 15 tion may take credit therefor against taxes due upon any
 16 monthly return, and shall make refund of any excessive
 17 amount collected by him upon proper application by the
 18 person entitled thereto.

19 ARTICLES EXPORTED.

20 SEC. ~~4024~~ 1124. Under such rules and regulations as the
 21 Commissioner with the approval of the Secretary may pre-
 22 scribe, the taxes imposed under the provisions of Title ~~IV~~
 23 ~~or V~~ *or VII* shall not apply in respect of articles sold or
 24 leased for export and in due course so exported. Under such
 25 rules and regulations the amount of any internal-revenue tax

1 erroneously or illegally collected in respect of exported articles
2 may be refunded to the exporter of the article, instead of to
3 the manufacturer, if the manufacturer waives any claim for
4 the amount so to be refunded.

5 JUDICIAL PROCEEDINGS IN COURTS.

6 SEC. 4025 1125. (a) If any person is summoned under
7 this Act to appear, to testify, or to produce books, papers,
8 or other data, the district court of the United States for
9 the district in which such person resides shall have juris-
10 diction by appropriate process to compel such attendance,
11 testimony, or production of books, papers, or other data.

12 (b) The district courts of the United States at the in-
13 stance of the United States are hereby invested with such
14 jurisdiction to make and issue, both in actions at law and
15 suits in equity, writs and orders of injunction, and of ne
16 exeat republica, orders appointing receivers, and such other
17 orders and process, and to render such judgments and de-
18 crees, granting in proper cases both legal and equitable relief
19 together, as may be necessary or appropriate for the enforce-
20 ment of the provisions of this Act. The remedies hereby
21 provided are in addition to and not exclusive of any and all
22 other remedies of the United States in such courts or other-
23 wise to enforce such provisions.

24 (c) The paragraph added by section 1310 of the
25 Revenue Act of 1921 at the end of paragraph Twentieth of

1 section 24 of the Judicial Code, relating to the jurisdiction
2 of district courts, is reenacted without change, as follows:

3 "Concurrent with the Court of Claims, of any suit or
4 proceeding, commenced after the passage of the Revenue
5 Act of 1921, for the recovery of any internal-revenue tax
6 alleged to have been erroneously or illegally assessed or col-
7 lected, or of any penalty claimed to have been collected
8 without authority or any sum alleged to have been excessive
9 or in any manner wrongfully collected, under the internal-
10 revenue laws, even if the claim exceeds \$10,000, if the
11 collector of internal-revenue by whom such tax, penalty, or
12 sum was collected is dead at the time such suit or proceed-
13 ing is commenced."

14 **FRAUDS ON PURCHASERS.**

15 **SEC. 4026 1126.** Whoever in connection with the sale
16 or lease, or offer for sale or lease, of any article, or for the
17 purpose of making such sale or lease, makes any state-
18 ment, written or oral. (1) intended or calculated to lead
19 any person to believe that any part of the price at which
20 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 **LOST STAMPS FOR TOBACCO, CIGARS, AND SO FORTH.**

5 **SEC. 4027 1127.** Section 3315 of the Revised Statutes,
6 as amended, is reenacted without change, as follows:

7 "SEC. 3315. The Commissioner of Internal Revenue
8 may, under regulations prescribed by him with the approval
9 of the Secretary of the Treasury, issue stamps for restamp-
10 ing packages of distilled spirits, tobacco, cigars, snuff, cigar-
11 ettes, fermented liquors, and wines which have been duly
12 stamped but from which the stamps have been lost or de-
13 stroyed by unavoidable accident."

14 **CONSOLIDATION OF LIBERTY BOND TAX EXEMPTIONS.**

15 **SEC. 4028 1128.** The various Acts authorizing the
16 issues of Liberty bonds are amended and supplemented as
17 follows:

18 (a) On and after January 1, 1921, 4 per centum and
19 $4\frac{1}{4}$ per centum Liberty bonds shall be exempt from gradu-
20 ated additional income taxes, commonly known as surtaxes,
21 and excess-profits and war-profits taxes, now or hereafter
22 imposed by the United States upon the income or profits of
23 individuals, partnerships, corporations, or associations, in
24 respect to the interest on aggregate principal amounts thereof
25 as follows:

1 Until the expiration of two years after the date of the
2 termination of the war between the United States and the
3 German Government, as fixed by proclamation of the Presi-
4 dent, on \$125,000 aggregate principal amount; and for
5 three years more on \$50,000 aggregate principal amount.

6 (b) The exemptions provided in subdivision (a) shall
7 be in addition to the exemptions provided in section 7 of
8 the Second Liberty Bond Act, and in addition to the ex-
9 emption provided in subdivision (3) of section 1 of the
10 Supplement to the Second Liberty Bond Act in respect to
11 bonds issued upon conversion of 3½ per centum bonds,
12 but shall be in lieu of the exemptions provided and free
13 from the conditions and limitations imposed in subdivisions
14 (1) and (2) of section 1 of the Supplement to the Second
15 Liberty Bond Act and in section 2 of the Victory Liberty
16 Loan Act.

17 **DEPOSIT OF UNITED STATES BONDS OR NOTES IN LIEU OF**
18 **SURETY.**

19 **SEC. ~~4020~~ 1129.** Wherever by the laws of the United
20 States or regulations made pursuant thereto, any
21 person is required to furnish any recognizance, stip-
22 ulation, bond, guaranty, or undertaking, hereinafter
23 called "penal bond," with surety or sureties, such person
24 may, in lieu of such surety or sureties, deposit as security
25 with the official having authority to approve such penal

1 bond, United States Liberty bonds or other bonds or notes
2 of the United States in a sum equal at their par value to the
3 amount of such penal bond required to be furnished, together
4 with an agreement authorizing such official to collect or sell
5 such bonds or notes so deposited in case of any default in
6 the performance of any of the conditions or stipulations of
7 such penal bond. The acceptance of such United States
8 bonds or notes in lieu of surety or sureties required by law
9 shall have the same force and effect as individual or cor-
10 porate sureties, or certified checks, bank drafts, post-office
11 money orders, or cash, for the penalty or amount of such
12 penal bond. The bonds or notes deposited hereunder and
13 such other United States bonds or notes as may be sub-
14 stituted therefor from time to time as such security, may be
15 deposited with the Treasurer of the United States, a Federal
16 reserve bank, or other depository duly designated for that
17 purpose by the Secretary, which shall issue receipt therefor,
18 describing such bonds or notes so deposited. As soon as
19 security for the performance of such penal bond is no longer
20 necessary, such bonds or notes so deposited shall be returned
21 to the depositor: *Provided*, That in case a person or per-
22 sons supplying a contractor with labor or material as pro-
23 vided by the Act of Congress, approved February 24, 1905
24 (33 Stat. 811), entitled "An Act to amend an Act ap-
25 proved August thirteenth, eighteen hundred and ninety-four,

1 entitled 'An Act for the protection of persons furnishing
2 materials and labor for the construction of public works,'"
3 shall file with the obligee, at any time after a default in the
4 performance of any contract subject to said Acts, the appli-
5 cation and affidavit therein provided, the obligee shall not
6 deliver to the obligor the deposited bonds or notes nor any
7 surplus proceeds thereof until the expiration of the time
8 limited by said Acts for the institution of suit by such per-
9 son or persons, and, in case suit shall be instituted within
10 such time, shall hold said bonds or notes or proceeds subject
11 to the order of the court having jurisdiction thereof: *Pro-*
12 *vided further,* That nothing herein contained shall affect or
13 impair the priority of the claim of the United States against
14 the bonds or notes deposited or any right or remedy granted
15 by said Acts or by this section to the United States for de-
16 fault upon any obligation of said penal bond: *Provided*
17 *further,* That all laws inconsistent with this section are
18 hereby so modified as to conform to the provisions hereof:
19 *And provided further,* That nothing contained herein shall
20 affect the authority of courts over the security, where such
21 bonds are taken as security in judicial proceedings, or the
22 authority of any administrative officer of the United States
23 to receive United States bonds for security in cases author-
24 ized by existing laws. The Secretary may prescribe rules

1 and regulations necessary and proper for carrying this sec-
2 tion into effect.

3 ENFORCEMENT OF TAX LIENS

4 *SEC. 1130. Section 3207 of the Revised Statutes is*
5 *amended to read as follows:*

6 " *SEC. 3207. (a) In any case where there has been*
7 *a refusal or neglect to pay any tax, and it has become*
8 *necessary to seize and sell real estate to satisfy the same, the*
9 *Commissioner of Internal Revenue may direct a bill in*
10 *chancery to be filed, in a district court of the United States,*
11 *to enforce the lien of the United States for tax upon any*
12 *real estate, or to subject any real estate owned by the delin-*
13 *quent, or in which he has any right, title, or interest, to the*
14 *payment of such tax. All persons having liens upon or claim-*
15 *ing any interest in the real estate sought to be subjected as*
16 *above said, shall be made parties to such proceedings, and*
17 *be brought into court as provided in other suits in chancery*
18 *therein. And the said court shall, at the term next after*
19 *the parties have been duly notified of the proceedings, unless*
20 *otherwise ordered by the court, proceed to adjudicate all mat-*
21 *ters involved therein, and finally determine the merits of all*
22 *claims to and liens upon the real estate in question, and, in all*
23 *cases where a claim or interest of the United States therein*
24 *is established, shall decree a sale of such real estate, by the*
25 *proper officer of the court, and a distribution of the proceeds*

1 of such sale according to the findings of the court in respect
2 to the interests of the parties and of the United States.

3 “(b) Any person having a lien upon or any interest
4 in such real estate, notice of which has been duly filed of
5 record in the jurisdiction in which the real estate is located,
6 prior to the filing of notice of the lien of the United States
7 as provided by section 3186 of the Revised Statutes as
8 amended, or any person purchasing the real estate at a sale
9 to satisfy such prior lien or interest, may make written request
10 to the Commissioner of Internal Revenue to direct the filing
11 of a bill in chancery as provided in subdivision (a), and
12 if the Commissioner fails to direct the filing of such bill
13 within six months after receipt of such written request, such
14 person or purchaser may, after giving notice to the Com-
15 missioner, file a petition in the district court of
16 the United States for the district in which the real
17 estate is located, praying leave to file a bill for a final deter-
18 mination of all claims to or liens upon the real estate in ques-
19 tion. After a full hearing in open court, the district court
20 may in its discretion enter an order granting leave to file
21 such bill, in which the United States and all persons having
22 liens upon or claiming any interest in the real estate shall
23 be made parties. Service on the United States shall be had
24 in the manner provided by sections 5 and 6 of the Act of

1 *March 3, 1887, entitled 'An Act to provide for the bringing*
 2 *of suits against the Government of the United States.' Upon*
 3 *the filing of such bill the district court shall proceed to adjudi-*
 4 *cate the matters involved therein, in the same manner as in*
 5 *the case of bills filed under subdivision (a) of this section.*
 6 *For the purpose of such adjudication, the assessment of the*
 7 *tax upon which the lien of the United States is based shall*
 8 *be conclusively presumed to be valid, and all costs of the*
 9 *proceedings on the petition and the bill shall be borne by the*
 10 *person filing the bill."*

11 **TITLE ~~XI~~ XII.—GENERAL PROVISIONS.**

12 **REPEALS.**

13 **SEC. 4400 1200.** (a) The following parts of the Reve-
 14 nue Act of 1921 are repealed, to take effect (except as other-
 15 wise provided in this Act) upon the enactment of this Act,
 16 subject to the limitations provided in subdivisions (b) and
 17 (c):

18 Title II (called "Income Tax") as of January 1,
 19 1924;

20 Title IV (called "Estate Tax");

21 Title V (called "Tax on Telegraph and Telephone
 22 Messages") ~~except subdivision (d) of section 500, effec-~~
 23 ~~tive on the expiration of thirty days after the enactment of~~
 24 ~~this Act;~~

1 Sections 602 and 603 of Title VI (being the taxes on
2 certain beverages and constituent parts thereof) ;

3 Title VII (called "Tax on Cigars, Tobacco, and Manu-
4 factures Thereof") ;

5 Title VIII (called "Tax on Admissions and Dues"),
6 effective on the expiration of thirty days after the enactment
7 of this Act ;

8 Sections ~~900~~, 901, 902, 903, and 904 of Title IX (be-
9 ing certain excise taxes) ;

10 Section *900 of Title IX (being certain excise taxes) and*
11 *section 905 of Title IX (being the tax on jewelry and similar*
12 *articles)*, effective on the expiration of thirty days after the
13 enactment of this Act ;

14 Title X (called "Special Taxes") effective on June
15 30, 1924 ;

16 Title XI (called "Stamp Taxes") effective on the ex-
17 piration of thirty days after the enactment of this Act ;

18 Title XII (called "Tax on Employment of Child
19 Labor") ;

20 Sections 1307, 1308, 1309, subdivision (c) of section
21 1310, sections 1311, 1312, 1313, 1314, 1315, 1316, 1318,
22 1320, 1321, 1322, 1323, 1324, 1325, 1326, 1328, 1329,
23 and 1330 (being certain administrative provisions) .

24 (b) The parts of the Revenue Act of 1921 which are
25 repealed by this Act shall (except as provided in sections 280

1 and 316 and except as otherwise specifically provided in this
2 Act) remain in force for the assessment and collection of all
3 taxes imposed by such Act, and for the assessment, imposi-
4 tion, and collection of all interest, penalties, or forfeitures
5 which have accrued or may accrue in relation to any such
6 taxes, and for the assessment and collection, to the extent
7 provided in the Revenue Act of 1921, of all taxes imposed by
8 prior income, war-profits, or excess-profits tax acts, and for
9 the assessment, imposition, and collection of all interest, pen-
10 alties, or forfeitures which have accrued or may accrue in
11 relation to any such taxes. In the case of any tax imposed
12 by any part of the Revenue Act of 1921 repealed by this Act,
13 if there is a tax imposed by this Act in lieu thereof, the pro-
14 vision imposing such tax shall remain in force until the cor-
15 responding tax under this Act takes effect under the provi-
16 sions of this Act.

17 (c) The repeal of Title II and Title IV of the Revenue
18 Act of 1921 shall not be construed to take away the retro-
19 active benefits allowed by paragraph (12) of subdivision (a)
20 of section 214 or paragraph (14) of subdivision (a) of
21 section 234, of the Revenue Act of 1921, or by section 401
22 or 403 of such Act.

23 *LEGISLATIVE DRAFTING SERVICE.*

24 *SEC. 1201. Section 1303 of the Revenue Act of 1918*
25 *is amended by adding at the end thereof a new subdivision to*
26 *read as follows:*

1 “(d) After this subdivision takes effect the legislative
 2 drafting service shall be known as the office of the legislative
 3 counsel, and the two draftsmen shall be known as legislative
 4 counsel. The positions of legislative counsel shall be allocated
 5 from time to time by the President of the Senate and the
 6 Speaker of the House of Representatives, jointly, to the
 7 appropriate grade in the compensation schedules of section
 8 13 of the Classification Act of 1923. The rate of compensa-
 9 tion of each of the two legislative counsel shall be fixed from
 10 time to time, within the limits of such grade, by the President
 11 of the Senate and the Speaker of the House of Representa-
 12 tives, respectively. The increased compensation provided for
 13 in this subdivision shall, when fixed, be in lieu of the salary
 14 specified in subdivision (a). The legislative counsel shall
 15 have the same privilege of free transmission of official mail
 16 matter as other officers of the United States Government.”

17 **GOVERNMENT ACTUARY.**

18 **SEC. 1202.** *The salary of the Government Actuary,*
 19 *so long as the position is held by the present incumbent, shall*
 20 *be at the rate of \$7,500 a year.*

21 **TRAVELING EXPENSES.**

22 **SEC. 1104.** **All officers and employees of the Bureau of**
 23 **Internal Revenue, in addition to their compensation, shall**
 24 **receive their necessary traveling expenses and actual ex-**
 25 **penses incurred for subsistence while traveling on duty and**

1 away from their designated stations, in an amount not to
2 exceed \$7 per day.

3 **SAVING CLAUSE IN EVENT OF UNCONSTITUTIONALITY.**

4 **SEC. ~~1102~~ 1203.** If any provision of this Act, or the
5 application thereof to any person or circumstances, is held
6 invalid, the remainder of the Act, and the application of
7 such provision to other persons or circumstances, shall not
8 be affected thereby.

9 **EFFECTIVE DATE OF ACT.**

10 **SEC. ~~1103~~ 1204.** Except as otherwise provided, this
11 Act shall take effect upon its enactment.

12 **TITLE ~~XII~~ XIII.—REDUCTION OF INCOME TAX**
13 **PAYABLE IN 1924.**

14 **SEC. ~~1200~~ 1300.** (a) Any taxpayer making return,
15 for the calendar year 1923, of the taxes imposed by Parts
16 I and II of Title II of the Revenue Act of 1921 shall be
17 entitled to an allowance by credit or refund of 25 per
18 centum of the amount shown as the tax upon his return.

19 (b) If the amount shown as the tax upon the return
20 has been paid in full on or before the time of the enactment
21 of this Act, the amount of the allowance provided in sub-
22 division (a) shall be credited or refunded as provided in
23 section 281 of this Act.

24 (c) If the taxpayer has elected to pay the tax in in-
25 stallments and, at the time of the enactment of this Act,

1 the date prescribed for the payment of the last installment
2 has not yet arrived, the amount of the allowance provided
3 in subdivision (a) shall be prorated to the four installments.
4 The amount so prorated to any installment, the date for
5 payment of which has not arrived, shall be applied in reduc-
6 tion of such installment. The amount so prorated to any
7 installment, the date for payment of which has arrived,
8 shall be credited against the installment next falling due
9 after the enactment of this Act.

10 (d) If the taxpayer has been granted an extension
11 of time for payment of the tax or any installment thereof
12 to a date subsequent to the enactment of this Act, the
13 amount of the allowance provided in subdivision (a) shall
14 be applied in reduction of the amount of tax shown upon
15 the return, or, if the tax is to be paid in installments, shall
16 be prorated to the four installments. The amount so pro-
17 rated to any installment, the date for payment of which has
18 not arrived, shall be applied in reduction thereof. The
19 amount so prorated to any installment, the date for payment
20 of which has arrived, shall be credited against the install-
21 ment next falling due after the enactment of this Act.

22 (e) Where the taxpayer at the time of the enactment
23 of this Act has not paid in full that part of the amount shown
24 as the tax upon the return which should have been paid on
25 or before the time of the enactment of this Act, then 25

1 per centum of any amount already paid shall be applied in
2 reduction of the amount unpaid (such unpaid amount being
3 first reduced by 25 per centum thereof) and any excess shall
4 be credited or refunded as provided in section 281 of this Act.

5 (f) If the correct amount of the tax is determined to
6 be in excess of the amount shown as the tax upon the return
7 and a deficiency has been assessed before the enactment of
8 this Act, then 25 per centum of any amount of such defi-
9 ciency which has been paid shall be applied in reduction of
10 the amount unpaid (such unpaid amount being first reduced
11 by 25 per centum thereof) and any excess shall be credited
12 or refunded as provided in section 281 of this Act. Any
13 deficiency assessed after the enactment of this Act shall be
14 reduced by 25 per centum of the amount which would have
15 been assessed as a deficiency if this title had not been enacted.

16 (g) The allowance provided in subdivision (a) shall
17 be deducted from the tax or deficiency for the purpose of
18 determining the amount on which any interest, penalties or
19 additions to the tax shall be based.

20 *Sec. 4204-1301.* (a) Any taxpayer making return, for
21 a period beginning in 1922 and ending in 1923, of the taxes
22 imposed by Parts I and II of Title II of the Revenue Act
23 of 1921, shall be entitled to an allowance by credit or refund
24 of 25 per centum of the same proportion of his tax for such
25 period (determined under the law applicable to the calendar

1 year 1923 and at the rates for such year) which the portion
2 of such period falling within the calendar year 1923 is of
3 the entire period.

4 (b) Any taxpayer making return, for a period begin-
5 ning in 1923 and ending in 1924, of the taxes imposed by
6 Part I and II of Title II of this Act, shall be entitled to
7 an allowance by credit or refund of 25 per centum of the
8 same proportion of a tax for such period (determined under
9 the law applicable to the calendar year 1923 and at the rates
10 for such year) which the portion of such period falling
11 within the calendar year 1923 is of the entire period.

12 (c) In the case of a deficiency assessed upon a taxpayer
13 entitled to the benefits of subdivision (a) or (b) in respect
14 of the tax for a period beginning in 1922 and ending in
15 1923 or beginning in 1923 and ending in 1924, the allow-
16 ance provided for in subdivisions (a) and (b) shall be made
17 in respect of such deficiency in a similar manner to that
18 provided in subdivision (f) of section ~~4200~~ 1300.

19 SEC. ~~4202~~ 1302. Any taxpayer who has made return of
20 the taxes imposed by Parts I and II of Title II of the Revenue
21 Act of 1921, for a period of less than a year and beginning
22 and ending within the calendar year 1923, shall be entitled
23 to an allowance by credit or refund of 25 per centum of the
24 amount shown as the tax upon his return. If the correct
25 amount of the tax for such period is determined to be in ex-

1 cess of the amount shown as the tax upon the return, the
2 taxpayer shall be entitled to the benefits of subdivision (f)
3 of section ~~4200~~ 1300 of this Act.

4 SEC. ~~4203~~ 1303. The allowance provided in sections
5 ~~4204 and 4202~~ 1301 and 1302 shall, under rules and regula-
6 tions prescribed by the Commissioner with the approval of
7 the Secretary, be made in a similar manner to that provided
8 in section ~~4200~~ 1300.

9 SEC. ~~4204~~ 1304. The interest provided in section ~~4040~~
10 1119 of this Act shall not be allowed in respect of the allow-
11 ance provided for in this title.

12 SEC. ~~4205~~ 1305. The benefits of the allowance provided
13 for in this title shall be granted to the taxpayer under rules
14 and regulations prescribed by the Commissioner with the ap-
15 proval of the Secretary.

16 SEC. ~~4206~~ 1306. Terms defined in the Revenue Act
17 of 1921 shall, when used in this title, have the meaning
18 assigned to such terms in that Act.

Passed the House of Representatives February 29, 1924.

Attest:

WM. TYLER PAGE,

Clerk.



68TH CONGRESS
1ST SESSION

H. R. 6715

[Report No. —.]

AN ACT

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

FEBRUARY 29 (calendar day, MARCH 1), 1924

Read twice and referred to the Committee on Finance

APRIL 10, 1924

Reported with amendments