

Calendar No. 914

63D CONGRESS, }
3d Session. }

SENATE.

} REPORT
} No. 1032.

MANUFACTURE OF DENATURED ALCOHOL BY MIXING DOMESTIC AND WOOD ALCOHOL.

FEBRUARY 19 (calendar day, FEBRUARY 24), 1915.—Ordered to be printed.

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

REPORT.

[To accompany H. R. 9591.]

The Committee on Finance, to whom was referred the bill (H. R. 9591) to permit the manufacture of denatured alcohol by mixing domestic alcohol while in process of distillation, having considered the same, report thereon with a recommendation that it do pass.

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

[House Report No. 1018, Sixty-third Congress, second session.]

The Committee on Ways and Means, to whom was referred the bill (H. R. 9591) to permit the manufacture of denatured alcohol by mixing domestic and wood alcohol while in process of distillation, having had the same under consideration, report it back to the House without amendment and recommend that the bill do pass.

One of the oldest and most general sources of governmental income is a tax on the manufacture and sale of alcohol. The United States Government formerly imposed and collected a tax on all alcohol produced and sold in this country, no matter for what purpose it was to be used. This country, together with other great countries of the world, gradually awoke to the realization that alcohol was immensely useful in certain of the arts and for the production of light, heat, and power, and decided to do away with the tax on alcohol when rendered unfit for use as a beverage or "denatured," as this came to be called, in order to encourage its manufacture and use for industrial purposes. After exhaustive investigations, Congress passed the first so-called denatured alcohol law, approved June 7, 1906. By the provisions of this law domestic alcohol to be used "in the arts and industries and for fuel, light, and power, provided the said alcohol shall have been mixed in the presence and under the direction of an authorized Government officer, after withdrawal from the distillery warehouse, with methyl alcohol, or other denaturing material, or materials, or admixture of the same, suitable to the use for which the alcohol is withdrawn, but which destroys its character as a beverage and renders it unfit for liquid medicinal purposes," may be sold tax free.

The wisdom of the United States Government in adopting a change of policy as to denatured alcohol can not be questioned. The supply of coal and petroleum is fixed and incapable of indefinite increase, while denatured alcohol can be made from annual crops (in part, at least, from waste products), and, therefore, to all intents and purposes has inexhaustible sources of supply.

The impression was created that this act would enable farmers to make denatured alcohol largely from the waste materials of the farm and make its purchase possible at a low figure. The regulations and restrictions with which the Internal Revenue Bureau was forced to surround this law were so stringent and made the financial outlay necessary in building the necessary apparatus and plant with which to produce

the alcohol so great that the act did not place the farmers in the position they anticipated, and a cheap, tax-free denatured alcohol was not realized.

The failure of this act to produce the desired results was soon brought to the attention of Congress. As a result there was enacted, only nine months later, an amendatory act, approved March 2, 1907. To a certain extent this act succeeded in liberalizing and modifying the provisions of the former act in such a way as to free it from all unnecessary onerous regulations and statutes, but failed in solving the problem of the production of denatured alcohol by farmers. The comparatively large cost of installing a distilling plant and the high degree of skill necessary, in order to produce a grade of alcohol suitable for denaturation, prevented any industrial distilleries from being operated under this statute.

The next legislation by Congress to liberalize the laws relating to the manufacture of denatured alcohol was enacted in the tariff act of October 3, 1913. Subsection 2, paragraph N, of section 4 of this act removed the limitations as to capacity of industrial distilleries, and also eliminated the requirement that the spirits be raised, in the first instance, to a proof of 180, which was impossible in a small distillery such as would be economical for use on the farm.

This enactment constituted the most liberal step taken to promote the manufacture of denatured alcohol in industrial distilleries, but, unfortunately, it does not fully meet the existing situation.

At the time of the passage of the acts of 1906 and 1907, it was supposed that the only way in which denatured alcohol could be produced was—

1. By mixing ethyl alcohol.
2. By making the various denaturing materials to be mixed with it for the purpose of denaturing it.
3. By mechanically mixing the ethyl alcohol with these denaturing materials in such proportions and under such conditions as would accomplish the desired result.

The idea has frequently arisen in the minds of consumers of denatured alcohol, in the arts and industries, that it ought to be possible to obtain it at a cheaper price and simplify its manufacture by making denatured alcohol at one and the same time by one process and under one roof. Various suggestions as to how this might be accomplished have been advanced. One process suggested may be briefly described.

The usual apparatus of an ethyl-alcohol distiller, is attached to the usual apparatus for the destructive distillation of wood (by means of which methyl alcohol is produced) in such a manner that the ethyl alcohol, before it has passed through the state of vapor, or while in the original closed and continuous process of distillation, is intermingled with the vapors arising from the destructive distillation of wood or other suitable denaturing material or materials, or admixture of the same, thereby producing a distillate which is neither ethyl alcohol nor methyl alcohol, although containing both substances, but which is suitable for industrial purposes. Those who have devised this process call the product "distol" and claim that it differs in no essential respects from what is already known as denatured alcohol.

When the denatured-alcohol acts were passed, no process such as is above described was known to the trade, and consequently the laws were so drawn as to provide for no other method of denaturing alcohol save the mechanical admixture of the finished products. Therefore, when the manufacture of denatured alcohol under the new method was about to be started, and application was made to the Commissioner of Internal Revenue for permission to utilize the new process, it was discovered that without an amendment to the legislation now on the statute books it was not within the power of the commissioner to grant such privilege. The amendment to the denatured-alcohol laws embodied in the recent tariff act, while, as before mentioned, liberalizing and broadening these laws, failed to authorize the granting of such privilege. It is for this reason that the proposed amendment to the denatured-alcohol law has been drafted. It is believed that the new process is entirely practicable and can be operated in such a way as to make sure that the revenues of the Government will be entirely safeguarded. It is claimed by those who have devised the new process that it will result in very much cheaper denatured alcohol, so that under this process all the long-promised benefits of the denatured-alcohol laws will finally accrue to the people. If the new process should turn out to be everything which its promoters claim, it will constitute a distinct advance in the production of denatured alcohol. It seems to the committee, therefore, that it ought to be encouraged. As the change in the law suggested by H. R. 9591 is necessary in order that the commercial possibilities of the new process should be fully tested by actual operation, the Committee on Ways and Means is unanimous in favorably reporting the bill and urging its passage by the Congress.