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## RELATING TO THE TRANSFER OF AND PAYMENT OF TAX ON VODKA

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MAY 17, 1951.—Ordered to be printed

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

### REPORT

[To accompany H. R. 1613]

The Committee on Finance, to whom was referred the bill (H. R. 1613) to amend section 2883 (d) of the Internal Revenue Code as amended by Public Law 448, Eighty-first Congress, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

By virtue of this act, the Committee on Finance accepts the report of the Committee on Ways and Means as follows:

#### GENERAL STATEMENT

The purpose of this bill is to provide that vodka of any proof may be transferred in bond by pipeline from receiving cisterns in distilleries direct to storage tanks in an internal-revenue-bonded warehouse located on the bonded premises where produced, or located contiguous thereto. The bill would also provide that such vodka may, upon tax payment, be transferred by pipeline from distillery receiving cisterns and from such warehouse storage tanks to a contiguous tax-paid bottling house or rectifying plant. These privileges have been accorded gin of any proof under Public Law 448, Eighty-first Congress. Since the characteristics of gin and vodka are quite similar, your committee believes that similar provisions should be enacted as to vodka.

The purpose of Public Law 448 was to modernize the requirements and procedures for the warehousing and tax payment of domestically distilled spirits by providing for the use of tax-stamp machines and other devices as an alternative method of paying the tax, and it applied substantially the same principles of taxation for distilled spirits which had been authorized previously by Congress in the case of fermented malt liquors in Public Law 261, Eighty-first Congress.

Vodka is a beverage distilled spirit comparable to gin with respect to manufacture and the lack of necessity for aging for an extended period. Like gin, it is not warehoused in plain or charred wooden casks or packages to perfect its quality for marketing, as are other beverage distilled spirits.

Except with respect to gin, and rum for denaturation, section 2883 now authorizes only spirits of 160° of proof or more to be transferred by pipeline from distillery receiving cisterns to warehouse storage tanks. Your committee believes that it is proper to draw a distinction between the warehousing and vodka and gin of less than 160° of proof in storage tanks in a bonded warehouse located on or contiguous to the distillery premises and the warehousing of other distilled spirits of similar proof in such storage tanks. If vodka produced at a proof of less than 160° were permitted to be transferred by pipeline into storage tanks in an internal revenue bonded warehouse located on or contiguous to the distillery premises, and later, upon tax payment, transferred by pipeline to proper contiguous premises, a saving of time and money to both the industry and the Government would result.

This legislation passed the House in the Eighty-first Congress by unanimous consent on September 18, 1950, as H. R. 7932, House Report No. 2933. It was favorably reported to the Senate by the Senate Committee on Finance but was not acted upon in the Senate.

The Treasury Department has advised your committee that it does not object to the enactment of this legislation.

#### CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets; new matter is printed in italics; existing law in which no change is proposed is shown in roman):

#### INTERNAL REVENUE CODE

##### SEC. 2883. TRANSFER OF SPIRITS AT REGISTERED DISTILLERIES.

(a) \* \* \*

(b) \* \* \*

(c) \* \* \*

(d) TRANSFER OF **[GIN.]** *GIN AND VODKA.*—Gin and vodka of any proof may be transferred in bond by means of pipe lines from receiving cisterns in distilleries direct to storage tanks in the internal-revenue-bonded warehouse located on the bonded premises where produced, or located contiguous thereto, and be warehoused in such storage tanks. **[Such gin may, upon tax payment,]** *Upon tax payment, gin and vodka of any proof may be transferred by pipe line from receiving cisterns in distilleries, or from storage tanks in internal-revenue-bonded warehouses located on or contiguous to the bonded premises of the producing distillery, to a contiguous tax-paid bottling house or rectifying plant.*

