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[COMMITTEE PRINT NO. 1]
REVENUE ACT OF 1932

COMPARATIVE PRINT

Showing Changes from Existing Law Made by the Bill as Passed by the House of Representatives

72^D CONGRESS
1st Session

H. R. 10236

IN THE SENATE OF THE UNITED STATES

APRIL 4, 1932

Read twice and referred to the Committee on Finance

(Part printed in italic is new matter; part struck through is present law proposed to be omitted; part in Roman type is present law in which no change is proposed)

AN ACT

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

To provide revenue, equalize taxation, 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 That this Act, divided into titles and sections according to
4 the following Table of Contents, may be cited as the
5 "Revenue Act of ~~1928~~ 1932":

BEST AVAILABLE COPY

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1 TITLE I—INCOME TAX

2 SUBTITLE A—INTRODUCTORY PROVISIONS

3 SEC. 1. APPLICATION OF TITLE.

4 The provisions of this title shall apply only to the tax-
5 able year ~~1928~~ 1932 and succeeding taxable years. Income,
6 war-profits, and excess-profits taxes for taxable years pre-
7 ceding the taxable year ~~1928~~ 1932 shall not be affected by
8 the provisions of this title, but shall remain subject to the
9 applicable provisions of prior revenue Acts, except as such
10 provisions are modified by Titles III, IV, and V Title IX
11 or section 811(c) of this Act or by legislation enacted sub-
12 sequent to this Act.

13 SEC. 2. CROSS REFERENCES.

14 The cross references in this title to other portions of
15 the title, where the word "see" is used, are made only
16 for convenience, and shall be given no legal effect,

1 **SEC. 2. CLASSIFICATION OF PROVISIONS.**

2 The provisions of this title are herein classified and
3 designated as—

4 Subtitle A—Introductory provisions,

5 Subtitle B—General provisions, divided into

6 Parts and sections,

7 Subtitle C—Supplemental provisions, divided

8 into Supplements and sections.

9 **SEC. 4. SPECIAL CLASSES OF TAXPAYERS.**

10 The application of the General Provisions and of
11 Supplements A to D, inclusive, to each of the following
12 special classes of taxpayers, shall be subject to the exceptions
13 and additional provisions found in the Supplement applicable
14 to such class, as follows:

15 (a) Estates and trusts and the beneficiaries thereof,—

16 Supplement E.

17 (b) Members of partnerships,—Supplement F.

18 (c) Insurance companies,—Supplement G.

19 (d) Nonresident alien individuals,—Supplement H.

20 (e) Foreign corporations,—Supplement I.

21 (f) Individual citizens of any possession of the United

22 States who are not otherwise citizens of the United States

23 and who are not residents of the United States,—Supple-

24 ment J,

1 (g) Individual citizens of the United States or domes-
 2 tic corporations, satisfying the conditions of section 251; by
 3 reason of deriving a large portion of their gross income
 4 from sources within a possession of the United States,—
 5 Supplement J.

6 (h) China Trade Act corporations,—Supplement, K.

7 **SUBTITLE B—GENERAL PROVISIONS**

8 **Part I—Rates of Tax**

9 **SEC. 11. NORMAL TAX ON INDIVIDUALS**

10 There shall be levied, collected, and paid for each
 11 taxable year upon the net income of every individual a
 12 normal tax equal to the sum of the following:

13 (a) ~~1½ per centum~~ *2 per centum* of the first \$4,000
 14 of the amount of the net income in excess of the credits
 15 against net income provided in section 25;

16 (b) ~~3 per centum~~ *4 per centum* of the next \$4,000
 17 of such excess amount; and

18 (c) ~~5 per centum~~ *7 per centum* of the remainder
 19 of such excess amount.

20 **SEC. 12. SURTAX ON INDIVIDUALS**

21 (a) **RATES OF SURTAX.**—There shall be levied, col-
 22 lected, and paid for each taxable year upon the net income
 23 of every individual a surtax as follows:

1 Upon a net income of \$10,000 there shall be no
2 surtax; upon net incomes in excess of \$10,000 and not
3 in excess of \$14,000, 1 per centum of such excess.

4 \$40 upon net incomes of \$14,000; and upon net
5 incomes in excess of \$14,000 and not in excess of
6 \$16,000, 2 per centum in addition of such excess.

7 \$80 upon net incomes of \$16,000; and upon net
8 incomes in excess of \$16,000 and not in excess of
9 \$18,000, 3 per centum in addition of such excess.

10 \$140 upon net incomes of \$18,000; and upon net
11 incomes in excess of \$18,000 and not in excess of
12 \$20,000, 4 per centum in addition of such excess.

13 \$220 upon net incomes of \$20,000; and upon net
14 incomes in excess of \$20,000 and not in excess of
15 \$22,000, 5 per centum in addition of such excess.

16 \$320 upon net incomes of \$22,000; and upon net
17 incomes in excess of \$22,000 and not in excess of
18 \$24,000, 6 per centum in addition of such excess.

19 \$440 upon net incomes of \$24,000; and upon net
20 incomes in excess of \$24,000 and not in excess of
21 \$28,000, 7 per centum in addition of such excess.

22 \$720 upon net incomes of \$28,000; and upon net
23 incomes in excess of \$28,000 and not in excess of
24 \$32,000, 8 per centum in addition of such excess.

1 **\$1,040** upon net incomes of **\$82,000**; and upon
 2 net incomes in excess of **\$82,000** and not in excess of
 3 **\$86,000**, **9** per centum in addition of such excess.

4 **\$1,100** upon net incomes of **\$86,000**; and upon
 5 net incomes in excess of **\$86,000** and not in excess of
 6 **\$40,000**, **10** per centum in addition of such excess. 3

7 **\$1,800** upon net incomes of **\$40,000**; and upon
 8 net incomes in excess of **\$40,000** and not in excess of
 9 **\$44,000**, **11** per centum in addition of such excess: 1

10 **\$2,240** upon net incomes of **\$44,000**; and upon
 11 net incomes in excess of **\$44,000** and not in excess of
 12 **\$48,000**, **12** per centum in addition of such excess.

13 **\$2,720** upon net incomes of **\$48,000**; and upon
 14 net incomes in excess of **\$48,000** and not in excess of
 15 **\$52,000**, **13** per centum in addition of such excess.

16 **\$3,240** upon net incomes of **\$52,000**; and upon
 17 net incomes in excess of **\$52,000** and not in excess of
 18 **\$56,000**, **14** per centum in addition of such excess.

19 **\$3,800** upon net incomes of **\$56,000**; and upon
 20 net incomes in excess of **\$56,000** and not in excess of
 21 **\$60,000**, **15** per centum in addition of such excess.

22 **\$4,400** upon net incomes of **\$60,000**; and upon
 23 net incomes in excess of **\$60,000** and not in excess of
 24 **\$64,000**, **16** per centum in addition of such excess.

1 **\$5,040** upon net incomes of **\$64,000**; and upon
 2 net incomes in excess of **\$64,000** and not in excess of
 3 **\$70,000**, 17 per centum in addition of such excess.

4 **\$6,000** upon net incomes of **\$70,000**; and upon
 5 net incomes in excess of **\$70,000** and not in excess of
 6 **\$80,000**, 18 per centum in addition of such excess.

7 **\$7,800** upon net incomes of **\$80,000**; and upon
 8 net incomes in excess of **\$80,000** and not in excess of
 9 **\$100,000**, 19 per centum in addition of such excess.

10 **\$11,000** upon net incomes of **\$100,000**; and upon
 11 net incomes in excess of **\$100,000**, in addition 20 per
 12 centum of such excess.

13 *Upon a net income of \$6,000 there shall be no*
 14 *surtax; upon net incomes in excess of \$6,000 and not*
 15 *in excess of \$10,000, 1 per centum of such excess.*

16 **\$40** upon net incomes of **\$10,000**; and upon net
 17 incomes in excess of **\$10,000** and not in excess of
 18 **\$14,000**, 2 per centum in addition of such excess.

19 **\$120** upon net incomes of **\$14,000**; and upon net
 20 incomes in excess of **\$14,000** and not in excess of
 21 **\$16,000**, 3 per centum in addition of such excess.

22 **\$180** upon net incomes of **\$16,000**; and upon net
 23 incomes in excess of **\$16,000** and not in excess of
 24 **\$18,000**, 4 per centum in addition of such excess.

1 **\$360** upon net incomes of **\$18,000**; and upon net
 2 incomes in excess of **\$18,000** and not in excess of
 3 **\$20,000**, **5** per centum in addition of such excess.

4 **\$360** upon net incomes of **\$20,000**; and upon net
 5 incomes in excess of **\$20,000** and not in excess of
 6 **\$22,000**, **6** per centum in addition of such excess.

7 **\$480** upon net incomes of **\$22,000**; and upon net
 8 incomes in excess of **\$22,000** and not in excess of
 9 **\$24,000**, **7** per centum in addition of such excess.

10 **\$620** upon net incomes of **\$24,000**; and upon net
 11 incomes in excess of **\$24,000** and not in excess of
 12 **\$26,000**, **8** per centum in addition of such excess.

13 **\$780** upon net incomes of **\$26,000**; and upon net
 14 incomes in excess of **\$26,000** and not in excess of
 15 **\$28,000**, **9** per centum in addition of such excess.

16 **\$960** upon net incomes of **\$28,000**; and upon net
 17 incomes in excess of **\$28,000** and not in excess of
 18 **\$30,000**, **10** per centum in addition of such excess.

19 **\$1,160** upon net incomes of **\$30,000**; and upon
 20 net incomes in excess of **\$30,000** and not in excess of
 21 **\$32,000**, **11** per centum in addition of such excess.

22 **\$1,380** upon net incomes of **\$32,000**; and upon
 23 net incomes in excess of **\$32,000** and not in excess of
 24 **\$34,000**, **12** per centum in addition of such excess.

1 *\$1,620 upon net incomes of \$34,000; and upon*
2 *net incomes in excess of \$34,000 and not in excess of*
3 *\$36,000, 13 per centum in addition of such excess.*

4 *\$1,880 upon net incomes of \$36,000; and upon*
5 *net incomes in excess of \$36,000 and not in excess of*
6 *\$38,000, 14 per centum in addition of such excess.*

7 *\$2,160 upon net incomes of \$38,000; and upon*
8 *net incomes in excess of \$38,000 and not in excess of*
9 *\$40,000, 15 per centum in addition of such excess.*

10 *\$2,460 upon net incomes of \$40,000; and upon*
11 *net incomes in excess of \$40,000 and not in excess of*
12 *\$42,000, 16 per centum in addition of such excess.*

13 *\$2,780 upon net incomes of \$42,000; and upon*
14 *net incomes in excess of \$42,000 and not in excess of*
15 *\$44,000, 17 per centum in addition of such excess.*

16 *\$3,120 upon net incomes of \$44,000; and upon*
17 *net incomes in excess of \$44,000 and not in excess of*
18 *\$46,000, 18 per centum in addition of such excess.*

19 *\$3,480 upon net incomes of \$46,000; and upon*
20 *net incomes in excess of \$46,000 and not in excess of*
21 *\$48,000, 19 per centum in addition of such excess.*

22 *\$3,860 upon net incomes of \$48,000; and upon*
23 *net incomes in excess of \$48,000 and not in excess of*
24 *\$50,000, 20 per centum in addition of such excess.*

1 \$4,260 upon net incomes of \$50,000; and upon
2 net incomes in excess of \$50,000 and not in excess of
3 \$52,000, 21 per centum in addition of such excess.

4 \$4,680 upon net incomes of \$52,000; and upon
5 net incomes in excess of \$52,000 and not in excess of
6 \$54,000, 22 per centum in addition of such excess.

7 \$5,120 upon net incomes of \$54,000; and upon
8 net incomes in excess of \$54,000 and not in excess of
9 \$56,000, 23 per centum in addition of such excess.

10 \$5,580 upon net incomes of \$56,000; and upon
11 net incomes in excess of \$56,000 and not in excess of
12 \$58,000, 24 per centum in addition of such excess.

13 \$6,060 upon net incomes of \$58,000; and upon
14 net incomes in excess of \$58,000 and not in excess of
15 \$60,000, 25 per centum in addition of such excess.

16 \$6,560 upon net incomes of \$60,000; and upon
17 net incomes in excess of \$60,000 and not in excess of
18 \$62,000, 26 per centum in addition of such excess.

19 \$7,080 upon net incomes of \$62,000; and upon
20 net incomes in excess of \$62,000 and not in excess of
21 \$64,000, 27 per centum in addition of such excess.

22 \$7,620 upon net incomes of \$64,000; and upon
23 net incomes in excess of \$64,000 and not in excess of
24 \$66,000, 28 per centum in addition of such excess.

1 \$8,180 upon net incomes of \$66,000; and upon
2 net incomes in excess of \$66,000 and not in excess of
3 \$68,000, 29 per centum in addition of such excess.

4 \$8,760 upon net incomes of \$68,000; and upon
5 net incomes in excess of \$68,000 and not in excess of
6 \$70,000, 30 per centum in addition of such excess.

7 \$9,360 upon net incomes of \$70,000; and upon
8 net incomes in excess of \$70,000 and not in excess of
9 \$72,000, 31 per centum in addition of such excess.

10 \$9,980 upon net incomes of \$72,000; and upon
11 net incomes in excess of \$72,000 and not in excess of
12 \$74,000, 32 per centum in addition of such excess.

13 \$10,620 upon net incomes of \$74,000; and upon
14 net incomes in excess of \$74,000 and not in excess of
15 \$76,000, 33 per centum in addition of such excess.

16 \$11,280 upon net incomes of \$76,000; and upon
17 net incomes in excess of \$76,000 and not in excess of
18 \$78,000, 34 per centum in addition of such excess.

19 \$11,960 upon net incomes of \$78,000; and upon
20 net incomes in excess of \$78,000 and not in excess of
21 \$80,000, 35 per centum in addition of such excess.

22 \$12,660 upon net incomes of \$80,000; and upon
23 net incomes in excess of \$80,000 and not in excess of
24 \$85,000, 36 per centum in addition of such excess.

1 \$14,460 upon net incomes of \$85,000; and upon
2 net incomes in excess of \$85,000 and not in excess of
3 \$90,000, 37 per centum in addition of such excess.

4 \$16,310 upon net incomes of \$90,000; and upon
5 net incomes in excess of \$90,000 and not in excess of
6 \$95,000, 38 per centum in addition of such excess.

7 \$18,210 upon net incomes of \$95,000; and upon
8 net incomes in excess of \$95,000 and not in excess of
9 \$100,000, 39 per centum in addition of such excess.

10 \$20,160 upon net incomes of \$100,000; and upon
11 net incomes in excess of \$100,000, 40 per centum in
12 addition of such excess.

13 (b) SALE OF MINES AND OIL OR GAS WELLS.—For
14 limitation of surtax attributable to sale of mines and oil or
15 gas wells, see section 102.

16 (c) CAPITAL NET GAINS AND LOSSES.—For rate
17 and computation of tax in lieu of normal and surtax in case
18 of net incomes of not less than ~~\$20,000~~ \$25,000, approxi-
19 mately, or in case of net incomes, excluding items of capital
20 gain, capital loss, and capital deductions, of not less than
21 ~~\$20,000~~ \$25,000, approximately, see section 101.

22 (d) EVASION OF SURTAXES BY INCORPORATION.—
23 For tax on corporations which accumulate surplus to evade
24 surtax on stockholders, see section 104.

1 **SEC. 13. TAX ON CORPORATIONS.**

2 (a) **RATE OF TAX.**—There shall be levied, collected,
3 and paid for each taxable year upon the net income of every
4 corporation, a tax of ~~12 per centum~~ *13½ per centum* of the
5 amount of the net income in excess of the credits against
6 net income provided in section 26.

7 (b) **EXEMPT CORPORATIONS.**—For corporations ex-
8 empt from tax, see section 103.

9 (c) **IMPROPER ACCUMULATION OF SURPLUS.**—For
10 tax on corporations which accumulate surplus to evade
11 surtax on stockholders, see section 104.

12 **SEC. 14. TAXABLE PERIOD EMBRACING YEARS WITH DIF-**
13 **FERENT LAWS.**

14 If a taxable period embraces portions of two calendar
15 years for which the laws are different, the tax shall be
16 computed as provided in section 105.

17 **Part II—Computation of Net Income**

18 **SEC. 21. NET INCOME.**

19 “Net income” means the gross income computed
20 under section 22, less the deductions allowed by section 23.

21 **SEC. 22. GROSS INCOME.**

22 (a) **GENERAL DEFINITION.**—“Gross income” in-
23 cludes gains, profits, and income derived from salaries,
24 wages, or compensation for personal service, of whatever
25 kind and in whatever form paid, or from professions, vo-

1 cations, trades, businesses, commerce, or sales, or dealings
2 in property, whether real or personal, growing out of the
3 ownership or use of or interest in such property; also from
4 interest, rent, dividends, securities, or the transaction of any
5 business carried on for gain or profit, or gains or profits
6 and income derived from any source whatever.

7 (b) EXCLUSIO. FROM GROSS INCOME.—The follow-
8 ing items shall not be included in gross income and shall be
9 exempt from taxation under this title:

10 (1) LIFE INSURANCE.—Amounts received under
11 a life insurance contract paid by reason of the death
12 of the insured, whether in a single sum or in install-
13 ments (but if such amounts are held by the insurer
14 under an agreement to pay interest thereon, the in-
15 terest payments shall be included in gross income);

16 (2) ANNUITIES, ETC.—Amounts received (other
17 than amounts paid by reason of the death of the
18 insured and interest payments on such amounts)
19 under a life insurance, endowment, or annuity con-
20 tract, but if such amounts (when added to amounts
21 received before the taxable year under such contract)
22 exceed the aggregate premiums or consideration paid
23 (whether or not paid during the taxable year) then
24 the excess shall be included in gross income. In the
25 case of a transfer for a valuable consideration, by as-

1 signment or otherwise, of a life insurance, endowment,
2 or annuity contract, or any interest therein, only the
3 actual value of such consideration and the amount
4 of the premiums and other sums subsequently paid by
5 the transferee shall be exempt from taxation under
6 paragraph (1) or this paragraph;

7 (3) GIFTS, REQUESTS, AND DEVISES.—The value
8 of property acquired by gift, bequest, devise, or in-
9 heritance (but the income from such property shall
10 be included in gross income);

11 (4) TAX-FREE INTEREST.—Interest upon (A)
12 the obligations of a State, Territory, or any political
13 subdivision thereof, or the District of Columbia; or
14 (B) securities issued under the provisions of the Fed-
15 eral Farm Loan Act, or under the provisions of such
16 Act as amended; or (C) the obligations of the United
17 States or its possessions. Every person owning any
18 of the obligations or securities enumerated in clause
19 (A), (B), or (C) shall, in the return required by this
20 title, submit a statement showing the number and
21 amount of such obligations and securities owned by him
22 and the income received therefrom, in such form and
23 with such information as the Commissioner may re-
24 quire. In the case of obligations of the United States
25 issued after September 1, 1917 (other than postal

1 savings certificates of deposit), the interest shall be
 2 exempt only if and to the extent provided in the re-
 3 spective Acts authorizing the issue thereof as amended
 4 and supplemented, and shall be excluded from gross
 5 income only if and to the extent it is wholly exempt
 6 to the taxpayer from ~~income taxes~~ *the taxes imposed*
 7 *by this title;*

8 (5) COMPENSATION FOR INJURIES OR SICK-
 9 NESS.—Amounts received, through accident or health
 10 insurance or under workmen's compensation acts, as
 11 compensation for personal injuries or sickness, plus the
 12 amount of any damages received whether by suit or
 13 agreement on account of such injuries or sickness;

14 (6) PENSIONS AND WORLD WAR COMPENSATION
 15 PAYMENTS.—Amounts received as compensation, fam-
 16 ily allotments and allowances under the provisions of
 17 the War Risk Insurance and the Vocational Rehabilita-
 18 tion Acts or the World War Veterans' Act, 1924, or as
 19 pensions from the United States for service of the bene-
 20 ficiary or another in the military or naval forces of the
 21 United States in time of war, or as a State pension for
 22 services rendered by the beneficiary or another for
 23 which the State is paying a pension;

24 (7) BUILDING AND LOAN ASSOCIATIONS.—The
 25 amount received by an individual as dividends or inter-

1 est from domestic building and loan associations, sub-
 2 stantially all the business of which is confined to making
 3 loans to members, but the amount excluded from gross
 4 income under this paragraph in any taxable year shall
 5 not exceed \$300;

6 ~~(8)~~ (7) MINISTERS.—The rental value of a
 7 dwelling house and appurtenances thereof furnished to
 8 a minister of the gospel as part of his compensation;

9 ~~(9)~~ (8) MISCELLANEOUS ITEMS.—The following
 10 items, to the extent provided in section 116:

11 Earned income from sources without the
 12 United States;

13 Salaries of certain Territorial employees;

14 The income of foreign governments;

15 Income of States, municipalities and other
 16 political subdivisions;

17 Receipts of ship owners' mutual protection
 18 and indemnity associations;

19 Dividends from China Trade Act corpora-
 20 tions.

21 (c) INVENTORIES.—Whenever in the opinion of the
 22 Commissioner the use of inventories is necessary in order
 23 clearly to determine the income of any taxpayer, inventories
 24 shall be taken by such taxpayer upon such basis as the Com-
 25 missioner, with the approval of the Secretary, may prescribe

1 as conforming as nearly as may be to the best accounting
 2 practice in the trade or business and as most clearly reflecting
 3 the income.

4 (d) DISTRIBUTIONS BY CORPORATIONS.—Distribu-
 5 tions by corporations shall be taxable to the shareholders as
 6 provided in section 115.

7 (e) DETERMINATION OF GAIN OR LOSS.—In the case
 8 of a sale or other disposition of property, the gain or loss shall
 9 be computed as provided in sections 111, 112, and 113.

10 (f) GROSS INCOME FROM SOURCES WITHIN AND
 11 WITHOUT UNITED STATES.—For computation of gross in-
 12 come from sources within and without the United States,
 13 see section 119.

14 **SEC. 23. DEDUCTIONS FROM GROSS INCOME.**

15 In computing net income there shall be allowed as
 16 deductions:

17 (a) EXPENSES.—All the ordinary and necessary ex-
 18 penses paid or incurred during the taxable year in carrying
 19 on any trade or business, including a reasonable allowance for
 20 salaries or other compensation for personal services actually
 21 rendered; traveling expenses (including the entire amount
 22 expended for meals and lodging) while away from home in
 23 the pursuit of a trade or business; and rentals or other pay-
 24 ments required to be made as a condition to the continued
 25 use or possession, for purposes of the trade or business, of

1 property to which the taxpayer has not taken or is not taking
2 title or in which he has no equity.

3 (b) INTEREST.—All interest paid or accrued within
4 the taxable year on indebtedness, except on indebtedness
5 incurred or continued to purchase or carry obligations or
6 securities (other than obligations of the United States issued
7 after September 24, 1917, and originally subscribed for by
8 the taxpayer) the interest upon which is wholly exempt
9 from ~~taxation under the taxes imposed by~~ this title.

10 (c) TAXES GENERALLY.—Taxes paid or accrued
11 within the taxable year, except—

12 (1) income, war-profits, and excess-profits taxes
13 imposed by the authority of the United States;

14 (2) ~~so much of the~~ income, war-profits, and ex-
15 cess-profits taxes imposed by the authority of any
16 foreign country or possession of the United States as
17 is allowed as a credit against the tax under section 131
18 States; but this deduction shall be allowed in the case
19 of a taxpayer who does not signify in his return his
20 desire to have the benefits of section 131 (relating to
21 credit for taxes of foreign countries and possessions of
22 the United States); and

23 (3) taxes assessed against local benefits of a kind
24 tending to increase the value of the property assessed;
25 but this paragraph shall not exclude the allowance as

1 a deduction of so much of such taxes as is properly
2 allocable to maintenance or interest charges.

3 For the purpose of this subsection, estate, inheritance,
4 legacy, and succession taxes accrue on the due date thereof,
5 except as otherwise provided by the law of the jurisdiction
6 imposing such taxes, and shall be allowed as a deduction
7 only to the estate.

8 (d) TAXES OF SHAREHOLDER PAID BY CORPORATION.—
9 TION.—The deduction for taxes allowed by subsection (c)
10 shall be allowed to a corporation in the case of taxes imposed
11 upon a shareholder of the corporation upon his interest as
12 shareholder which are paid by the corporation without re-
13 imbursement from the shareholder, but in such cases no
14 deduction shall be allowed the shareholder for the amount
15 of such taxes.

16 (e) LOSSES BY INDIVIDUALS.—*In Subject to the lim-*
17 *itations provided in subsections (r), (s), and (t) of this*
18 *section, in the case of an individual, losses sustained during*
19 *the taxable year and not compensated for by insurance or*
20 *otherwise—*

21 (1) if incurred in trade or business; or

22 (2) if incurred in any transaction entered into
23 for profit, though not connected with the trade or
24 business; or

1 (3) of property not connected with the trade or
2 business, if the loss arises from fires, storms, shipwreck,
3 or other casualty, or from theft.

4 (f) LOSSES BY CORPORATIONS.—~~In~~ *Subject to the lim-*
5 *itations provided in subsections (r), (s), and (t) of this*
6 *section, in the case of a corporation, losses sustained during*
7 the taxable year and not compensated for by insurance or
8 otherwise.

9 (g) BASIS FOR DETERMINING LOSS.—The basis for
10 determining the amount of deduction for losses sustained,
11 to be allowed under subsection (e) or (f), shall be the
12 same as is provided in ~~section 113~~ *adjusted basis provided in*
13 *section 113(b)* for determining the gain or loss from the
14 sale or other disposition of property.

15 (h) LOSS ON SALE OF STOCK OR SECURITIES.—For
16 disallowance of loss deduction in the case of sales of stock
17 or securities where within thirty days before or after
18 the date of the sale the taxpayer has acquired substantially
19 identical property, see section 118.

20 (i) NET LOSSES.—The special deduction for net losses
21 of ~~prior years~~ *a prior year*, to the extent provided in
22 section 117.

23 (j) BAD DEBTS.—Debts ascertained to be worthless
24 and charged off within the taxable year (or, in the discre-
25 tion of the Commissioner, a reasonable addition to a reserve

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

4 (k) DEPRECIATION.—A reasonable allowance for the
5 exhaustion, wear and tear of property used in the trade or
6 business, including a reasonable allowance for obsolescence.
7 In the case of property held by one person for life with
8 remainder to another person, the deduction shall be com-
9 puted as if the life tenant were the absolute owner of the
10 property and shall be allowed to the life tenant. In the case
11 of property held in trust the allowable deduction shall be
12 apportioned between the income beneficiaries and the trustee
13 in accordance with the pertinent provisions of the instru-
14 ment creating the trust, or, in the absence of such provi-
15 sions, on the basis of the trust income allocable to each.

16 (l) DEPLETION.—In the case of mines, oil and gas
17 wells, other natural deposits, and timber, a reasonable allow-
18 ance for depletion and for depreciation of improvements,
19 according to the peculiar conditions in each case; such
20 reasonable allowance in all cases to be made under rules
21 and regulations to be prescribed by the Commissioner, with
22 the approval of the Secretary. *In any case in which it is*
23 *ascertained as a result of development work that the recover-*
24 *able units are greater or less than the prior estimate thereof,*
25 *then such prior estimate (but not the basis for depletion) shall*

1 *be revised and the allowance under this subsection for*
2 *subsequent taxable years shall be based upon such revised*
3 *estimate.* In the case of leases the deduction shall be
4 equitably apportioned between the lessor and lessee. In
5 the case of property held by one person for life with
6 remainder to another person, the deduction shall be com-
7 puted as if the life tenant were the absolute owner of the
8 property and shall be allowed to the life tenant. In
9 the case of property held in trust the allowable deduction
10 shall be apportioned between the income beneficiaries and
11 the trustee in accordance with the pertinent provisions of
12 the instrument creating the trust, or, in the absence of such
13 provisions, on the basis of the trust income allocable to each.
14 (For percentage depletion in case of *sulphur and of oil and*
15 *gas wells, see section 114 (b) (3).*)

16 (m) BASIS FOR DEPRECIATION AND DEPLETION.—
17 The basis upon which depletion, exhaustion, wear and tear,
18 and obsolescence are to be allowed in respect of any property
19 shall be as provided in section 114.

20 (n) CHARITABLE AND OTHER CONTRIBUTIONS.—
21 In the case of an individual, contributions or gifts made
22 within the taxable year to or for the use of:

23 (1) the United States, any State, Territory, or
24 any political subdivision thereof, or the District of
25 Columbia, for exclusively public purposes;

1 (2) any a corporation, or trust, or community
 2 chest, fund, or foundation, organized and operated
 3 exclusively for religious, charitable, scientific, literary,
 4 or educational purposes, or for the prevention of cruelty
 5 to children or animals, no part of the net earnings of
 6 which inures to the benefit of any private shareholder
 7 or individual;

8 (3) the special fund for vocational rehabilitation
 9 authorized by section 7 of the ~~Vocational Rehabilitation~~
 10 *Act 12 of the World War Veterans' Act, 1924*;

11 (4) posts or organizations of war veterans, or
 12 auxiliary units or societies of any such posts or organ-
 13 izations, if such posts, organizations, units, or societies
 14 are organized in the United States or any of its posses-
 15 sions, and if no part of their net earnings inures to the
 16 benefit of any private shareholder or individual; or

17 (5) a fraternal society, order, or association, op-
 18 erating under the lodge system, but only if such con-
 19 tributions or gifts are to be used exclusively for
 20 religious, charitable, scientific, literary, or educational
 21 purposes, or for the prevention of cruelty to children
 22 or animals;

23 to an amount which in all the above cases combined does
 24 not exceed 15 per centum of the taxpayer's net income as
 25 computed without the benefit of this subsection. Such

1 contributions or gifts shall be allowable as deductions only
2 if verified under rules and regulations prescribed by the
3 Commissioner, with the approval of the Secretary. (For
4 unlimited deduction if contributions and gifts exceed 90 per
5 centum of the net income, see section 120.)

6 (o) FUTURE EXPENSES IN CASE OF CASUAL SALES
7 OF REAL PROPERTY.—In the case of a casual sale or other
8 casual disposition of real property by an individual, a reason-
9 able allowance for future expense liabilities, incurred under
10 the provisions of the contract under which such sale or other
11 disposition was made, under such regulations as the Com-
12 missioner, with the approval of the Secretary, may prescribe,
13 including the giving of a bond, with such sureties and in such
14 sum (not less than the estimated tax liability computed
15 without the benefit of this subsection) as the Commissioner
16 may require, conditioned upon the payment (notwithstand-
17 ing any statute of limitations) of the tax, computed without
18 the benefit of this subsection, in respect of any amounts
19 allowed as a deduction under this subsection and not actually
20 expended in carrying out the provisions of such contract.

21 (p) DIVIDENDS RECEIVED BY CORPORATIONS.—In
22 the case of a corporation, the amount received as dividends—

23 (1) from a domestic corporation *which is subject*
24 *to taxation under this title, or*

1 (2) from any foreign corporation when it is
2 shown to the satisfaction of the Commissioner that
3 more than 50 per centum of the gross income of such
4 foreign corporation for the three-year period ending
5 with the close of its taxable year preceding the declara-
6 tion of such dividends (or for such part of such period
7 as the foreign corporation has been in existence) was
8 derived from sources within the United States as deter-
9 mined under section 119.

10 The deduction allowed by this subsection shall not be
11 allowed in respect of dividends received from a corporation
12 organized under the China Trade Act, 1922, or from a
13 corporation which under section 251 is taxable only on its
14 gross income from sources within the United States by
15 reason of its receiving a large percentage of its gross income
16 from sources within a possession of the United States.

17 (q) PENSION TRUSTS.—An employer establishing or
18 maintaining a pension trust to provide for the payment of
19 reasonable pensions to his employees (if such trust is exempt
20 from tax under section 165, relating to trusts created for the
21 exclusive benefit of employees) shall be allowed as a deduc-
22 tion (in addition to the contributions to such trust during
23 the taxable year to cover the pension liability accruing
24 during the year, allowed as a deduction under subsection

1 (a) of this section) a reasonable amount transferred or paid
 2 into such trust during the taxable year in excess of such
 3 contributions, but only if such amount (1) has not thereto-
 4 fore been allowable as a deduction, and (2) is apportioned
 5 in equal parts over a period of ten consecutive years begin-
 6 ning with the year in which the transfer or payment is made.

7 (r) *LIMITATION ON STOCK LOSSES.*—Losses from
 8 sales or exchanges of stocks and bonds (as defined in sub-
 9 section (v) of this section) which are not capital assets (as
 10 defined in section 101) shall be allowed only to the extent
 11 of the gains from such sales or exchanges. This subsection
 12 shall not apply to a dealer in securities in respect of transac-
 13 tions in the ordinary course of his business with his customers.

14 (s) *SAME—CAPITAL ASSETS.*—Losses from sales or
 15 exchanges of stocks and bonds (as defined in subsection (v)
 16 of this section) which are capital assets (as defined in section
 17 101) shall be allowed only to the extent of the gains from
 18 such sales or exchanges.

19 (t) *SAME—OFFSETS.*—

20 (1) Losses disallowed as a deduction by subsec-
 21 tion (r) shall, for the purposes of this title, be consid-
 22 ered as losses from sales or exchanges of stocks or
 23 bonds which are capital assets.

24 (2) Losses disallowed as a deduction by subsection
 25 (s) shall, for the purposes of this title, be considered

1 as losses from sales or exchanges of stocks and bonds
 2 which are not capital assets. In no case shall this
 3 paragraph operate to make the tax less than a tax
 4 computed without regard to the provisions of subsections
 5 (r) and (s) and this subsection.

6 (u) SAME—SHORT SALES.—For the purposes of
 7 this title, gains or losses (A) from short sales of stocks and
 8 bonds, or (B) attributable to privileges or options to buy or
 9 sell such stocks and bonds, or (C) from sales or exchanges
 10 of such privileges or options, shall be considered as gains or
 11 losses from sales or exchanges of stocks or bonds which are
 12 not capital assets.

13 (v) DEFINITION OF STOCKS AND BONDS.—As used
 14 in subsections (r), (s), (t), and (u), the term "stocks and
 15 bonds" means (1) shares of stock in any corporation, or (2)
 16 rights to subscribe for or to receive such shares, or (3) bonds,
 17 debentures, notes, or certificates or other evidences of indebt-
 18 edness, issued by any corporation (other than a government
 19 or political subdivision thereof), with interest coupons
 20 or in registered form, or (4) certificates of profit, or of inter-
 21 est in property or accumulations, in any investment trust or
 22 similar organization holding or dealing in any of the instru-
 23 ments mentioned or described in this subsection, regardless
 24 of whether or not such investment trust or similar organiza-
 25 tion constitutes a corporation within the meaning of this Act.

1 SEC. 24. ITEMS NOT DEDUCTIBLE.

2 (a) GENERAL RULE.—In computing net income no
3 deduction shall in any case be allowed in respect of—

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

5 (2) Any amount paid out for new buildings, or
6 for permanent improvements or betterments made to
7 increase the value of any property or estate;

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

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

16 (b) HOLDERS OF LIFE OR TERMINABLE INTEREST.—

17 Amounts paid under the laws of any State, Territory, Dis-
18 trict of Columbia, possession of the United States, or foreign
19 country as income to the holder of a life or terminable
20 interest acquired by gift, bequest, or inheritance shall not be
21 reduced or diminished by any deduction for shrinkage (by
22 whatever name called) in the value of such interest due to
23 the lapse of time, nor by any deduction allowed by this Act
24 (except the deductions provided for in subsections (k) and
25 (l), of section 23), for the purpose of computing the net

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

5 (c) TAX WITHHELD ON TAX-FREE COVENANT
6 BONDS.—For tax withheld on tax-free covenant bonds, see
7 section 144 143 (a) (4).

8 **SEC. 25. CREDITS OF INDIVIDUAL AGAINST NET INCOME.**

9 There shall be allowed for the purpose of the normal
10 tax, but not for the surtax, the following credits against the
11 net income:

12 (a) DIVIDENDS.—The amount received as dividends—

13 (1) from a domestic corporation *which is subject*
14 *to taxation under this title, or*

15 (2) from a foreign corporation when it is shown
16 to the satisfaction of the Commissioner that more than
17 50 per centum of the gross income of such foreign
18 corporation for the three-year period ending with the
19 close of its taxable year preceding the declaration of
20 such dividends (or for such part of such period as
21 the corporation has been in existence) was derived
22 from sources within the United States as determined
23 under the provisions of section 119.

24 *For the taxable years 1932 and 1933 the credit allowed*
25 *under this subsection shall be limited to the amount received*

1 as dividends from a domestic corporation which is subject to
 2 taxation under this title, the gross income of which for the
 3 taxable year preceding the year in which the dividend was
 4 paid did not exceed \$25,000. The credit allowed by this
 5 subsection shall not be allowed in respect of dividends
 6 received from a corporation organized under the China Trade
 7 Act, 1922, or from a corporation which under section 251 is
 8 taxable only on its gross income from sources within the
 9 United States by reason of its receiving a large percentage
 10 of its gross income from sources within a possession of the
 11 United States.

12 (b) INTEREST ON UNITED STATES OBLIGATIONS.—

13 The amount received as interest upon obligations of the
 14 United States which is included in gross income under
 15 section 22.

16 (c) PERSONAL EXEMPTION.—In the case of a single

17 person, a personal exemption of \$1,500 \$1,000; or in the
 18 case of the head of a family or a married person living with
 19 husband or wife, a personal exemption of \$3,500 \$2,500.

20 A husband and wife living together shall receive but one
 21 personal exemption. The amount of such personal exemp-
 22 tion shall be \$3,500 \$2,500. If such husband and wife

23 make separate returns, the personal exemption may be taken
 24 by either or divided between them.

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

18 (e) CHANGE OF STATUS.—

20 (1) The credit for dependents shall be deter-
 21 mined by the status of the taxpayer on the last day of
 22 his taxable year.

23 (2) The personal exemption allowed by subsec-

24 tion (c) of this section shall, in case the status of the

25 taxpayer changes during his taxable year, be the sum

26 of an amount which bears the same ratio to \$1,500

14 as the number of months during which the tax-

16 payer was single bears to twelve months, plus an

10 amount which bears the same ratio to \$2,500 as

17 the number of months during which the taxpayer

18 was a married person living with husband or wife or

19 was the head of a family bears to twelve months. For

20 the purposes of this paragraph a fractional part of a

21 month shall be disregarded unless it amounts to more

22 than half a month, in which case it shall be considered

23 as a month.

24 (3) In the case of an individual who dies during

25 the taxable year, the personal exemption and the

1 credit for dependents shall be determined by his status
 2 at the time of his death, and in such case full credits
 3 shall be allowed to the surviving spouse, if any, accord-
 4 ing to his or her status at the close of the taxable year.
 5 If the status of the taxpayer, in so far as it affects the per-
 6 sonal exemption or credit for dependents, changes during
 7 the taxable year, the personal exemption and credit shall be
 8 apportioned, under rules and regulations prescribed by the
 9 commissioner with the approval of the secretary, in accord-
 10 ance with the number of months before and after such change.
 11 For the purpose of such apportionment a fractional part of
 12 a month shall be disregarded unless it amounts to more than
 13 half a month in which case it shall be considered as a month.
 14 (f) EARNED INCOME CREDIT.—12½ per centum of
 15 the amount of the earned net income, but not in excess of
 16 12½ per centum of the amount of the net income.
 17 (g) EARNED INCOME DEFINITIONS.—For the pur-
 18 poses of this section—
 19 (1) "Earned income" means wages, salaries,
 20 professional fees, and other amounts received as com-
 21 pensation for personal services actually rendered, but
 22 does not include that part of the compensation derived
 23 by the taxpayer for personal services rendered by him
 24 to a corporation which represents a distribution of
 25 his earnings or profits rather than a reasonable allowance

1 as compensation for the personal services actually ren-
 2 dered. In the case of a taxpayer engaged in a trade
 3 or business in which both personal services and capital
 4 are material income producing factors, a reasonable
 5 allowance as compensation for the personal services
 6 actually rendered by the taxpayer, not in excess of 20
 7 per centum of his share of the net profits of such trade
 8 or business, shall be considered as earned income.

9 (2) "Earned income deductions" means such
 10 deductions as are allowed by section 23 for the purpose
 11 of computing net income, and are properly allocable to
 12 or chargeable against earned income.

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

22 **SEC. 26. CREDITS OF CORPORATION AGAINST NET INCOME.**

23 For the purpose only of the tax imposed by section 18
 24 there shall be allowed the following credits:

(a) The amount received as interest upon obligations of the United States which is included in gross income under section 22; and

(b) In the case of a domestic corporation the net income of which is ~~\$25,000~~ \$10,000 or less, a specific credit of ~~\$3,000~~ \$1,000; but if the net income is more than ~~\$25,000~~ \$10,000 the tax imposed by section 13 shall not exceed the tax which would be payable if the ~~\$3,000~~ \$1,000 credit were allowed, plus the amount of the net income in excess of ~~\$25,000~~ \$10,000.

Part III—Credits Against Tax

SEC. 31. EARNED INCOME CREDIT.

(a) DEFINITIONS.—For the purposes of this section—

(1) "Earned income" means wages, salaries, professional fees, and other amounts received as compensation for personal services actually rendered, but does not include that part of the compensation derived by the taxpayer for personal services rendered by him to a corporation which represents a distribution of earnings or profits rather than a reasonable allowance as compensation for the personal services actually rendered. In the case of a taxpayer engaged in a trade or business in which both personal services and capital are material income producing factors, a reasonable allowance as compensation for the personal services

1 actually rendered by the taxpayer, not in excess of 20
 2 per centum of his share of the net profits of such trade
 3 or business, shall be considered as earned income.

4 (2) "Earned income deductions" means such
 5 deductions as are allowed by section 23 for the purpose
 6 of computing net income, and are properly allocable
 7 to or chargeable against earned income.

8 (3) "Earned net income" means the excess of
 9 the amount of the earned income over the sum of the
 10 earned income deductions. If the taxpayer's net in-
 11 come is not more than \$5,000, his entire net income,
 12 shall be considered to be earned net income, and if
 13 his net income is more than \$5,000, his earned net
 14 income shall not be considered to be less than \$5,000.

15 In no case shall the earned net income be considered
 16 to be more than \$20,000.

17 (b) ALLOWANCE OF CREDIT.—In the case of an indi-
 18 vidual, the tax shall be credited with 25 per centum of the
 19 amount of tax which would be payable if his earned net
 20 income constituted his entire net income; but in no case
 21 shall the credit allowed under this subsection exceed 25 per
 22 centum of his normal tax plus 25 per centum of the surtax
 23 which would be payable if his earned net income constituted
 24 his entire net income. This credit shall be in addition to all
 25 other credits against the tax.

1 **SEC. 31. TAXES OF FOREIGN COUNTRIES AND POSSES-**
2 **SIONS OF UNITED STATES.**

3 The amount of income, war-profits, and excess-profits
4 taxes imposed by foreign countries or possessions of the
5 United States shall be allowed as a credit against the tax,
6 to the extent provided in section 131.

7 **SEC. 32. TAXES WITHHELD AT SOURCE.**

8 The amount of tax withheld at the source under section
9 144 143 shall be allowed as a credit against the tax.

10 **SEC. 33. ERRONEOUS PAYMENTS.**

11 (a) **CREDIT FOR OVERPAYMENTS.**—For credit against
12 the tax of overpayments of taxes imposed by this title for
13 other taxable years, see section 322.

14 (b) **FISCAL YEAR ENDING IN 1928 1932.**—For
15 credit against the tax of amounts of tax paid for a fiscal year
16 beginning in 1927 1931 and ending in 1928 1932, see sec-
17 tion 132.

18 **Part IV—Accounting Periods and Methods of Accounting**

19 **SEC. 41. GENERAL RULE.**

20 The net income shall be computed upon the basis of
21 the taxpayer's annual accounting period (fiscal year or
22 calendar year, as the case may be) in accordance with the
23 method of accounting regularly employed in keeping the
24 books of such taxpayer; but if no such method of accounting
25 has been so employed, or if the method employed does not

1 clearly reflect the income, the computation shall be made in
2 accordance with such method as in the opinion of the Com-
3 missioner does clearly reflect the income. If the taxpayer's
4 annual accounting period is other than a fiscal year as
5 defined in section 48 or if the taxpayer has no annual
6 accounting period or does not keep books, the net income
7 shall be computed on the basis of the calendar year. (For
8 use of inventories, see section 22 (c).)

9 **SEC. 42. PERIOD IN WHICH ITEMS OF GROSS INCOME**
10 **INCLUDED.**

11 The amount of all items of gross income shall be in-
12 cluded in the gross income for the taxable year in which
13 received by the taxpayer, unless, under methods of account-
14 ing permitted under section 41, any such amounts are to
15 be properly accounted for as of a different period.

16 **SEC. 43. PERIOD FOR WHICH DEDUCTIONS AND CREDITS**
17 **TAKEN.**

18 The deductions and credits provided for in this title
19 shall be taken for the taxable year in which "paid or
20 accrued" or "paid or incurred", dependent upon the
21 method of accounting upon the basis of which the net income
22 is computed, unless in order to clearly reflect the income
23 the deductions or credits should be taken as of a different
24 period.

1 **SEC. 44. INSTALLMENT BASIS.**

2 (a) **DEALERS IN PERSONAL PROPERTY.**—Under
3 regulations prescribed by the Commissioner with the ap-
4 proval of the Secretary, a person who regularly sells or
5 otherwise disposes of personal property on the installment
6 plan may return as income therefrom in any taxable year
7 that proportion of the installment payments actually received
8 in that year which the gross profit realized or to be realized
9 when payment is completed, bears to the total contract price.

10 (b) **SALES OF REALTY AND CASUAL SALES OF PER-**
11 **SONALTY.**—In the case (1) of a casual sale or other casual
12 disposition of personal property (other than property of
13 a kind which would properly be included in the inventory
14 of the taxpayer if on hand at the close of the taxable
15 year); for a price exceeding \$1,000, or (2) of a sale or
16 other disposition of real property, if in either case the initial
17 payments do not exceed 40 per centum of the selling
18 price, the income may, under regulations prescribed by the
19 Commissioner with the approval of the Secretary, be re-
20 turned on the basis and in the manner above prescribed
21 in this section. As used in this section the term "initial
22 payments" means the payments received in cash or prop-
23 erty other than evidences of indebtedness of the purchaser
24 during the taxable period in which the sale or other
25 disposition is made.

1 (c) CHANGE FROM ACCRUAL TO INSTALLMENT

2 BASIS.—If a taxpayer entitled to the benefits of subsection

3 (a) elects for any taxable year to report his net income

4 on the installment basis, then in computing his income

5 for the year of change or any subsequent year, amounts

6 actually received during any such year on account of sales

7 or other dispositions of property made in any prior year

8 shall not be excluded.

9 (d) GAIN OR LOSS UPON DISPOSITION OF INSTALL-

10 MENT OBLIGATIONS.—If an installment obligation is satisfied

11 at other than its face value or distributed, transmitted, sold,

12 or otherwise disposed of, gain or loss shall result to the

13 extent of the difference between the basis of the obligation

14 and (1) in the case of satisfaction at other than face value or

15 a sale or exchange—the amount realized, or (2) in case

16 of a distribution, transmission, or disposition otherwise than

17 by sale or exchange—the fair market value of the obliga-

18 tion at the time of such distribution, transmission, or dis-

19 position. The basis of the obligation shall be the excess

20 of the face value of the obligation over an amount equal

21 to the income which would be returnable were the obligation

22 satisfied in full.

23 SEC. 43. ALLOCATION OF INCOME AND DEDUCTIONS.

24 In any case of two or more trades or businesses

25 (whether or not incorporated, whether or not organized in

1 the United States, and whether or not affiliated) owned or
2 controlled directly or indirectly by the same interests, the
3 Commissioner is authorized to distribute, apportion, or allo-
4 cate gross income or deductions between or among such
5 trades or businesses, if he determines that such distribution,
6 apportionment, or allocation is necessary in order to prevent
7 evasion of taxes or clearly to reflect the income of any of
8 such trades or businesses.

9 **SEC. 46. CHANGE OF ACCOUNTING PERIOD.**

10 If a taxpayer changes his accounting period from fiscal
11 year to calendar year, from calendar year to fiscal year,
12 or from one fiscal year to another, the net income shall, with
13 the approval of the Commissioner, be computed on the basis
14 of such new accounting period, subject to the provisions of
15 section 47.

16 **SEC. 47. RETURNS FOR A PERIOD OF LESS THAN TWELVE**
17 **MONTHS.**

18 (a) **RETURNS FOR SHORT PERIOD RESULTING FROM**
19 **CHANGE OF ACCOUNTING PERIOD.**—If a taxpayer, with
20 the approval of the Commissioner, changes the basis of com-
21 puting net income from fiscal year to calendar year a sepa-
22 rate return shall be made for the period between the close
23 of the last fiscal year for which return was made and the
24 following December 31. If the change is from calendar
25 year to fiscal year, a separate return shall be made for the

1 period between the close of the last calendar year for which
2 return was made and the date designated as the close of
3 the fiscal year. If the change is from one fiscal year to
4 another fiscal year a separate return shall be made for the
5 period between the close of the former fiscal year and the
6 date designated as the close of the new fiscal year.

7 (b) INCOME COMPUTED ON BASIS OF SHORT PE-
8 RIOD.—Where a separate return is made under subsection
9 (a) on account of a change in the accounting period, and
10 in all other cases where a separate return is required or per-
11 mitted, by regulations prescribed by the Commissioner with
12 the approval of the Secretary, to be made for a fractional
13 part of a year, then the income shall be computed on the
14 basis of the period for which separate return is made.

15 (c) INCOME PLACED ON ANNUAL BASIS.—If a sepa-
16 rate return is made under subsection (a) on account of a
17 change in the accounting period, the net income, computed
18 on the basis of the period for which separate return is made,
19 shall be placed on an annual basis by multiplying the amount
20 thereof by twelve and dividing by the number of months
21 included in the period for which the separate return is made.
22 The tax shall be such part of the tax computed on such an-
23 nual basis as the number of months in such period is of
24 twelve months.

1 (d) CAPITAL NET GAINS AND LOSSES—EARNED IN-
2 COME.—The Commissioner with the approval of the Secre-
3 tary shall by regulations prescribe the method of applying
4 the provisions of subsections (b) and (c) (relating to com-
5 puting income on the basis of a short period, and placing
6 such income on an annual basis) to cases where the tax-
7 payer makes a separate return under subsection (a) on
8 account of a change in the accounting period, and it appears
9 that for the period for which the return is so made he has
10 derived a capital net gain, or sustained a capital net loss,
11 or received earned income.

12 (e) REDUCTION OF CREDITS AGAINST NET IN-
13 COME.—In the case of a return made for a fractional part
14 of a year, except a return made under subsection (a), on
15 account of a change in the accounting period, the personal
16 exemption and credit for dependents, and the specific credit
17 for corporations, shall be reduced respectively to amounts
18 which bear the same ratio to the full credits provided as
19 the number of months in the period for which return is
20 made bears to twelve months.

21 (f) CLOSING OF TAXABLE YEAR IN CASE OF JEOP-
22 ARDY.—For closing of taxable year in case of jeopardy, see
23 section 147 146.

SEC. 48. DEFINITIONS.

When used in this title—

(a) **TAXABLE YEAR.**—“Taxable year” means the calendar year, or the fiscal year ending during such calendar year, upon the basis of which the net income is computed under this Part. “Taxable year” includes, in the case of a return made for a fractional part of a year under the provisions of this title or under regulations prescribed by the Commissioner with the approval of the Secretary, the period for which such return is made. The first taxable year, to be called the taxable year ~~1928~~ 1932, shall be the calendar year ~~1928~~ 1932 or any fiscal year ending during the calendar year ~~1928~~ 1932.

(b) **FISCAL YEAR.**—“Fiscal year” means an accounting period of twelve months ending on the last day of any month other than December.

(c) **PAID, INCURRED, ACCRUED.**—The terms “paid or incurred” and “paid or accrued” shall be construed according to the method of accounting upon the basis of which the net income is computed under this Part.

Part V—Returns and Payment of Tax**SEC. 51. INDIVIDUAL RETURNS.**

(a) **REQUIREMENT.**—The following individuals shall each make under oath a return stating specifically the items

1 of his gross income and the deductions and credits allowed
2 under this title—

3 (1) Every individual having a net income for
4 the taxable year of ~~\$1,500~~ \$1,000 or over; if single; or
5 if married and not living with husband or wife;

6 (2) Every individual having a net income for
7 the taxable year of ~~\$3,500~~ \$2,500 or over, if married
8 and living with husband or wife; and

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

12 (b) HUSBAND AND WIFE.—If a husband and wife
13 living together have an aggregate net income for the taxable
14 year of ~~\$3,500~~ \$2,500 or over, or an aggregate gross income
15 for such year of \$5,000 or over—

16 (1) Each shall make such a return, or
17 (2) The income of each shall be included in a
18 single joint return, in which case the tax shall be com-
19 puted on the aggregate income.

20 (c) PERSONS UNDER DISABILITY.—If the taxpayer is
21 unable to make his own return, the return shall be made by
22 a duly authorized agent or by the guardian or other person
23 charged with the care of the person or property of such
24 taxpayer.

(d) **FIDUCIARIES.**—For returns to be made by fiduciaries, see section 142 142.

SEC. 52. CORPORATION RETURNS.

(a) **REQUIREMENT.**—Every corporation subject to taxation under this title shall make a return, stating specifically the items of its gross income and the deductions and credits allowed by this title. The return shall be sworn to by the president, vice president, or other principal officer and by the treasurer or assistant treasurer. In cases where receivers, trustees in bankruptcy, or assignees are operating the property or business of corporations, such receivers, trustees, or assignees shall make returns for such corporations in the same manner and form as corporations are required to make returns. Any tax due on the basis of such returns made by receivers, trustees, or assignees shall be collected in the same manner as if collected from the corporations of whose business or property they have custody and control.

(b) **CONSOLIDATED RETURNS.**—For provision as to consolidated returns of affiliated corporations, see sections 141 and 142 section 141.

SEC. 53. TIME AND PLACE FOR FILING RETURNS.

(a) **TIME FOR FILING.**—

(1) **GENERAL RULE.**—Returns made on the basis of the calendar year shall be made on or before

the 15th day of March following the close of the
 2 calendar year. Returns made on the basis of a fiscal
 3 year shall be made on or before the 15th day of the
 4 third month following the close of the fiscal year.

(2) EXTENSION OF TIME.—The Commissioner
 5 may grant a reasonable extension of time for filing
 6 returns, under such rules and regulations as he shall
 7 prescribe with the approval of the Secretary. Except
 8 in the case of taxpayers who are abroad, no such exten-
 9 sion shall be for more than six months.

(b) TO WHOM RETURN MADE.—

(1) INDIVIDUALS.—Returns (other than cor-
 12 poration returns) shall be made to the collector for the
 13 district in which is located the legal residence or prin-
 14 cipal place of business of the person making the return,
 15 or, if he has no legal residence or principal place of
 16 business in the United States, then to the collector at
 17 Baltimore, Maryland.

(2) CORPORATIONS.—Returns of corporations
 19 shall be made to the collector of the district in which
 20 is located the principal place of business or principal
 21 office or agency of the corporation, or, if it has no
 22 principal place of business or principal office or agency
 23 in the United States, then to the collector at Baltimore,
 24 Maryland.

1 **SEC. 54. RECORDS AND SPECIAL RETURNS.**

2 (a) **BY TAXPAYER.**—Every person liable to any tax
3 imposed by this title or for the collection thereof, shall keep
4 such records, render under oath such statements, make such
5 returns, and comply with such rules and regulations, as
6 the Commissioner, with the approval of the Secretary, may
7 from time to time prescribe.

8 (b) **TO DETERMINE LIABILITY TO TAX.**—Wherever
9 in the judgment of the Commissioner necessary he may
10 require any person, by notice served upon him, to make a
11 return, render under oath such statements, or keep such
12 records, as the Commissioner deems sufficient to show
13 whether or not such person is liable to tax under this title.

14 (c) **INFORMATION AT THE SOURCE.**—For require-
15 ment of statements and returns by one person to assist in
16 determining the tax liability of another person, see sections
17 148 to 151, 147 to 150.

18 **SEC. 55. PUBLICITY OF RETURNS.**

19 Returns made under this title shall be open to inspec-
20 tion in the same manner, to the same extent, and subject to
21 the same provisions of law, including penalties, as returns
22 made under Title II of the Revenue Act of 1926.

23 **SEC. 56. PAYMENT OF TAX.**

24 (a) **TIME OF PAYMENT.**—The total amount of tax
25 imposed by this title shall be paid on the fifteenth day of

14 March following the close of the calendar year, or, if the
15 return should be made on the basis of a fiscal year, then on
16 the fifteenth day of the third month following the close of
17 the fiscal year.

18 (b) **INSTALLMENT PAYMENTS.**—The taxpayer may
19 elect to pay the tax in four equal installments, in which case
20 the first installment shall be paid on the date prescribed for
21 the payment of the tax by the taxpayer, the second install-
22 ment shall be paid on the fifteenth day of the third month,
23 the third installment on the fifteenth day of the sixth month,
24 and the fourth installment on the fifteenth day of the ninth
25 month, after such date. If any installment is not paid on
26 or before the date fixed for its payment, the whole amount
14 of the tax unpaid shall be paid upon notice and demand
15 from the collector.

16 (c) **EXTENSION OF TIME FOR PAYMENT.**—At the
17 request of the taxpayer, the Commissioner may extend the
18 time for payment of the amount determined as the tax by
19 the taxpayer, or any installment thereof, for a period not
20 to exceed six months from the date prescribed for the pay-
21 ment of the tax or an installment thereof. In such case
22 the amount in respect of which the extension is granted
23 shall be paid on or before the date of the expiration of the
24 period of the extension.

1 (d) VOLUNTARY ADVANCE PAYMENT.—A tax im-
 2 posed by this title, or any installment thereof, may be paid,
 3 at the election of the taxpayer, prior to the date prescribed
 4 for its payment.

5 (e) ADVANCE PAYMENT IN CASE OF JEOPARDY.—
 6 For advance payment in case of jeopardy, see section 147
 7 146.

8 (f) TAX WITHHELD AT SOURCE.—For requirement of
 9 withholding tax at the source in the case of nonresident
 10 aliens and foreign corporations, and in the case of so-called
 11 "tax-free covenant bonds," see sections 144 and 145
 12 143 and 144.

13 (g) FRACTIONAL PARTS OF CENT.—In the payment
 14 of any tax under this title a fractional part of a cent shall
 15 be disregarded unless it amounts to one-half cent or more,
 16 in which case it shall be increased to 1 cent.

17 (h) RECEIPTS.—Every collector to whom any pay-
 18 ment of any income tax is made shall upon request give to
 19 the person making such payment a full written or printed
 20 receipt, stating the amount paid and the particular account
 21 for which such payment was made; and whenever any
 22 debtor pays taxes on account of payments made or to be
 23 made by him to separate creditors the collector shall, if
 24 requested by such debtor, give a separate receipt for the

1 tax paid on account of each creditor in such form that the
2 debtor can conveniently produce such receipts separately
3 to his several creditors in satisfaction of their respective
4 demands up to the amounts stated in the receipts; and
5 such receipt shall be sufficient evidence in favor of such
6 debtor to justify him in withholding from his next payment
7 to his creditor the amount therein stated; but the creditor
8 may, upon giving to his debtor a full written receipt
9 acknowledging the payment to him of any sum actually
10 paid and accepting the amount of tax paid as aforesaid
11 (specifying the same) as a further satisfaction of the debt
12 to that amount, require the surrender to him of such collec-
13 tor's receipt.

14 **SEC. 57. EXAMINATION OF RETURN AND DETERMINATION**
15 **OF TAX.**

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

19 **SEC. 58. ADDITIONS TO TAX AND PENALTIES.**

20 (a) For additions to the tax in case of negligence or
21 fraud in the nonpayment of tax or failure to file return
22 therefor, see Supplement M.

23 (b) For criminal penalties for nonpayment of tax or
24 failure to file return therefor, see section 146 145.

1 **SEC. 59. ADMINISTRATIVE PROCEEDINGS.**

2 For administrative proceedings in respect of the non-
3 payment or overpayment of a tax imposed by this title, see
4 as follows:

5 (a) Supplement L, relating to assessment and collec-
6 tion of deficiencies.

7 (b) Supplement M, relating to interest and additions
8 to tax.

9 (c) Supplement N, relating to claims against trans-
10 ferees and fiduciaries.

11 (d) Supplement O, relating to overpayments.

12 **Part VI—Miscellaneous Provisions**

13 **SEC. 61. LAWS MADE APPLICABLE.**

14 All administrative, special, or stamp provisions of law,
15 including the law relating to the assessment of taxes, so far
16 as applicable, are hereby extended to and made a part of
17 this title.

18 **SEC. 62. RULES AND REGULATIONS.**

19 The Commissioner, with the approval of the Secretary,
20 shall prescribe and publish all needful rules and regulations
21 for the enforcement of this title.

22 **SEC. 63. TAXES IN LIEU OF TAXES UNDER 1926 1928 ACT.**

23 The taxes imposed by this title shall be in lieu of the
24 corresponding taxes imposed by Title II of the Revenue

1 Act of 1926, in accordance with the following table: the
 2 sections of the Revenue Act of 1928 bearing the same
 3 numbers.

Taxes under this Title		Taxes under 1926 Act
Secs. 11 and 211.....	in lieu of.....	Sec. 210
Sec. 12.....	in lieu of.....	Sec. 211
Sec. 13.....	in lieu of.....	Sec. 230
Secs. 201 and 204.....	in lieu of.....	Secs. 243 and 246
Sec. 104.....	in lieu of.....	Sec. 220
Supp. E.....	in lieu of.....	Sec. 210
Sec. 101.....	in lieu of.....	Sec. 208

4 **SEC. 64. SHORT TITLE.**

5 This title may be cited as the "Income Tax Act of
 6 1928 1932."

7 **SEC. 65. EFFECTIVE DATE OF TITLE.**

8 This title shall take effect as of January 1, 1928 1932,
 9 except that sections 146 145 and 151 150, and this section,
 10 shall take effect on the enactment of this Act.

11 **SUBTITLE C—SUPPLEMENTAL PROVISIONS**

12 **Supplement A—Rates of Tax**

13 [Supplementary to Subtitle B, Part I]

14 **SEC. 101. CAPITAL NET GAINS AND LOSSES.**

15 (a) **TAX IN CASE OF CAPITAL NET GAIN.**—In the
 16 case of any taxpayer, other than a corporation, who for
 17 any taxable year derives a capital net gain (as hereinafter
 18 defined in this section), there shall, at the election of the
 19 taxpayer, be levied, collected, and paid, in lieu of all other
 20 taxes imposed by this title, a tax determined as follows: a
 21 partial tax shall first be computed upon the basis of the

1 ordinary net income at the rates and in the manner as if this
 2 section had not been enacted and the total tax shall be this
 3 amount plus 12½ per centum of the capital net gain.

4 (b) TAX IN CASE OF CAPITAL NET LOSS.—In the
 5 case of any taxpayer, other than a corporation, who for
 6 any taxable year sustains a capital net loss (as hereinafter
 7 defined in this section), there shall be levied, collected, and
 8 paid, in lieu of all other taxes imposed by this title, a tax
 9 determined as follows: a partial tax shall first be com-
 10 puted upon the basis of the ordinary net income at the
 11 rates and in the manner as if this section had not been
 12 enacted, and the total tax shall be this amount minus 12½
 13 per centum of the capital net loss; but in no case shall the
 14 tax of a taxpayer who has sustained a capital net loss be
 15 less than the tax computed without regard to the provisions
 16 of this section.

17 (c) DEFINITIONS.—For the purposes of this title—

18 (1) "Capital gain" means taxable gain from
 19 the sale or exchange of capital assets consummated after
 20 December 31, 1921.

21 (2) "Capital loss" means deductible loss re-
 22 sulting from the sale or exchange of capital assets.

23 (3) "Capital deductions" means such deductions
 24 as are allowed by section 23 for the purpose of com-
 25 puting net income, and are properly allocable to or

1 chargeable against capital assets sold or exchanged
2 during the taxable year.

3 (4) "Ordinary deductions" means the deductions
4 allowed by section 23 other than capital losses and
5 capital deductions.

6 (5) "Capital net gain" means the excess of the
7 total amount of capital gain over the sum of (A) the
8 capital deductions and capital losses, plus (B) the
9 amount, if any, by which the ordinary deductions ex-
10 ceed the gross income computed without including
11 capital gains.

12 (6) "Capital net loss" means the excess of the
13 sum of the capital losses plus the capital deductions
14 over the total amount of capital gain.

15 (7) "Ordinary net income" means the net in-
16 come, computed in accordance with the provisions of
17 this title, after excluding all items of capital gain, capital
18 loss, and capital deductions.

19 (8) "Capital assets" means property held by
20 the taxpayer for more than two years (whether or
21 not connected with his trade or business), but does
22 not include stock in trade of the taxpayer or other prop-
23 erty of a kind which would properly be included in the
24 inventory of the taxpayer if on hand at the close of
25 the taxable year, or property held by the taxpayer

1 primarily for sale in the course of his trade or business.

2 For the purposes of this definition—

3 (A) In determining the period for which
4 the taxpayer has held property received on an ex-
5 change there shall be included the period for
6 which he held the property exchanged, if under
7 the provisions of section 113, the property re-
8 ceived has, for the purpose of determining gain or
9 loss from a sale or exchange, the same basis in
10 whole or in part in his hands as the property
11 exchanged.

12 (B) In determining the period for which
13 the taxpayer has held property however acquired
14 there shall be included the period for which such
15 property was held by any other person, if
16 under the provisions of section 113, such prop-
17 erty has, for the purpose of determining gain or
18 loss from a sale or exchange, the same basis in
19 whole or in part in his hands as it would have
20 in the hands of such other person.

21 (C) In determining the period for which
22 the taxpayer has held stock or securities received
23 upon a distribution where no gain is recognized
24 to the distributee under the provisions of section
25 112 (g) of this title or under the provisions of

1 section 203(e) of the Revenue Act of 1924 or
2 1926 Act or the Revenue Act of 1928, there shall
3 be included the period for which he held the stock
4 or securities in the distributing corporation prior
5 to the receipt of the stock or securities upon such
6 distribution.

7 (D) In determining the period for which
8 the taxpayer has held stock or securities the
9 acquisition of which (or the contract or option to
10 acquire which) resulted in the nondeductibility
11 (under section 118 of this Act or the Revenue Act
12 of 1928, relating to wash sales) of the loss from
13 the sale or other disposition of substantially
14 identical stock or securities, there shall be included
15 the period for which he held the stock or securities
16 the loss from the sale or other disposition of which
17 was not deductible.

18 (d) COLLECTION AND PAYMENT OF TAX.—The total
19 tax determined under subsection (a) or (b) shall be col-
20 lected and paid in the same manner, at the same time, and
21 subject to the same provisions of law, including penalties,
22 as other taxes under this title.

23 **SEC. 102. SALE OF MINES AND OIL OR GAS WELLS.**

24 (a) In the case of a bona fide sale of mines, oil or
25 gas wells, or any interest therein, where the principal value

1 of the property has been demonstrated by prospecting or
 2 exploration and discovery work done by the taxpayer, the
 3 portion of the tax imposed by section 12 of this title attrib-
 4 utable to such sale shall not exceed 16 per centum of the
 5 selling price of such property or interest.

6 (b) For limitation to 12½ per centum rate of tax, see
 7 section 101.

8 **SEC. 103. EXEMPTIONS FROM TAX ON CORPORATIONS.**

9 The following organizations shall be exempt from taxa-
 10 tion under this title—

11 (1) Labor, agricultural, or horticultural organiza-
 12 tions;

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

15 (3) Fraternal beneficiary societies, orders, or
 16 associations, (A) operating under the lodge system
 17 or for the exclusive benefit of the members of a fra-
 18 ternity itself operating under the lodge system; and
 19 (B) providing for the payment of life, sick, accident,
 20 or other benefits to the members of such society, order,
 21 or association or their dependents;

22 (4) Domestic building and loan associations sub-
 23 stantially all the business of which is confined to mak-
 24 ing loans to members; and cooperative banks without

1 capital stock organized and operated for mutual pur-
2 poses and without profit;

3 (5) Cemetery companies owned and operated
4 exclusively for the benefit of their members or which
5 are not operated for profit; and any corporation char-
6 tered solely for burial purposes as a cemetery corpora-
7 tion and not permitted by its charter to engage in any
8 business not necessarily incident to that purpose, no
9 part of the net earnings of which inures to the benefit
10 of any private shareholder or individual;

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

17 (7) Business leagues, chambers of commerce, real
18 estate boards, or boards of trade, not organized for
19 profit and no part of the net earnings of which inures
20 to the benefit of any private shareholder or individual;

21 (8) Civic leagues or organizations not organized
22 for profit but operated exclusively for the promotion
23 of social welfare, or local associations of employees, the
24 membership of which is limited to the employees of a
25 designated person or persons in a particular municipi-

1 pality, and the net earnings of which are devoted ex-
2 clusively to charitable, educational, or recreational pur-
3 poses;

4 (9) Clubs organized and operated exclusively for
5 pleasure, recreation, and other nonprofitable purposes,
6 no part of the net earnings of which inures to the bene-
7 fit of any private shareholder;

8 (10) Benevolent life insurance associations of a
9 purely local character, mutual ditch or irrigation com-
10 panies, mutual or cooperative telephone companies, or
11 like organizations; but only if 85 per centum or more
12 of the income consists of amounts collected from mem-
13 bers for the sole purpose of meeting losses and ex-
14 penses;

15 (11) Farmers' or other mutual hail, cyclone,
16 casualty, or fire insurance companies or associations
17 (including interinsurers and reciprocal underwriters)
18 the income of which is used or held for the purpose of
19 paying losses or expenses;

20 (12) Farmers', fruit growers', or like associations
21 organized and operated on a cooperative basis (a) for
22 the purpose of marketing the products of members or
23 other producers, and turning back to them the proceeds
24 of sales, less the necessary marketing expenses, on the

1 basis of either the quantity or the value of the products
2 furnished by them, or (b) for the purpose of purchas-
3 ing supplies and equipment for the use of members or
4 other persons, and turning over such supplies and
5 equipment to them at actual cost, plus necessary ex-
6 penses. Exemption shall not be denied any such
7 association because it has capital stock, if the dividend
8 rate of such stock is fixed at not to exceed the legal
9 rate of interest in the State of incorporation or 8 per
10 centum per annum, whichever is greater, on the value
11 of the consideration for which the stock was issued, and
12 if substantially all such stock (other than nonvoting
13 preferred stock, the owners of which are not entitled
14 or permitted to participate, directly or indirectly, in the
15 profits of the association, upon dissolution or otherwise,
16 beyond the fixed dividends) is owned by producers
17 who market their products or purchase their supplies
18 and equipment through the association; nor shall
19 exemption be denied any such association because there
20 is accumulated and maintained by it a reserve required
21 by State law or a reasonable reserve for any necessary
22 purpose. Such an association may market the prod-
23 ucts of nonmembers in an amount the value of which
24 does not exceed the value of the products marketed for
25 members, and may purchase supplies and equipment

1 for nonmembers in an amount the value of which does
2 not exceed the value of the supplies and equipment
3 purchased for members, provided the value of the pur-
4 chases made for persons who are neither members nor
5 producers does not exceed 15 per centum of the value
6 of all its purchases;

7 (13) Corporations organized by an association
8 exempt under the provisions of paragraph (12), or
9 members thereof, for the purpose of financing the
10 ordinary crop operations of such members or other
11 producers, and operated in conjunction with such asso-
12 ciation. Exemption shall not be denied any such cor-
13 poration because it has capital stock, if the dividend
14 rate of such stock is fixed at not to exceed the legal
15 rate of interest in the State of incorporation or 8 per
16 centum per annum, whichever is greater, on the value
17 of the consideration for which the stock was issued,
18 and if substantially all such stock (other than non-
19 voting preferred stock, the owners of which are not en-
20 titled or permitted to participate, directly or indirectly,
21 in the profits of the corporation, upon dissolution or
22 otherwise, beyond the fixed dividends) is owned by
23 such association, or members thereof; nor shall exemp-
24 tion be denied any such corporation because there is
25 accumulated and maintained by it a reserve required

1 by State law or a reasonable reserve for any necessary
2 purpose;

3 (14) Corporations organized for the exclusive
4 purpose of holding title to property, collecting income
5 therefrom, and turning over the entire amount thereof,
6 less expenses, to an organization which itself is exempt
7 from the tax imposed by this title;

8 (15) Federal land banks, national farm-loan as-
9 sociations, and Federal intermediate credit banks, as
10 provided in the Federal Farm Loan Act, as amended;

11 (16) Voluntary employees' beneficiary associa-
12 tions providing for the payment of life, sick, accident,
13 or other benefits to the members of such association
14 or their dependents, if (A) no part of their net earn-
15 ings inures (other than through such payments) to the
16 benefit of any private shareholder or individual, and
17 (B) 85 per centum or more of the income consists of
18 amounts collected from members for the sole purpose
19 of making such payments and meeting expenses;

20 (17) Teachers' retirement fund associations of a
21 purely local character, if (A) no part of their net earn-
22 ings inures (other than through payment of retirement
23 benefits) to the benefit of any private shareholder or
24 individual, and (B) the income consists solely of
25 amounts received from public taxation, amounts re-

1 ceived from assessments upon the teaching salaries
2 of members, and income in respect of investments.

3 **SEC. 104. ACCUMULATION OF SURPLUS TO EVADE SUB-**
4 **TAXES.**

5 (a) If any corporation, however created or organized,
6 is formed or availed of for the purpose of preventing the
7 imposition of the surtax upon its shareholders through the
8 medium of permitting its gains and profits to accumulate
9 instead of being divided or distributed, there shall be levied,
10 collected, and paid for each taxable year upon the net income
11 of such corporation a tax equal to 50 per centum of the
12 amount thereof, which shall be in addition to the tax imposed
13 by section 13 and shall be computed, collected, and paid
14 upon the same basis and in the same manner and subject
15 to the same provisions of law, including penalties, as that
16 tax.

17 (b) The fact that any corporation is a mere holding
18 or investment company, or that the gains or profits are
19 permitted to accumulate beyond the reasonable needs of the
20 business, shall be prima facie evidence of a purpose to escape
21 the surtax.

22 (c) As used in this section the term "net income"
23 means the net income as defined in section 21, increased by
24 the sum of the amount of the dividend deduction allowed
25 under section 23(p) and the amount of the interest on

1 obligations of the United States issued after September 1,
2 1917, which would be subject to tax in whole or in part
3 in the hands of an individual owner.

4 (d) The tax imposed by this section shall not apply
5 if all the shareholders of the corporation include (at the
6 time of filing their returns) in their gross income their entire
7 distributive shares, whether distributed or not, of the net
8 income of the corporation for such year. Any amount so
9 included in the gross income of a shareholder shall be treated
10 as a dividend received. Any subsequent distribution made
11 by the corporation out of the earnings or profits for such
12 taxable year shall, if distributed to any shareholder who has
13 so included in his gross income his distributive share, be
14 exempt from tax in the amount of the share so included.

15 **SEC. 105. TAXABLE PERIOD EMBRACING YEARS WITH DIF-**
16 **FERENT LAWS.**

17 If it is necessary to compute the tax for a period begin-
18 ning in one calendar year (hereinafter in this section called
19 "first calendar year") and ending in the following calendar
20 year (hereinafter in this section called "second calendar
21 year") and the law applicable to the second calendar year
22 is different from the law applicable to the first calendar year,
23 then the tax under this title for the period ending during the
24 second calendar year shall be the sum of: (1) the same
25 proportion of a tax for the entire period, determined under

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

9 Supplement B—Computation of Net Income

10 [Supplementary to Subtitle B, Part II]

11 SEC. 111. DETERMINATION OF AMOUNT OF GAIN OR LOSS.

12 (a) COMPUTATION OF GAIN OR LOSS.—Except as
 13 hereinafter provided in this section, the gain from the sale
 14 or other disposition of property shall be the excess of the
 15 amount realized therefrom over the basis provided in section
 16 113, and *adjusted basis provided in section 113(b)*, and
 17 the loss shall be the excess of such basis over the amount
 18 realized.

19 (b) ADJUSTMENT OF BASIS.—In computing the
 20 amount of gain or loss under subsection (a)—

21 (1) Proper adjustment shall be made for any
 22 expenditure, receipt, loss, or other item, properly
 23 chargeable to capital account, and

24 (2) The basis shall be diminished by the amount
 25 of the deductions for exhaustion, wear and tear, ob-

1 obsolescence, amortization, and depletion which have
2 since the acquisition of the property been allowable in
3 respect of such property under this Act or prior income
4 tax laws; but in no case shall the amount of the diminu-
5 tion in respect of depletion exceed a depletion deduction
6 computed without reference to discovery value under
7 section 114(b)(2) or to percentage depletion under
8 section 114(b)(3). In addition, if the property was
9 acquired before March 1, 1913, the basis (if other than
10 the fair market value as of March 1, 1913) shall be
11 diminished in the amount of exhaustion, wear and tear,
12 obsolescence, and depletion actually sustained before
13 such date, and

14 ~~(3)~~ In the case of stock the basis shall be dimin-
15 ished by the amount of distributions previously made in
16 respect of such stock, to the extent provided under the
17 law applicable to the year in which the distribution was
18 made.

19 ~~(e)~~ (b) AMOUNT REALIZED.—The amount realized
20 from the sale or other disposition of property shall be the sum
21 of any money received plus the fair market value of the prop-
22 erty (other than money) received.

23 ~~(d)~~ (c) RECOGNITION OF GAIN OR LOSS.—In the case
24 of a sale or exchange, the extent to which the gain or loss
25 determined under this section shall be recognized for the

1 purposes of this title, shall be determined under the provi-
2 sions of section 112.

3 ~~(c)~~ (d) **INSTALLMENT SALES.**—Nothing in this sec-
4 tion shall be construed to prevent (in the case of property
5 sold under contract providing for payment in installments)
6 the taxation of that portion of any installment payment rep-
7 resenting gain or profit in the year in which such payment
8 is received.

9 **SEC. 112. RECOGNITION OF GAIN OR LOSS.**

10 (a) **GENERAL RULE.**—Upon the sale or exchange of
11 property the entire amount of the gain or loss, determined
12 under section 111, shall be recognized, except as hereinafter
13 provided in this section.

14 (b) **EXCHANGES SOLELY IN KIND.**—

15 (1) **PROPERTY HELD FOR PRODUCTIVE USE OR**
16 **INVESTMENT.**—No gain or loss shall be recognized if
17 property held for productive use in trade or business
18 or for investment (not including stock in trade or other
19 property held primarily for sale, nor stocks, bonds,
20 notes, choses in action, certificates of trust or bene-
21 ficial interest, or other securities or evidences of indebt-
22 edness or interest) is exchanged solely for property
23 of a like kind to be held either for productive use in
24 trade or business or for investment.

1 (2) STOCK FOR STOCK OF SAME CORPORATION.—

2 No gain or loss shall be recognized if common stock
3 in a corporation is exchanged solely for common stock
4 in the same corporation, or if preferred stock in a
5 corporation is exchanged solely for preferred stock in
6 the same corporation.

7 (3) STOCK FOR STOCK ON REORGANIZATION.—

8 No gain or loss shall be recognized if stock or securities
9 in a corporation a party to a reorganization are, in
10 pursuance of the plan of reorganization, exchanged
11 solely for stock or securities in such corporation or in
12 another corporation a party to the reorganization.

13 (4) SAME—GAIN OF CORPORATION.—No gain
14 or loss shall be recognized if a corporation a party
15 to a reorganization exchanges property, in pursuance
16 of the plan of reorganization, solely for stock or securi-
17 ties in another corporation a party to the reorganization.

18 (5) TRANSFER TO CORPORATION CONTROLLED
19 BY TRANSFEROR.—No gain or loss shall be recognized
20 if property is transferred to a corporation by one or
21 more persons solely in exchange for stock or securities
22 in such corporation, and immediately after the exchange
23 such person or persons are in control of the corpora-
24 tion; but in the case of an exchange by two or more
25 persons this paragraph shall apply only if the amount

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

4 (c) GAIN FROM EXCHANGES NOT SOLELY IN KIND.—

5 (1) If an exchange would be within the pro-
6 visions of subsection (b) (1), (2), (3), or (5) of
7 this section if it were not for the fact that the property
8 received in exchange consists not only of property per-
9 mitted by such paragraph to be received without the
10 recognition of gain, but also of other property or money,
11 then the gain, if any, to the recipient shall be recog-
12 nized, but in an amount not in excess of the sum of
13 such money and the fair market value of such other
14 property.

15 (2) If a distribution made in pursuance of a plan
16 of reorganization is within the provisions of paragraph
17 (1) of this subsection but has the effect of the distri-
18 bution of a taxable dividend, then there shall be taxed
19 as a dividend to each distributee such an amount of the
20 gain recognized under paragraph (1) as is not in ex-
21 cess of his ratable share of the undistributed earnings
22 and profits of the corporation accumulated after Februa-
23 ry 28, 1913. The remainder, if any, of the gain
24 recognized under paragraph (1) shall be taxed as a
25 gain from the exchange of property.

1 (d) **SAME—GAIN OF CORPORATION.**—If an exchange
2 would be within the provisions of subsection (b) (4) of
3 this section if it were not for the fact that the property
4 received in exchange consists not only of stock or securities
5 permitted by such paragraph to be received without the
6 recognition of gain, but also of other property or money,
7 then—

8 (1) If the corporation receiving such other prop-
9 erty or money distributes it in pursuance of the plan
10 of reorganization, no gain to the corporation shall be
11 recognized from the exchange, but

12 (2) If the corporation receiving such other prop-
13 erty or money does not distribute it in pursuance of
14 the plan of reorganization, the gain, if any, to the cor-
15 poration shall be recognized, but in an amount not in ex-
16 cess of the sum of such money and the fair market value
17 of such other property so received, which is not so
18 distributed.

19 (e) **LOSS FROM EXCHANGES NOT SOLELY IN KIND.**—
20 If an exchange would be within the provisions of subsec-
21 tion (b) (1) to (5), inclusive, of this section if it were
22 not for the fact that the property received in exchange con-
23 sists not only of property permitted by such paragraph to
24 be received without the recognition of gain or loss, but also

1 of other property or money, then no loss from the exchange
2 shall be recognized.

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

19 (g) DISTRIBUTION OF STOCK ON REORGANIZA-
20 TION.—If there is distributed, in pursuance of a plan of
21 reorganization, to a shareholder in a corporation a party to
22 the reorganization, stock or securities in such corporation
23 or in another corporation a party to the reorganization, with-
24 out the surrender by such shareholder of stock or securities

1 in such a corporation, no gain to the distributee from the
2 receipt of such stock or securities shall be recognized.

3 (h) SAME—EFFECT ON FUTURE DISTRIBUTIONS.—

4 The distribution, in pursuance of a plan of reorganization,
5 by or on behalf of a corporation a party to the reorganiza-
6 tion, of its stock or securities or stock or securities in a
7 corporation a party to the reorganization, *if no gain to the*
8 *distributee from the receipt of such stock or securities was*
9 *recognized by law*, shall not be considered a distribution of
10 earnings or profits within the meaning of section 115 (b)
11 for the purpose of determining the taxability of subsequent
12 distributions by the corporation.

13 (i) DEFINITION OF REORGANIZATION.—As used in
14 this section and sections 113 and 115—

15 (1) The term “reorganization” means (A) a
16 merger or consolidation (including the acquisition by
17 one corporation of at least a majority of the voting
18 stock and at least a majority of the total number of
19 shares of all other classes of stock of another corpora-
20 tion, or substantially all the properties of another cor-
21 poration), or (B) a transfer by a corporation of all or
22 a part of its assets to another corporation if immedi-
23 ately after the transfer the transferor or its stockholders
24 or both are in control of the corporation to which the
25 assets are transferred, or (C) a recapitalization, or (D)

1 a mere change in identity, form, or place of organiza-
2 tion, however effected.

3 (2) The term "a party to a reorganization" in-
4 cludes a corporation resulting from a reorganization
5 and includes both corporations in the case of an acquisi-
6 tion by one corporation of at least a majority of the
7 voting stock and at least a majority of the total num-
8 ber of shares of all other classes of stock of another
9 corporation.

10 (j) DEFINITION OF CONTROL.—As used in this sec-
11 tion the term "control" means the ownership of at least 80
12 per centum of the voting stock and at least 80 per centum
13 of the total number of shares of all other classes of stock of
14 the corporation.

15 (k) FOREIGN CORPORATIONS.—*In determining the*
16 *extent to which gain shall be recognized in the case of any*
17 *of the exchanges or distributions (made after the date of the*
18 *enactment of this Act) described in subsection (b)(3), (4),*
19 *or (5), or described in so much of subsection (c) as refers*
20 *to subsection (b)(3) or (5), or described in subsection (d)*
21 *or (g), a foreign corporation shall not be considered as a*
22 *corporation unless, prior to such exchange or distribution,*
23 *it has been established to the satisfaction of the Commissioner*
24 *that such exchange or distribution is not in pursuance of a*

1 *plan having as one of its principal purposes the avoidance of*
2 *Federal income taxes.*

3 **SEC. 113. ADJUSTED BASIS FOR DETERMINING GAIN OR**
4 **LOSS.**

5 (a) **BASIS (UNADJUSTED) OF PROPERTY ACQUIRED**
6 ~~**AFTER FEBRUARY 28, 1913.**~~—The basis for determining
7 the gain or loss from the sale or other disposition of property
8 acquired after February 28, 1913, shall be the cost of such
9 property; except that—

10 (1) **INVENTORY VALUE.**—If the property should
11 have been included in the last inventory, the basis shall
12 be the last inventory value thereof.

13 (2) **GIFT AFTER DECEMBER 31, 1920.**—If the
14 property was acquired by gift after December 31,
15 1920, the basis shall be the same as it would be in
16 the hands of the donor or the last preceding owner by
17 whom it was not acquired by gift. If the facts neces-
18 sary to determine such basis are unknown to the donee,
19 the Commissioner shall, if possible, obtain such facts
20 from such donor or last preceding owner, or any other
21 person cognizant thereof. If the Commissioner finds
22 it impossible to obtain such facts, the basis shall be
23 the fair market value of such property as found by
24 the Commissioner as of the date or approximate date
25 at which, according to the best information that the

1 Commissioner is able to obtain, such property was
2 acquired by such donor or last preceding owner.

3 (3) TRANSFER IN TRUST AFTER DECEMBER 31,
4 1920.—If the property was acquired after December
5 31, 1920, by a transfer in trust (other than by a trans-
6 fer in trust by a bequest or devise) the basis shall be
7 the same as it would be in the hands of the grantor,
8 increased in the amount of gain or decreased in the
9 amount of loss recognized to the grantor upon such
10 transfer under the law applicable to the year in which
11 the transfer was made.

12 (4) GIFT OR TRANSFER IN TRUST BEFORE
13 JANUARY 1, 1921.—If the property was acquired by
14 gift or transfer in trust on or before December 31, 1920,
15 the basis shall be the fair market value of such property
16 at the time of such acquisition. The provisions of this
17 paragraph shall apply to the acquisition of such prop-
18 erty interests as are specified in section 402 (e) of
19 the Revenue Act of 1921, or in section 302 (f) of the
20 Revenue Act of 1924 or the Revenue Act of 1926
21 (relating to property passing under power of appoint-
22 ment) regardless of the time of acquisition.

23 (5) PROPERTY TRANSMITTED AT DEATH.—If
24 personal property was acquired by specific bequest, or

1 if real property was acquired by general or specific
2 devise or by intestacy, the basis shall be the fair market
3 value of the property at the time of the death of the
4 decedent. If the property was acquired by the dece-
5 dent's estate from the decedent, the basis in the hands
6 of the estate shall be the fair market value of the prop-
7 erty at the time of the death of the decedent. In all
8 other cases if the property was acquired either by will
9 or by intestacy, the basis shall be the fair market value
10 of the property at the time of the distribution to the
11 taxpayer. In the case of property transferred in trust
12 to pay the income for life to or upon the order or
13 direction of the grantor, with the right reserved to the
14 grantor at all times prior to his death to revoke the
15 trust, the basis of such property in the hands of the
16 persons entitled under the terms of the trust instrument
17 to the property after the grantor's death shall, after
18 such death, be the same as if the trust instrument had
19 been a will executed on the day of the grantor's death.

20 (6) TAX-FREE EXCHANGES GENERALLY.—If the
21 property was acquired upon an exchange described in
22 section 112 (b) to (e), inclusive, the basis shall be the
23 same as in the case of the property exchanged,
24 decreased in the amount of any money received by the
25 taxpayer and increased in the amount of gain or

1 decreased in the amount of loss to the taxpayer that
2 was recognized upon such exchange under the law
3 applicable to the year in which the exchange was made.
4 If the property so acquired consisted in part of the type
5 of property permitted by section 112 (b) to be received
6 without the recognition of gain or loss, and in part of
7 other property, the basis provided in this paragraph
8 shall be allocated between the properties (other than
9 money) received, and for the purpose of the allocation
10 there shall be assigned to such other property an amount
11 equivalent to its fair market value at the date of the
12 exchange. This paragraph shall not apply to property
13 acquired by a corporation by the issuance of its stock
14 or securities as the consideration in whole or in part for
15 the transfer of the property to it.

16 (7) TRANSFERS TO CORPORATION WHERE CON-
17 TROL OF PROPERTY REMAINS IN SAME PERSONS.—If
18 the property was acquired after December 31, 1917,
19 by a corporation in connection with a reorganization,
20 and immediately after the transfer an interest or control
21 in such property of ~~80 per centum~~ *50 per centum* or
22 more remained in the same persons or any of them,
23 then the basis shall be the same as it would be in the
24 hands of the transferor, increased in the amount of gain
25 or decreased in the amount of loss recognized to the

1 transferor upon such transfer under the law applicable
2 to the year in which the transfer was made. This
3 paragraph shall not apply if the property acquired
4 consists of stock or securities in a corporation a party
5 to the reorganization, unless acquired by the issuance
6 of stock or securities of the transferee as the considera-
7 tion in whole or in part for the transfer.

8 (8) ~~SAME—CORPORATION CONTROLLED BY~~
9 ~~TRANSFEROR~~ *PROPERTY ACQUIRED BY ISSUANCE OF*
10 *STOCK OR AS PAID-IN SURPLUS.*—If the property was
11 acquired after December 31, 1920, by a corporation
12 *by corporation—*

13 (A) *by the issuance of its stock or securities*
14 *in connection with a transaction described in*
15 *section 112 (b) (5) (including, also, cases where*
16 *part of the consideration for the transfer of such*
17 *property to the corporation was property or*
18 *money, in addition to such stock or securities),*
19 *then or*

20 (B) *as paid-in surplus,*
21 *then the basis shall be the same as it would be in the*
22 *hands of the transferor, increased in the amount of*
23 *gain or decreased in the amount of loss recognized to*
24 *the transferor upon such transfer under the law appli-*
25 *cable to the year in which the transfer was made.*

1 (9) **TAX-FREE DISTRIBUTIONS.**—If the property
2 consists of stock or securities distributed after December
3 31, 1923, to a taxpayer in connection with a transac-
4 tion described in section 112 (g), the basis in the case
5 of the stock in respect of which the distribution was
6 made shall be apportioned, under rules and regulations
7 prescribed by the Commissioner with the approval of
8 the Secretary, between such stock and the stock or
9 securities distributed.

10 (10) **INVOLUNTARY CONVERSION.**—If the prop-
11 erty was acquired as the result of a compulsory or
12 involuntary conversion described in section 112 (f),
13 the basis shall be the same as in the case of the property
14 so converted, decreased in the amount of any money
15 received by the taxpayer which was not expended
16 in accordance with the provisions of law (applicable
17 to the year in which such conversion was made)
18 determining the taxable status of the gain or loss upon
19 such conversion, and increased in the amount of gain
20 or decreased in the amount of loss to the taxpayer
21 recognized upon such conversion under the law appli-
22 cable to the year in which such conversion was made.

23 (11) **WASH SALES OF STOCK.**—If substantially
24 identical *the* property was acquired after December 31,
25 1920, in place of stock or securities which were sold

1 or disposed of and in respect of which loss was not
2 allowed as a deduction under section 118 of this Act,
3 or under section 214(a)(5) or 234(a)(4) of the
4 Revenue Act of 1921, the Revenue Act of 1924, or
5 the Revenue Act of 1926, the basis in the case of the
6 property so acquired shall be the basis in the case of
7 the stock or securities so sold or disposed of, except
8 that if the repurchase price was in excess of the sale
9 price such basis shall be increased in the amount of
10 the difference, or if the repurchase price was less than
11 the sale price such basis shall be decreased in the
12 amount of the difference *consists of stock or securities*
13 *the acquisition of which (or the contract or option to*
14 *acquire which) resulted in the nondeductibility (under*
15 *section 118 of this Act or corresponding provisions*
16 *of prior income tax laws, relating to wash sales) of*
17 *the loss from the sale or other disposition of substantially*
18 *identical stock or securities, then the basis shall be the*
19 *basis of the stock or securities so sold or disposed of,*
20 *increased or decreased, as the case may be, by the*
21 *difference, if any, between the price at which the prop-*
22 *erty was acquired and the price at which such substan-*
23 *tially identical stock or securities were sold or otherwise*
24 *disposed of.*

(12) PROPERTY ACQUIRED DURING AFFILIA-

TION.—In the case of property acquired by a corporation, during a period of affiliation, from a corporation with which it was affiliated, the basis of such property, after such period of affiliation, shall be determined, in accordance with regulations prescribed by the Commissioner with the approval of the Secretary, without regard to inter-company transactions in respect of which gain or loss was not recognized. For the purposes of this paragraph, the term "period of affiliation" means the period during which such corporations were affiliated (determined in accordance with the law applicable thereto) but does not include any taxable year beginning on or after January 1, 1922, unless a consolidated return was made, nor any taxable year after the taxable year 1928. The basis in case of property acquired by a corporation during any period, in the taxable year 1929 or any subsequent taxable year, in respect of which a consolidated return is made by such corporation under section 141 of this Act or the Revenue Act of 1928, shall be determined in accordance with regulations prescribed under section 141 (b) of this Act or the Revenue Act of 1928.

(b) (13) PROPERTY ACQUIRED BEFORE MARCH 1,

1913.—The basis for determining the gain or loss from the

1 sale or other disposition of property acquired before March
2 1, 1913, shall be:

3 ~~(1) the cost of such property (or, in the case of~~
4 ~~such property as is described in subsection (a) (1),~~
5 ~~(4), (5), or (12) of this section, the basis as therein~~
6 ~~provided), or~~

7 ~~(2) the fair market value of such property as of~~
8 ~~March 1, 1913,~~

9 ~~whichever is greater. In the case of property acquired~~
10 ~~before March 1, 1913, if the basis otherwise determined under~~
11 ~~this subsection, adjusted as provided in subsection (b), is~~
12 ~~less than the fair market value of the property as of March~~
13 ~~1, 1913, then the basis shall be such fair market value. In~~
14 ~~determining the fair market value of stock in a corporation~~
15 ~~as of March 1, 1913, due regard shall be given to the fair~~
16 ~~market value of the assets of the corporation as of that date.~~

17 **(b) ADJUSTED BASIS.**—*The adjusted basis for deter-*
18 ~~mining the gain or loss from the sale or other disposition of~~
19 ~~property, whenever acquired, shall be the basis determined~~
20 ~~under subsection (a), adjusted as hereinafter provided.~~

21 **(1) GENERAL RULE.**—*Proper adjustment in*
22 ~~respect of the property shall in all cases be made—~~

23 *(A) for expenditures, receipts, losses, or other*
24 ~~items, properly chargeable to capital account;~~

1 (B) in respect of any period since February
2 28, 1913, for exhaustion, wear and tear, obsoles-
3 cence, amortization, and depletion (computed
4 without regard to discovery value or percentage
5 depletion), to the extent allowed (but not less than
6 the amount allowable) under this Act or prior
7 income tax laws;

8 (C) in respect of any period prior to March
9 1, 1913, for exhaustion, wear and tear, obsoles-
10 cence, amortization, and depletion, to the extent
11 sustained;

12 (D) in the case of stock (to the extent not
13 provided for in the foregoing subparagraphs) for
14 the amount of distributions previously made which,
15 under the law applicable to the year in which the
16 distribution was made, either were tax-free or were
17 applicable in reduction of basis (not including dis-
18 tributions made by a corporation, which was classi-
19 fied as a personal service corporation under the
20 provisions of the Revenue Act of 1918 or 1921,
21 out of its earnings or profits which were taxable
22 in accordance with the provisions of section 218
23 of the Revenue Act of 1918 or 1921).

24 (2) *SUBSTITUTED BASIS.*—The term “substi-
25 tuted basis” as used in this subsection means a basis

1 *determined under any provision of subsection (a) of*
 2 *this section or under any corresponding provision of*
 3 *a prior income tax law, providing that the basis shall*
 4 *be determined—*

5 *(A) by reference to the basis in the hands of*
 6 *a transferor, donor, or grantor, or*

7 *(B) by reference to other property held at*
 8 *any time by the person for whom the basis is to*
 9 *be determined.*

10 *Whenever it appears that the basis of property in the*
 11 *hands of the taxpayer is a substituted basis, then the*
 12 *adjustments provided in paragraph (1) of this sub-*
 13 *section shall be made after first making in respect of*
 14 *such substituted basis proper adjustments of a similar*
 15 *nature in respect of the period during which the prop-*
 16 *erty was held by the transferor, donor, or grantor, or*
 17 *during which the other property was held by the person*
 18 *for whom the basis is to be determined. A similar rule*
 19 *shall be applied in the case of a series of substituted*
 20 *bases.*

21 **SEC. 114. BASIS FOR DEPRECIATION AND DEPLETION.**

22 (a) **BASIS FOR DEPRECIATION.**—The basis upon
 23 which exhaustion, wear and tear, and obsolescence are to be
 24 allowed in respect of any property shall be the same as is
 25 provided in section 113 adjusted basis provided in section

1 *113(b)* for the purpose of determining the gain or loss upon
2 the sale or other disposition of such property.

3 (b) BASIS FOR DEPLETION.—

4 (1) GENERAL RULE.—The basis upon which de-
5pletion is to be allowed in respect of any property
6 shall be the same as is provided in section 113 adjusted
7 basis provided in section 113(b) for the purpose of
8 determining the gain or loss upon the sale or other
9 disposition of such property, except as provided in
10 paragraphs (2) and (3) of this subsection.

11 (2) DISCOVERY VALUE IN CASE OF MINES.—In
12 the case of mines discovered by the taxpayer after
13 February 28, 1913, the basis for depletion shall be the
14 fair market value of the property at the date of dis-
15covery or within thirty days thereafter, if such mines
16 were not acquired as the result of purchase of a proven
17 tract or lease, and if the fair market value of the prop-
18erty is materially disproportionate to the cost. The
19 depletion allowance based on discovery value provided
20 in this paragraph shall not exceed 50 per centum of
21 the net income of the taxpayer (computed without
22 allowance for depletion) from the property upon which
23 the discovery was made, except that in no case shall
24 the depletion allowance be less than it would be if
25 computed without reference to discovery value. Dis-

1 coveries shall include minerals in commercial quanti-
2 ties contained within a vein or deposit discovered in
3 an existing mine or mining tract by the taxpayer after
4 February 28, 1913, if the vein or deposit thus discov-
5 ered was not merely the uninterrupted extension of a
6 continuing commercial vein or deposit already known
7 to exist, and if the discovered minerals are of sufficient
8 value and quantity that they could be separately mined
9 and marketed at a profit.

10 (3) PERCENTAGE DEPLETION FOR *SULPHUR*, OIL
11 AND GAS WELLS.—In the case of *sulphur*, oil and gas
12 wells the allowance for depletion shall be 27½ per
13 centum of the gross income from the property during
14 the taxable year. Such allowance shall not exceed 50
15 per centum of the net income of the taxpayer (com-
16 puted without allowance for depletion) from the prop-
17 erty, except that in no case shall the depletion allowance
18 be less than it would be if computed without reference
19 to this paragraph.

20 **SEC. 115. DISTRIBUTIONS BY CORPORATIONS.**

21 (a) DEFINITION OF DIVIDEND.—The term “divi-
22 dend” when used in this title (except in section 203 (a) (4)
23 and section 208 (c) (1), relating to insurance companies)
24 means any distribution made by a corporation to its share-

1 holders, whether in money or in other property, out of its
2 earnings or profits accumulated after February 28, 1913.

3 (b) SOURCE OF DISTRIBUTIONS.—For the purposes
4 of this Act every distribution is made out of earnings or prof-
5 its to the extent thereof, and from the most recently accumu-
6 lated earnings or profits. Any earnings or profits accumu-
7 lated, or increase in value of property accrued, before
8 March 1, 1913, may be distributed exempt from tax, after
9 the earnings and profits accumulated after February 28,
10 1913, have been distributed, but any such tax-free distribu-
11 tion shall be applied against and reduce the basis of the
12 stock provided in section 112.

13 (c) DISTRIBUTIONS IN LIQUIDATION.—Amounts dis-
14 tributed in complete liquidation of a corporation shall be
15 treated as in full payment in exchange for the stock, and
16 amounts distributed in partial liquidation of a corporation
17 shall be treated as in part or full payment in exchange for
18 the stock. The gain or loss to the distributee resulting from
19 such exchange shall be determined under section 111, but
20 shall be recognized only to the extent provided in section
21 112. In the case of amounts distributed in partial liquida-
22 tion (other than a distribution within the provisions of
23 section 112 (h) of stock or securities in connection with a
24 reorganization) the part of such distribution which is
25 properly chargeable to capital account shall not be consid-

1 ered a distribution of earnings or profits within the meaning
2 of subsection (b) of this section for the purpose of deter-
3 mining the taxability of subsequent distributions by the
4 corporation.

5 (d) OTHER DISTRIBUTIONS FROM CAPITAL.—If any
6 distribution (not in partial or complete liquidation) made
7 by a corporation to its shareholders is **not out of increase**
8 **in value of property accrued before March 1, 1913,** and is
9 not out of earnings or profits, then the amount of such dis-
10 tribution shall be applied against and reduce the basis of
11 the stock provided in section 113, and if in excess of such
12 basis, such excess shall be taxable in the same manner as a
13 gain from the sale or exchange of property. **The provi-**
14 **sions of this subsection shall also apply to distributions from**
15 **depletion reserves based on the discovery value of mines.**

16 (e) DISTRIBUTIONS BY PERSONAL SERVICE CORPO-
17 RATIONS.—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
20 of 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, shall
23 be exempt from tax to the distributees.

24 (f) STOCK DIVIDENDS.—A stock dividend shall not be
25 subject to tax.

1 (g) **REDEMPTION OF STOCK.**—If a corporation can-
 2 cels or redeems its stock (whether or not such stock was
 3 issued as a stock dividend) at such time and in such manner
 4 as to make the distribution and cancellation or redemption
 5 in whole or in part essentially equivalent to the distribution
 6 of a taxable dividend, the amount so distributed in redemp-
 7 tion or cancellation of the stock, to the extent that it repre-
 8 sents a distribution of earnings or profits ~~accumulated after~~
 9 February 28, 1913, shall be treated as a taxable dividend.
 10 In the case of the cancellation or redemption of stock not
 11 issued as a stock dividend this subsection shall apply only
 12 if the cancellation or redemption is made after January 1,
 13 1926.

14 (h) **DEFINITION OF PARTIAL LIQUIDATION.**—As
 15 used in this section the term “ amounts distributed in partial
 16 liquidation ” means a distribution by a corporation in com-
 17 plete cancellation or redemption of a part of its stock, or
 18 one of a series of distributions in complete cancellation or
 19 redemption of all or a portion of its stock.

20 **SEC. 116. EXCLUSIONS FROM GROSS INCOME.**

21 In addition to the items specified in section 22 (b),
 22 the following items shall not be included in gross income
 23 and shall be exempt from taxation under this title:

24 (a) **EARNED INCOME FROM SOURCES WITHOUT**
 25 **UNITED STATES.**—In the case of an individual citizen of

1 the United States, a bona fide nonresident of the United
 2 States for more than six months during the taxable year,
 3 amounts received from sources without the United States
 4 if such amounts constitute earned income as defined in sec-
 5 tion ~~31~~ 25(g); but such individual shall not be allowed
 6 as a deduction from his gross income any deductions properly
 7 allocable to or chargeable against amounts excluded from
 8 gross income under this subsection.

9 (b) TEACHERS IN ALASKA AND HAWAII.—In the
 10 case of an individual employed by Alaska or Hawaii or any
 11 political subdivision thereof as a teacher in any educational
 12 institution, the compensation received as such. This sub-
 13 section shall not exempt compensation paid directly or
 14 indirectly by the Government of the United States. *Sub-*
 15 *section (b) of section 5 of the Act entitled "An Act to pro-*
 16 *vide a government for the Territory of Hawaii", approved*
 17 *April 30, 1900, as amended by the Act entitled "An Act*
 18 *to amend section 5 of the Act entitled 'An Act to provide*
 19 *a government for the Territory of Hawaii', approved April*
 20 *30, 1900", approved April 12, 1930 [U. S. C., Sup. V,*
 21 *title 48, sec. 495 (b)], is repealed as of January 1, 1932.*

Note.—The matter repealed by the above subsection reads as follows:

The salaries or wages paid by the Territory of Hawaii, or any of its political subdivisions, for services rendered in connection with the exercise of an essential governmental function of the Territory or its political subdivisions, shall not be taxable by the United States in the administration of the income tax laws.

1 (c) INCOME OF FOREIGN GOVERNMENTS.—The in-
 2 come of foreign governments received from investments in
 3 the United States in stocks, bonds, or other domestic securi-
 4 ties, owned by such foreign governments, or from interest
 5 on deposits in banks in the United States of moneys belong-
 6 ing to such foreign governments, or from any other source
 7 within the United States.

8 (d) INCOME OF STATES, MUNICIPALITIES, ETC.—
 9 Income derived from any public utility or the exercise of
 10 any essential governmental function and accruing to any
 11 State, Territory, or the District of Columbia, or any political
 12 subdivision of a State or Territory, or income accruing to
 13 the Government of any possession of the United States, or
 14 any political subdivision thereof.

15 Columbia, or any political subdivision of a State or Terri-
 16 Whenever any State, Territory, or the District of
 17 to or to September 8, 1916, entered in good faith into
 18 a contract with any person, the object and purpose of which
 19 is to acquire, construct, operate, or maintain a public
 20 utility—

21 (1) If by the terms of such contract the tax
 22 imposed by this title is to be paid out of the proceeds
 23 from the operation of such public utility, prior to any
 24 division of such proceeds between the person and the

1 State, Territory, political subdivision, or the District
2 of Columbia, and if, but for the imposition of the tax
3 imposed by this title, a part of such proceeds for the
4 taxable year would accrue directly to or for the use
5 of such State, Territory, political subdivision, or the
6 District of Columbia, then a tax upon the net income
7 from the operation of such public utility shall be levied,
8 assessed, collected, and paid in the manner and at the
9 rates prescribed in this title, but there shall be refunded
10 to such State, Territory, political subdivision, or the
11 District of Columbia (under rules and regulations to
12 be prescribed by the Commissioner with the approval
13 of the Secretary) an amount which bears the same
14 relation to the amount of the tax as the amount which
15 (but for the imposition of the tax imposed by this
16 title) would have accrued directly to or for the use
17 of such State, Territory, political subdivision, or the
18 District of Columbia, bears to the amount of the net
19 income from the operation of such public utility for
20 such taxable year.

21 (2) If by the terms of such contract no part of
22 the proceeds from the operation of the public utility for
23 the taxable year would, irrespective of the tax imposed
24 by this title, accrue directly to or for the use of such
25 State, Territory, political subdivision, or the District

1 of Columbia, then the tax upon the net income of
2 such person from the operation of such public utility
3 shall be levied, assessed, collected, and paid in the
4 manner and at the rates prescribed in this title.

5 (e) BRIDGES TO BE ACQUIRED BY STATE OR POLITI-
6 CAL SUBDIVISION.—Whenever any State or political sub-
7 division thereof, in pursuance of a contract to which it is
8 not a party entered into before the enactment of this Act *the*
9 *Revenue Act of 1928*, is to acquire a bridge—

10 (1) If by the terms of such contract the tax
11 imposed by this title is to be paid out of the proceeds
12 from the operation of such bridge prior to any division
13 of such proceeds, and if, but for the imposition of the
14 tax imposed by this title, a part of such proceeds for
15 the taxable year would accrue directly to or for the use
16 of or would be applied for the benefit of such State
17 or political subdivision, then a tax upon the net in-
18 come from the operation of such bridge shall be levied,
19 assessed, collected, and paid in the manner and at the
20 rates prescribed in this title, but there shall be re-
21 funded to such State or political subdivision (under
22 rules and regulations to be prescribed by the Commis-
23 sioner with the approval of the Secretary) an amount
24 which bears the same relation to the amount of the
25 tax as the amount which (but for the imposition of the

1 tax imposed by this title) would have accrued directly
2 to or for the use of or would be applied for the benefit
3 of such State or political subdivision, bears to the
4 amount of the net income from the operation of such
5 bridge for such taxable year. No such refund shall
6 be made unless the entire amount of the refund is to be
7 applied in part payment for the acquisition of such
8 bridge.

9 (2) If by the terms of such contract no part of
10 the proceeds from the operation of the bridge for the
11 taxable year would, irrespective of the tax imposed by
12 this title, accrue directly to or for the use of or be
13 applied for the benefit of such State or political subdi-
14 vision, then the tax upon the net income from the
15 operation of such bridge shall be levied, assessed, col-
16 lected, and paid in the manner and at the rates pre-
17 scribed in this title.

18 (f) DIVIDENDS FROM "CHINA TRADE ACT" COR-
19 PORATION.—In the case of a person, amount/s distributed
20 as dividends to or for his benefit by a corporation organized
21 under the China Trade Act, 1922, if, at the time of such
22 distribution, he is a resident of China, and the equitable
23 right to the income of the shares of stock of the corporation
24 is in good faith vested in him.

1 (g) SHIPOWNERS' PROTECTION AND INDEMNITY
2 ASSOCIATIONS.—The receipts of shipowners' mutual protec-
3 tion and indemnity associations not organized for profit, and
4 no part of the net earnings of which inures to the benefit
5 of any private shareholder; but such corporations shall be
6 subject as other persons to the tax upon their net income
7 from interest, dividends, and rents.

8 SEC. 117. NET LOSSES.

9 (a) DEFINITION OF "NET LOSS."—As used in this
10 section the term "net loss" means the excess of the deduc-
11 tions allowed by this title over the gross income, with the
12 following exceptions and limitations:

13 (1) NON-BUSINESS DEDUCTIONS.—Deductions
14 otherwise allowed by law not attributable to the opera-
15 tion of a trade or business regularly carried on by the
16 taxpayer shall be allowed only to the extent of the
17 amount of the gross income not derived from such
18 trade or business;

19 (2) CAPITAL LOSSES.—In the case of a tax-
20 payer other than a corporation, deductions for capital
21 losses otherwise allowed by law shall be allowed only
22 to the extent of the capital gains;

23 (3) DEPLETION.—The deduction for depletion
24 shall not exceed the amount which would be allowable

1 if computed without reference to discovery value, or
2 to percentage depletion under section 114 (b) (3) ;

3 (4) DIVIDENDS.—The deduction provided for in
4 section 28 (p) of amounts received as dividends shall
5 not be allowed ;

6 (5) INTEREST.—There shall be included in com-
7 puting gross income the amount of interest received
8 free from tax under this title, decreased by the amount
9 of interest paid or accrued which is not allowed as a
10 deduction by section 23 (b) ;

11 (6) NET LOSS NOT TO PRODUCE NET LOSS.—In
12 computing the net loss for any taxable year a net loss
13 for a prior year shall not be allowed as a deduction.

14 (b) NET LOSS AS A DEDUCTION.—If, for any taxable
15 year *after the taxable year 1933*, it appears upon the produc-
16 tion of evidence satisfactory to the Commissioner that any
17 taxpayer has sustained a net loss, the amount thereof shall be
18 allowed as a deduction in computing the net income of the
19 taxpayer for the succeeding taxable year (hereinafter in this
20 section called "second year"), and if such net loss is in ex-
21 cess of such net income ~~(computed without such deductions)~~ ;
22 the amount of such excess shall be allowed as a deduction in
23 computing the net income for the next succeeding taxable
24 year (hereinafter in this section called "third year"); the

1 deduction in all cases to be made under regulations prescribed
 2 by the Commissioner with the approval of the Secretary.

3 (c) CAPITAL NET GAIN OR LOSS IN SECOND YEAR.—

4 (1) CAPITAL NET LOSS.—If in the second year
 5 the taxpayer (other than a corporation) sustains a cap-
 6 ital net loss, the deduction allowed by subsection (b)
 7 of this section shall first be applied as a deduction in
 8 computing the ordinary net income for such year. If
 9 the deduction is in excess of the ordinary net income
 10 (computed without such deduction) then the amount
 11 of such excess shall be allowed as a deduction in com-
 12 puting net income for the third year.

13 (2) CAPITAL NET GAIN.—If in the second year
 14 the taxpayer (other than a corporation) has a capital
 15 net gain, the deduction allowed by subsection (b) of
 16 this section shall first be applied as a deduction in com-
 17 puting the ordinary net income for such year. If the
 18 deduction is in excess of the ordinary net income (com-
 19 puted without such deduction) the amount of such
 20 excess shall next be applied against the capital net
 21 gain for such year, and if in excess of the capital net
 22 gain the amount of that excess shall be allowed as a
 23 deduction in computing net income for the third year.

24 (d) CAPITAL NET GAIN OR LOSS IN THIRD YEAR.—

1 If any portion of a net loss is allowed as a deduction in computing net income for the third year, under the provisions of either subsection (b) or (c) of this section and the taxpayer (other than a corporation) has in such year a capital net gain or a capital net loss, then the method of allowing such deduction in such third year shall be the same as provided in subsection (c).

8 ~~(c)~~ (d) NET LOSS LOSSES FOR 1926 OR 1927 1930 OR 1931.—If for the taxable year 1926 or 1927 1930 or 1931 a taxpayer sustained a net loss within the provisions of the Revenue Act of 1926, the 1928, the amount of such net loss shall not be allowed as a deduction in computing net income for the two succeeding taxable years to the same extent and in the same manner as a net loss sustained for one taxable year is, under this Act, allowed as a deduction for the two succeeding taxable years under this title.

17 ~~(f)~~ (e) FISCAL YEAR RETURNS.—If a taxpayer makes return for a period beginning in one calendar year (hereinafter in this subsection called "first calendar year") and ending in the following calendar year (hereinafter in this subsection called "second calendar year") and the law applicable to the second calendar year is different from the law applicable to the first calendar year, then his net loss for the period ending during the second calendar year shall be the sum of: (1)

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

9 **SEC. 118. LOSS ON SALE FROM WASH SALES OF STOCK OR**
 10 **SECURITIES.**

11 (a) In the case of any loss claimed to have been
 12 sustained ~~in~~ from any sale or other disposition of shares of
 13 stock or securities where it appears that within thirty days
 14 before or after the date of such sale or other disposition the
 15 *that, within a period beginning 30 days before the date of such*
 16 *sale or disposition and ending 30 days after such date, the*
 17 taxpayer has acquired (otherwise than by bequest or
 18 inheritance) or has entered into a contract or option to
 19 acquire substantially identical property, and the property
 20 so acquired is held by the taxpayer for any period after such
 21 sale or other disposition, *has acquired (by purchase or by*
 22 *an exchange upon which the entire amount of gain or loss*
 23 *was recognized by law), or has entered into a contract or*
 24 *option so to acquire, substantially identical stock or securities,*

1 then no deduction for the loss shall be allowed under section
2 28 (e) (2) of this title; nor shall such deduction be allowed
3 under section 28 (f) unless the claim is made by a corpora-
4 tion, a dealer in stocks or securities, and with respect to a
5 transaction made in the ordinary course of its business.

6 If such acquisition or the contract or option to acquire is to
7 the extent of part only of substantially identical property,
8 then only a proportionate part of the loss shall be disallowed.

9 (b) If the amount of stock or securities acquired (or
10 covered by the contract or option to acquire) is less
11 than the amount of stock or securities sold or otherwise
12 disposed of, then the particular shares of stock or securities
13 the loss from the sale or other disposition of which is not
14 deductible shall be determined under rules and regulations
15 prescribed by the Commissioner with the approval of the
16 Secretary.

17 (c) If the amount of stock or securities acquired (or
18 covered by the contract or option to acquire) is not less than
19 the amount of stock or securities sold or otherwise disposed
20 of, then the particular shares of stock or securities the
21 acquisition of which (or the contract or option to acquire
22 which) resulted in the nondeductibility of the loss shall be
23 determined under rules and regulations prescribed by the
24 Commissioner with the approval of the Secretary.

1 **SEC. 119. INCOME FROM SOURCES WITHIN UNITED STATES.**

2 (a) **GROSS INCOME FROM SOURCES IN UNITED**
 3 **STATES.**—The following items of gross income shall be
 4 treated as income from sources within the United States;
 5 (1) **INTEREST.**—Interest on bonds, notes, or
 6 other interest-bearing obligations of residents, corpo-
 7 rate or otherwise, not including—
 8 (A) interest on deposits with persons car-
 9 rying on the banking business paid to persons
 10 not engaged in business within the United States,
 11 and not having an office or place of business
 12 therein, or
 13 (B) interest received from a resident alien
 14 individual, a resident foreign corporation, or a
 15 domestic corporation, when it is shown to the satis-
 16 faction of the Commissioner that less than 20 per-
 17 centum of the gross income of such resident payor
 18 or domestic corporation has been derived from
 19 sources within the United States, as determined
 20 under the provisions of this section, for the three-
 21 year period ending with the close of the taxable
 22 year of such payor preceding the payment of such
 23 interest, or for such part of such period as may be
 24 applicable, or

1 **INCOME** (C) **INCOME** derived by a foreign central
 2 bank of issue from bankers' acceptances;
 3 (2) **DIVIDENDS**—The amount received as divi-
 4 **dividends**—
 5 (A) from a domestic corporation other
 6 than a corporation entitled to the benefits of
 7 section 251, and other than a corporation less
 8 than 20 per centum of whose gross income is
 9 shown to the satisfaction of the Commissioner to
 10 have been derived from sources within the United
 11 States, as determined under the provisions of this
 12 section, for the three-year period ending with
 13 the close of the taxable year of such corporation
 14 preceding the declaration of such dividends (or
 15 for such part of such period as the corporation
 16 has been in existence), or to hold
 17 (B) from a foreign corporation unless less
 18 than 50 per centum of the gross income of such
 19 foreign corporation for the three-year period end-
 20 ing with the close of its taxable year preceding
 21 the declaration of such dividends (or for such
 22 part of such period as the corporation has been
 23 in existence) was derived from sources within the
 24 United States as determined under the provisions
 25 of this section;

(3) **PERSONAL SERVICES.**—Compensation for labor or personal services performed in the United States;

(4) **RENTALS AND ROYALTIES.**—Rentals or royalties from property located in the United States or from any interest in such property, including rentals or royalties for the use of or for the privilege of using in the United States, patents, copyrights, secret processes and formulas, good will, trade-marks, trade brands, franchises, and other like property; and

(5) **SALE OF REAL PROPERTY.**—Gains, profits, and income from the sale of real property located in the United States.

(b) **NET INCOME FROM SOURCES IN UNITED STATES.**—From the items of gross income specified in subsection (a) of this section there shall be deducted the expenses, losses, and other deductions properly apportioned or allocated thereto and a ratable part of any expenses, losses, or other deductions which can not definitely be allocated to some item or class of gross income. The remainder, if any, shall be included in full as net income from sources within the United States.

(c) **GROSS INCOME FROM SOURCES WITHOUT UNITED STATES.**—The following items of gross income shall be treated as income from sources without the United States:

1 (1) Interest other than that derived from sources
 2 within the United States as provided in subsection
 3 (a) (1) of this section;

4 (2) Dividends other than those derived from
 5 sources within the United States as provided in sub-
 6 section (a) (2) of this section;

7 (3) Compensation for labor or personal services
 8 performed without the United States;

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

16 (5) Gains, profits, and income from the sale of
 17 real property located without the United States.

18 (d) NET INCOME FROM SOURCES WITHOUT UNITED
 19 STATES.—From the items of gross income specified in sub-
 20 section (c) of this section there shall be deducted the ex-
 21 penses, losses, and other deductions properly apportioned
 22 or allocated thereto, and a ratable part of any expenses,
 23 losses, or other deductions which can not definitely be allo-
 24 cated to some item or class of gross income. The remainder,

1 if any, shall be treated in full as net income from sources
2 without the United States.

3 (b) INCOME FROM SOURCES PARTLY WITHIN AND
4 PARTLY WITHOUT UNITED STATES.—Items of gross in-
5 come, expenses, losses, and deductions, other than those
6 specified in subsections (a) and (c) of this section, shall be
7 allocated or apportioned to sources within or without the
8 United States, under rules and regulations prescribed by
9 the Commissioner with the approval of the Secretary.
10 Where items of gross income are separately allocated to
11 sources within the United States, there shall be deducted
12 (for the purpose of computing the net income therefrom)
13 the expenses, losses, and other deductions properly appor-
14 tioned or allocated thereto and a ratable part of other ex-
15 penses, losses, or other deductions which can not definitely
16 be allocated to some item or class of gross income. The
17 remainder, if any, shall be included in full as net income
18 from sources within the United States. In the case of gross
19 income derived from sources partly within and partly with-
20 out the United States, the net income may first be computed
21 by deducting the expenses, losses, or other deductions appor-
22 tioned or allocated thereto and a ratable part of any expenses,
23 losses, or other deductions which can not definitely be allo-
24 cated to some items or class of gross income; and the portion

1 of such net income attributable to sources within the United
2 States may be determined by processes or formulas of
3 general apportionment prescribed by the Commissioner with
4 the approval of the Secretary. Gains, profits, and income
5 from—

6 (1) transportation or other services rendered
7 partly within and partly without the United States, or

8 (2) from the sale of personal property produced
9 (in whole or in part) by the taxpayer within and sold
10 without the United States, or produced (in whole or
11 in part) by the taxpayer without and sold within the
12 United States,

13 shall be treated as derived partly from sources within and
14 partly from sources without the United States. Gains, profits,
15 and income derived from the purchase of personal property
16 within and its sale without the United States or from the
17 purchase of personal property without and its sale within
18 the United States, shall be treated as derived entirely from
19 sources within the country in which sold, except that gains,
20 profits, and income derived from the purchase of personal
21 property within the United States and its sale within a pos-
22 session of the United States or from the purchase of personal
23 property within a possession of the United States and its
24 sale within the United States shall be treated as derived

1 partly from sources within and partly from sources without
2 the United States.

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

8 **SEC. 120. UNLIMITED DEDUCTION FOR CHARITABLE AND**
9 **OTHER CONTRIBUTIONS.**

10 In the case of an individual if in the taxable year and
11 in each of the ten preceding taxable years the amount of
12 the contributions or gifts described in section 23 (n) plus
13 the amount of income, war-profits, or excess-profits taxes
14 paid during such year in respect of preceding taxable years,
15 exceeds 90 per centum of the taxpayer's net income for
16 each such year, as computed without the benefit of section
17 23 (n), then the 15 per centum limit imposed by such section
18 shall not be applicable.

19 **Supplement C—Credits Against Tax**

20 [Supplementary to Subtitle B, Part III]

21 **SEC. 131. TAXES OF FOREIGN COUNTRIES AND POSSES-**
22 **SIONS OF UNITED STATES.**

23 (a) ALLOWANCE OF CREDIT.—*The If the taxpayer*
24 *signifies in his return his desire to have the benefits of this*
25 *section, the tax imposed by this title shall be credited with:*

1 (1) **CITIZEN AND DOMESTIC CORPORATION.**—In
2 the case of a citizen of the United States and of a
3 domestic corporation, the amount of any income, war-
4 profits, and excess-profits taxes paid or accrued during
5 the taxable year to any foreign country or to any
6 possession of the United States; and

7 (2) **RESIDENT OF UNITED STATES.**—In the case
8 of a resident of the United States, the amount of any
9 such taxes paid or accrued during the taxable year to
10 any possession of the United States; and

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

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

1 (b) LIMIT ON CREDIT.—In no case shall the amount
2 of credit taken under this section exceed the same propor-
3 tion of the tax (computed on the basis of the taxpayer's net
4 income without the deduction of any income, war-profits, or
5 excess-profits tax any part of which may be allowed to him
6 as a credit by this section), against which such credit is
7 taken, which the taxpayer's net income (computed without
8 the deduction of any such income, war-profits, or excess-
9 profits tax) from sources without the United States bears
10 to his entire net income (computed without such deduc-
11 tion) for the same taxable year. The amount of the credit
12 taken under this section shall be subject to each of the follow-
13 ing limitations:

14 (1) The amount of the credit in respect of the tax
15 paid or accrued to any country shall not exceed the
16 same proportion of the tax against which such credit
17 is taken, which the taxpayer's net income from sources
18 within such country bears to his entire net income for
19 the same taxable year; and

20 (2) The total amount of the credit shall not ex-
21 ceed the same proportion of the tax against which such
22 credit is taken, which the taxpayer's net income from
23 sources without the United States bears to his entire net
24 income for the same taxable year.

1 (c) **ADJUSTMENTS ON PAYMENT OF ACCRUED**
2 **TAXES.**—If accrued taxes when paid differ from the amounts
3 claimed as credits by the taxpayer, or if any tax paid is
4 refunded in whole or in part, the taxpayer shall notify the
5 Commissioner, who shall redetermine the amount of the tax
6 for the year or years affected, and the amount of tax due
7 upon such redetermination, if any, shall be paid by the
8 taxpayer upon notice and demand by the collector, or
9 the amount of tax overpaid, if any, shall be credited or re-
10 funded to the taxpayer in accordance with the provisions of
11 section 322. In the case of such a tax accrued but not paid,
12 the Commissioner as a condition precedent to the allowance
13 of this credit may require the taxpayer to give a bond with
14 sureties satisfactory to and to be approved by the Com-
15 missioner in such sum as the Commissioner may require,
16 conditioned upon the payment by the taxpayer of any amount
17 of tax found due upon any such redetermination; and the
18 bond herein prescribed shall contain such further conditions
19 as the Commissioner may require.

20 (d) **YEAR IN WHICH CREDIT TAKEN.**—The credits
21 provided for in this section may, at the option of the tax-
22 payer and irrespective of the method of accounting employed
23 in keeping his books, be taken in the year in which the taxes
24 of the foreign country or the possession of the United States
25 accrued, subject, however, to the conditions prescribed in

1 subsection (c) of this section. If the taxpayer elects to take
2 such credits in the year in which the taxes of the foreign
3 country or the possession of the United States accrued, the
4 credits for all subsequent years shall be taken upon the
5 same basis basis, and no portion of any such taxes shall be
6 allowed as a deduction in the same or any succeeding year.

7 (e) PROOF OF CREDITS.—These credits shall be
8 allowed only if the taxpayer furnishes evidence satisfactory
9 to the Commissioner showing the amount of income derived
10 from sources without the United States, and all other infor-
11 mation necessary for the verification and computation of
12 such credits. The credits provided in this section shall be
13 allowed only if the taxpayer establishes to the satisfaction of
14 the Commissioner (1) the total amount of income derived from
15 sources without the United States, determined as provided
16 in section 119, (2) the amount of income derived from each
17 country, the tax paid or accrued to which is claimed as a
18 credit under this section, such amount to be determined under
19 rules and regulations prescribed by the Commissioner with the
20 approval of the Secretary, and (3) all other information
21 necessary for the verification and computation of such credits.

22 (f) TAXES OF FOREIGN SUBSIDIARY.—For the pur-
23 poses of this section a domestic corporation which owns a
24 majority of the voting stock of a foreign corporation from
25 which it receives dividends (not deductible under section

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

1 as having been paid from the most recently accumulated
2 gains, profits, or earnings. In the case of a foreign corpora-
3 tion, the income, war-profits, and excess-profits taxes of
4 which are determined on the basis of an accounting period
5 of less than one year, the word "year" as used in this
6 subsection shall be construed to mean such accounting period.

7 (g) CORPORATIONS TREATED AS FOREIGN.—For the
8 purposes of this section the following corporations shall be
9 treated as foreign corporations:

10 (1) A corporation entitled to the benefits of
11 section 251, by reason of receiving a large percentage
12 of its gross income from sources within a possession of
13 the United States;

14 (2) A corporation organized under the China
15 Trade Act, 1922, and entitled to the credit provided
16 for in section 261.

17 **SEC. 132. PAYMENTS UNDER ~~1926~~ 1928 ACT.**

18 Any amount paid before or after the enactment of this
19 Act on account of the tax imposed for a fiscal year beginning
20 in ~~1927~~ 1931 and ending in ~~1928~~ 1932 by Title II of the
21 Revenue Act of ~~1926~~ 1928 shall be credited toward the pay-
22 ment of the tax imposed for such fiscal year by this Act, and
23 if the amount so paid exceeds the amount of such tax imposed
24 by this Act, the excess shall be credited or refunded in
25 accordance with the provisions of section 322.

1 **Supplement D—Returns and Payment of Tax**

2 [Supplementary to Subtitle B, Part V]

3 **SEC. 141. CONSOLIDATED RETURNS OF CORPORATIONS—**4 **1929 AND SUBSEQUENT TAXABLE YEARS COR-**
5 **PORATIONS.**6 **(a) PRIVILEGE TO FILE CONSOLIDATED RETURNS.—**

7 An affiliated group of corporations shall, subject to the pro-
8 visions of this section, have the privilege of making a
9 consolidated return for the taxable year ~~1929~~ or any subse-
10 quent taxable year, in lieu of separate returns. The making
11 of a consolidated return shall be upon the condition that all
12 the corporations which have been members of the affiliated
13 group at any time during the taxable year for which the
14 return is made consent to all the regulations under subsection

15 (b) prescribed prior to the making of such return; and the
16 making of a consolidated return shall be considered as such
17 consent. In the case of a corporation which is a member
18 of the affiliated group for a fractional part of the year the
19 consolidated return shall include the income of such corpora-
20 tion for such part of the year as it is a member of the
21 affiliated group.

22 **(b) REGULATIONS.—**The Commissioner, with the
23 approval of the Secretary, shall prescribe such regulations as
24 he may deem necessary in order that the tax liability of an
25 affiliated group of corporations making a consolidated return

1 and of each corporation in the group, both during and after
 2 the period of affiliation, may be determined, computed,
 3 assessed, collected, and adjusted in such manner as clearly
 4 to reflect the income and to prevent avoidance of tax liability.

5 (c) COMPUTATION AND PAYMENT OF TAX.—In any
 6 case in which a consolidated return is made the tax shall be
 7 determined, computed, assessed, collected, and adjusted in
 8 accordance with the regulations under subsection (b) pre-
 9 scribed prior to the date on which such return is made.
 10 Only; except that there shall be added to the rate of tax
 11 prescribed by sections 13(a), 201(b), and 204(a), a rate
 12 of $1\frac{1}{2}$ per centum, and only one specific credit, computed as
 13 provided in section 26(b), shall be allowed in computing
 14 the tax.

15 (d) DEFINITION OF "AFFILIATED GROUP".—As
 16 used in this section an "affiliated group" means one or more
 17 chains of corporations connected through stock ownership
 18 with a common parent corporation if—

19 (1) At least 95 per centum of the stock of each
 20 of the corporations (except the common parent cor-
 21 poration) is owned directly by one or more of the other
 22 corporations; and

23 (2) The common parent corporation owns directly
 24 at least 95 per centum of the stock of at least one of the
 25 other corporations.

1 As used in this subsection the term "stock" does not include
2 nonvoting stock which is limited and preferred as to dividends.

3 (e) A consolidated return shall be made only for the
4 domestic corporations within the affiliated group. An insur-
5 ance company subject to the tax imposed by section 201
6 or 204 shall not be included in the same consolidated return
7 with a corporation subject to the tax imposed by section 13
8 13, and an insurance company subject to the tax imposed by
9 section 201 shall not be included in the same consolidated
10 return with an insurance company subject to the tax imposed
11 by section 204.

12 (f) CHINA TRADE ACT CORPORATIONS.—A cor-
13 poration organized under the China Trade Act, 1922, shall
14 not be deemed to be affiliated with any other corporation
15 within the meaning of this section.

16 (g) CORPORATIONS DERIVING INCOME FROM POSSES-
17 SIONS OF UNITED STATES.—For the purposes of this section
18 a corporation entitled to the benefits of section 251, by
19 reason of receiving a large percentage of its income from
20 possessions of the United States, shall be treated as a foreign
21 corporation.

22 (h) SUBSIDIARY FORMED TO COMPLY WITH FOREIGN
23 LAW.—In the case of a domestic corporation owning or con-
24 trolling, directly or indirectly, 100 per centum of the capital
25 stock (exclusive of directors' qualifying shares) of a corpo-

1 ration organized under the laws of a contiguous foreign
 2 country and maintained solely for the purpose of complying
 3 with the laws of such country as to title and operation of
 4 property, such foreign corporation may, at the option of the
 5 domestic corporation, be treated for the purpose of this title
 6 as a domestic corporation.

7 (i) **SUSPENSION OF RUNNING OF STATUTE OF LIMITATIONS.**—
 8 If a notice under section 272 (a) in respect of a
 9 deficiency for any taxable year is mailed to a corporation,
 10 the suspension of the running of the statute of limitations,
 11 provided in section 277, shall apply in the case of corpora-
 12 tions with which such corporation made a consolidated return
 13 for such taxable year.

14 (j) **ALLOCATION OF INCOME AND DEDUCTIONS.**—
 15 For allocation of income and deductions of related trades or
 16 businesses, see section 45.

17 **SEC. 142. CONSOLIDATED RETURNS OF CORPORATIONS—**
 18 **TAXABLE YEAR 1928.**

19 ~~(a) CONSOLIDATED RETURNS PERMITTED.~~—Corpora-
 20 tions which are affiliated within the meaning of this section
 21 may, for the taxable year 1928, make separate returns or,
 22 under regulations prescribed by the Commissioner with the
 23 approval of the Secretary, make a consolidated return of net
 24 income for the purpose of this title, in which case the taxes
 25 thereunder shall be computed and determined upon the basis

1 of such return. If return for the taxable year 1927 was
2 made upon either of such bases, return for the taxable year
3 1928 shall be upon the same basis unless permission to
4 change the basis is granted by the Commissioner.

5 (b) COMPUTATION AND PAYMENT OF TAX.—In any
6 case in which a tax is assessed upon the basis of a con-
7 solidated return, the total tax shall be computed in the first
8 instance as a unit and shall then be assessed upon the respec-
9 tive affiliated corporations in such proportions as may be
10 agreed upon among them; or, in the absence of any such
11 agreement, then on the basis of the net income properly
12 assignable to each. There shall be allowed in computing
13 the income tax only one specific credit computed as provided
14 in section 26(b).

15 (c) DEFINITION OF AFFILIATION.—For the purpose
16 of this section two or more domestic corporations shall be
17 deemed to be affiliated (1) if one corporation owns at least
18 95 per centum of the stock of the other or others, or (2) if
19 at least 95 per centum of the stock of two or more corpora-
20 tions is owned by the same interests. As used in this sub-
21 section the term "stock" does not include nonvoting stock
22 which is limited and preferred as to dividends.

23 (d) CHINA TRADE ACT CORPORATIONS.—A corpora-
24 tion organized under the China Trade Act, 1922, shall not

11 be deemed to be affiliated with any other corporation within
 12 the meaning of this section.

13 (c) **CORPORATIONS DERIVING INCOME FROM POS-**
 14 **SESSIONS OF UNITED STATES.**—For the purposes of this
 15 section a corporation entitled to the benefits of section 251,
 16 by reason of receiving a large percentage of its income from
 17 possessions of the United States, shall be treated as a foreign
 18 corporation.

19 (f) **SUSPENSION OF RUNNING OF STATUTE OF LIM-**
 20 **TATIONS.**—If a notice under section 272 (a) in respect of a
 21 deficiency for the taxable year 1928 is mailed to a corpora-
 22 tion, the suspension of the running of the statute of limita-
 23 tions, provided in section 277, shall apply in the case of
 24 corporations with which such corporation made a consoli-
 dated return for such taxable year.

16 (g) **ALLOCATION OF INCOME AND DEDUCTIONS.**—
 17 For allocation of income and deductions of related trades or
 18 businesses, see section 45.

19 **SEC. 142. FIDUCIARY RETURNS.**

20 (a) **REQUIREMENT OF RETURN.**—Every fiduciary
 21 (except a receiver appointed by authority of law in posses-
 22 sion of part only of the property of an individual) shall make
 23 under oath a return for any of the following individuals,
 24 estates, or trusts for which he acts, stating specifically the

1 items of gross income thereof and the deductions and credits
2 allowed under this title—

3 (1) Every individual having a net income for the
4 taxable year of ~~\$1,500~~ \$1,000 or over, if single, or if
5 married and not living with husband or wife;

6 (2) Every individual having a net income for the
7 taxable year of ~~\$2,500~~ \$2,500 or over, if married and
8 living with husband or wife;

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

12 (4) Every estate or trust the net income of which
13 for the taxable year is ~~\$1,500~~ \$1,000 or over;

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

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

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

1 the individual, estate or trust for which the return is made,
 2 to enable him to make the return, and (2) that the return
 3 is, to the best of his knowledge and belief, true and correct.

4 (c) LAW APPLICABLE TO FIDUCIARIES.—Any fidu-
 5 ciary required to make a return under this title shall be
 6 subject to all the provisions of law which apply to individuals.

7 SEC. 144 143. WITHHOLDING OF TAX AT SOURCE.

8 (a) TAX-FREE COVENANT BONDS.—

9 (1) REQUIREMENT OF WITHHOLDING.—In any
 10 case where bonds, mortgages, or deeds of trust, or
 11 other similar obligations of a corporation contain a con-
 12 tract or provision by which the obligor agrees to pay
 13 any portion of the tax imposed by this title upon the
 14 obligee, or to reimburse the obligee for any portion
 15 of the tax, or to pay the interest without deduction
 16 for any tax which the obligor may be required or per-
 17 mitted to pay thereon, or to retain therefrom under any
 18 law of the United States, the obligor shall deduct and
 19 withhold a tax equal to 2 per centum of the interest
 20 upon such bonds, mortgages, deeds of trust, or other
 21 obligations, whether such interest is payable annually
 22 or at shorter or longer periods, if payable to an indi-
 23 vidual, a partnership, or a foreign corporation not
 24 engaged in trade or business within the United States
 25 and not having any office or place of business therein:

1 *Provided*, That if the liability assumed by the
 2 obligor does not exceed 2 per centum of the interest,
 3 then the deduction and withholding shall, after the date
 4 of the enactment of this Act, be at the following rates:
 5 (A) 5 per centum 7 per centum in the case of a non-
 6 resident alien individual, or of any partnership not
 7 engaged in trade or business within the United States
 8 and not having any office or place of business therein
 9 and composed in whole or in part of nonresident aliens,
 10 (B) 42 per centum 13 $\frac{1}{4}$ per centum in the case of such
 11 a foreign corporation, and (C) 2 per centum in the case
 12 of other individuals and partnerships: *Provided fur-*
 13 *ther*, That if the owners of such obligations are not
 14 known to the withholding agent the Commissioner
 15 may authorize such deduction and withholding to be at
 16 the rate of 2 per centum, or, if the liability assumed by
 17 the obligor does not exceed 2 per centum of the interest,
 18 then at the rate of 5 per centum 7 per centum.

19 (2) BENEFIT OF CREDITS AGAINST NET IN-
 20 COME.—Such deduction and withholding shall not be
 21 required in the case of a citizen or resident entitled to
 22 receive such interest, if he files with the withholding
 23 agent on or before February 1 a signed notice in
 24 writing claiming the benefit of the credits provided in
 25 section 25 (c) and (d); nor in the case of a nonresident

1 alien individual if so provided for in regulations pre-
2 scribed by the Commissioner under section 215.

3 ~~(3) WITHHOLDING AT LOWER RATE.~~—Such
4 deduction and withholding shall be at the rate of 1½
5 per centum instead of at the rate of 2 per centum in
6 the case of a citizen or resident entitled to receive such
7 interest if he files with the withholding agent on or
8 before February 1 a signed notice in writing that his
9 net income in excess of the credits against net income
10 provided in section 25 does not exceed \$4,000.

11 ~~(4) (3) INCOME OF OBLIGOR AND OBLIGEE.~~—The
12 obligor shall not be allowed a deduction for the pay-
13 ment of the tax imposed by this title, or any other tax
14 paid pursuant to the tax-free covenant clause, nor shall
15 such tax be included in the gross income of the obligee.

16 (b) NONRESIDENT ALIENS.—All persons, in what-
17 ever capacity acting, including lessees or mortgagors of
18 real or personal property, fiduciaries, employers, and all
19 officers and employees of the United States, having the con-
20 trol, receipt, custody, disposal, or payment of interest (ex-
21 cept interest on deposits with persons carrying on the
22 banking business paid to persons not engaged in business in
23 the United States and not having an office or place of busi-
24 ness therein), rent, salaries, wages, premiums, annuities,
25 compensations, remunerations, emoluments, or other fixed

1 or determinable annual or periodical gains, profits, and
2 income, of any nonresident alien individual, or of any
3 partnership not engaged in trade or business within the
4 United States and not having any office or place of business
5 therein and composed in whole or in part of nonresident
6 aliens (other than income received as dividends of the
7 class allowed as a credit by section 25 (a)), shall (except
8 in the cases provided for in subsection (a) of this section
9 and except as otherwise provided in regulations prescribed
10 by the Commissioner under section 215) deduct and with-
11 hold from such annual or periodical gains, profits, and income
12 a tax equal to ~~5 per centum~~ 7 per centum thereof: *Provided,*
13 That the Commissioner may authorize such tax to be
14 deducted and withheld from the interest upon any securities
15 the owners of which are not known to the withholding
16 agent: *Provided further, That the provisions of this subsection*
17 *with respect to the deduction and withholding in the case of*
18 *dividends shall take effect on and after the thirtieth day after*
19 *the enactment of this Act, and shall be applicable without*
20 *regard to the gross income of the corporation paying the*
21 *dividend.*

22 (c) RETURN AND PAYMENT.—Every person required
23 to deduct and withhold any tax under this section shall
24 make return thereof on or before March 15 of each year
25 and shall on or before June 15, in lieu of the time prescribed

1 in section 56, pay the tax to the official of the United States
2 Government authorized to receive it. Every such person
3 is hereby made liable for such tax and is hereby indemnified
4 against the claims and demands of any person for the
5 amount of any payments made in accordance with the
6 provisions of this section.

7 (d) INCOME OF RECIPIENT.—Income upon which
8 any tax is required to be withheld at the source under this
9 section shall be included in the return of the recipient of such
10 income, but any amount of tax so withheld shall be credited
11 against the amount of income tax as computed in such return.

12 (e) TAX PAID BY RECIPIENT.—If any tax required
13 under this section to be deducted and withheld is paid by
14 the recipient of the income, it shall not be re-collected from
15 the withholding agent; nor in cases in which the tax is so
16 paid shall any penalty be imposed upon or collected from
17 the recipient of the income or the withholding agent for
18 failure to return or pay the same, unless such failure was
19 fraudulent and for the purpose of evading payment.

20 (f) REFUNDS AND CREDITS.—Where there has been
21 an overpayment of tax under this section any refund or
22 credit made under the provisions of section 322 shall be
23 made to the withholding agent unless the amount of such
24 tax was actually withheld by the withholding agent.

1 SEC. 146 145. PENALTIES.

2 (a) Any person required under this title to pay any
3 tax, or required by law or regulations made under authority
4 thereof to make a return, keep any records, or supply any
5 information, for the purposes of the computation, assessment,
6 or collection of any tax imposed by this title, who willfully
7 fails to pay such tax, make such return, keep such records,
8 or supply such information, at the time or times required by
9 law or regulations, shall, in addition to other penalties pro-
10 vided by law, be guilty of a misdemeanor and, upon convic-
11 tion thereof, be fined not more than \$10,000, or imprisoned
12 for not more than one year, or both, together with the costs
13 of prosecution.

14 (b) Any person required under this title to collect,
15 account for, and pay over any tax imposed by this title, who
16 willfully fails to collect or truthfully account for and pay
17 over such tax, and any person who willfully attempts in
18 any manner to evade or defeat any tax imposed by this title
19 or the payment thereof, shall, in addition to other penalties
20 provided by law, be guilty of a felony and, upon conviction
21 thereof, be fined not more than \$10,000, or imprisoned for
22 not more than five years, or both, together with the costs of
23 prosecution.

1 (c) The term " person " as used in this section includes
2 an officer or employee of a corporation or a member or em-
3 ployee of a partnership, who as such officer, employee, or
4 member is under a duty to perform the act in respect of
5 which the violation occurs.

6 **SEC. 147. 146. CLOSING BY COMMISSIONER OF TAXABLE**
7 **YEAR.**

8 (a) **TAX IN JEOPARDY.**—If the Commissioner finds
9 that a taxpayer designs quickly to depart from the United
10 States or to remove his property therefrom, or to conceal
11 himself or his property therein, or to do any other act tending
12 to prejudice or to render wholly or partly ineffectual pro-
13 ceedings to collect the tax for the taxable year then last past
14 or the taxable year then current unless such proceedings be
15 brought without delay, the Commissioner shall declare the
16 taxable period for such taxpayer immediately terminated and
17 shall cause notice of such finding and declaration to be given
18 the taxpayer, together with a demand for immediate pay-
19 ment of the tax for the taxable period so declared terminated
20 and of the tax for the preceding taxable year or so much of
21 such tax as is unpaid, whether or not the time otherwise
22 allowed by law for filing return and paying the tax has
23 expired; and such taxes shall thereupon become immediately
24 due and payable. In any proceeding in court brought to
25 enforce payment of taxes made due and payable by virtue of

1 the provisions of this section the finding of the Commissioner,
2 made as herein provided, whether made after notice to the
3 taxpayer or not, shall be for all purposes presumptive evi-
4 dence of the taxpayer's design.

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

18 (c) SAME—EXEMPTION FROM SECTION.—If security
19 is approved and accepted pursuant to the provisions of this
20 section and such further or other security with respect to
21 the tax or taxes covered thereby is given as the Commis-
22 sioner shall from time to time find necessary and require,
23 payment of such taxes shall not be enforced by any pro-
24 ceedings under the provisions of this section prior to the

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

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

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

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

19 **SEC. 149 147. INFORMATION AT SOURCE.**

20 (a) **PAYMENTS OF \$1,500 \$1,000 OR MORE.**—All per-
21 sons, in whatever capacity acting, including lessees or
22 mortgagors of real or personal property, fiduciaries, and
23 employers, making payment to another person, of interest,
24 rent, salaries, wages, premiums, annuities, compensations,
25 remunerations, emoluments, or other fixed or determinable

1 gains, profits, and income (other than payments described
2 in section ~~140(a)~~ 148(a) or ~~150~~ 149), of ~~\$1,500~~ \$1,000
3 or more in any taxable year, or, in the case of such
4 payments made by the United States, the officers or
5 employees of the United States having information as
6 to such payments and required to make returns in re-
7 gard thereto by the regulations hereinafter provided for,
8 shall render a true and accurate return to the Commis-
9 sioner, under such regulations and in such form and manner
10 and to such extent as may be prescribed by him with the
11 approval of the Secretary, setting forth the amount of such
12 gains, profits, and income, and the name and address of the
13 recipient of such payment.

14 (b) RETURNS REGARDLESS OF AMOUNT OF PAY-
15 MENT.—Such returns may be required, regardless of
16 amounts, (1) in the case of payments of interest upon bonds,
17 mortgages, deeds of trust, or other similar obligations of cor-
18 porations, and (2) in the case of collections of items (not
19 payable in the United States) of interest upon the bonds of
20 foreign countries and interest upon the bonds of and divi-
21 dends from foreign corporations by persons undertaking as a
22 matter of business or for profit the collection of foreign pay-
23 ments of such interest or dividends by means of coupons,
24 checks, or bills of exchange.

1 (c) RECIPIENT TO FURNISH NAME AND ADDRESS.—

2 When necessary to make effective the provisions of this sec-
3 tion the name and address of the recipient of income shall
4 be furnished upon demand of the person paying the income.

5 (d) OBLIGATIONS OF UNITED STATES.—The provi-
6 sions of this section shall not apply to the payment of in-
7 terest on obligations of the United States.

8 SEC. 149 148. INFORMATION BY CORPORATIONS.

9 (a) DIVIDEND PAYMENTS.—Every corporation sub-
10 ject to the tax imposed by this title shall, when required by
11 the Commissioner, render a correct return, duly verified
12 under oath, of its payments of dividends, stating the name
13 and address of each shareholder, the number of shares owned
14 by him, and the amount of dividends paid to him.

15 (b) PROFITS OF TAXABLE YEAR DECLARED AS DIVI-
16 DENDS.—There shall be included in the return or appended
17 thereto a statement of such facts as will enable the Commis-
18 sioner to determine the portion of the earnings or profits of
19 the corporation (including gains, profits, and income not
20 taxed) accumulated during the taxable year for which the
21 return is made, which have been distributed or ordered to
22 be distributed, respectively, to its shareholders during such
23 year.

24 (c) ACCUMULATED GAINS AND PROFITS.—When
25 requested by the Commissioner, or any collector, every

1 corporation shall forward to him a correct statement of
2 accumulated gains and profits and the names and addresses
3 of the individuals or shareholders who would be entitled to
4 the same if divided or distributed, and of the amounts that
5 would be payable to each.

6 **SEC. 149. RETURNS OF BROKERS.**

7 Every person doing business as a broker shall, when
8 required by the Commissioner, render a correct return duly
9 verified under oath, under such rules and regulations as the
10 Commissioner, with the approval of the Secretary, may
11 prescribe, showing the names of customers for whom such
12 person has transacted any business, with such details as to
13 the profits, losses, or other information which the Com-
14 missioner may require, as to each of such customers, as will
15 enable the Commissioner to determine whether all income
16 tax due on profits or gains of such customers has been paid.

17 **SEC. 150. COLLECTION OF FOREIGN ITEMS.**

18 All persons undertaking as a matter of business or for
19 profit the collection of foreign payments of interest or divi-
20 dends 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
23 obtain the information required under this title as the Com-
24 missioner, with the approval of the Secretary, shall pre-
25 scribe; and whoever knowingly undertakes to collect such

1 payments without having obtained a license therefor, or
 2 without complying with such regulations, shall be guilty
 3 of a misdemeanor and shall be fined not more than \$5,000
 4 or imprisoned for not more than one year, or both.

5 **Supplement E—Estates and Trusts**

6 **SEC. 161. IMPOSITION OF TAX.**

7 (a) **APPLICATION OF TAX.**—The taxes imposed by
 8 this title upon individuals shall apply to the income of
 9 estates or of any kind of property held in trust, including—

10 (1) Income accumulated in trust for the benefit
 11 of unborn or unascertained persons or persons with con-
 12 tingent interests, and income accumulated or held for
 13 future distribution under the terms of the will or trust;

14 (2) Income which is to be distributed currently
 15 by the fiduciary to the beneficiaries, and income col-
 16 lected by a guardian of an infant which is to be held
 17 or distributed as the court may direct;

18 (3) Income received by estates of deceased per-
 19 sons during the period of administration or settlement
 20 of the estate; and

21 (4) Income which, in the discretion of the fidu-
 22 ciary, may be either distributed to the beneficiaries or
 23 accumulated.

24 (b) **COMPUTATION AND PAYMENT.**—The tax shall
 25 be computed upon the net income of the estate or trust, and

1 shall be paid by the fiduciary, except as provided in sec-
2 tion 166 (relating to revocable trusts) and section 167
3 (relating to income for benefit of the grantor). For return
4 made by beneficiary, see section ~~143~~ 142.

5 **SEC. 162. NET INCOME.**

6 The net income of the estate or trust shall be computed
7 in the same manner and on the same basis as in the case of
8 an individual, except that—

9 (a) There shall be allowed as a deduction (in lieu of
10 the deduction for charitable, etc., contributions authorized by
11 section 23 (n)) any part of the gross income, without limita-
12 tion, which pursuant to the terms of the will or deed creating
13 the trust, is during the taxable year paid or permanently
14 set aside for the purposes and in the manner specified in
15 section 23 (n), or is to be used exclusively for religious,
16 charitable, scientific, literary, or educational purposes, or
17 for the prevention of cruelty to children or animals, or for
18 the establishment, acquisition, maintenance, or operation of
19 a public cemetery not operated for profit;

20 (b) There shall be allowed as an additional deduction
21 in computing the net income of the estate or trust the amount
22 of the income of the estate or trust for its taxable year which
23 is to be distributed currently by the fiduciary to the bene-
24 ficiaries, and the amount of the income collected by a guard-
25 ian of an infant which is to be held or distributed as the

1 court may direct, but the amount so allowed as a deduction
2 shall be included in computing the net income of the bene-
3 ficiaries whether distributed to them or not. Any amount
4 allowed as a deduction under this paragraph shall not be
5 allowed as a deduction under subsection (c) of this section
6 in the same or any succeeding taxable year;

7 (c) In the case of income received by estates of deceased
8 persons during the period of administration or settlement of
9 the estate, and in the case of income which, in the discre-
10 tion of the fiduciary, may be either distributed to the bene-
11 ficiary or accumulated, there shall be allowed as an addi-
12 tional deduction in computing the net income of the estate
13 or trust the amount of the income of the estate or trust for
14 its taxable year which is properly paid or credited during
15 such year to any legatee, heir, or beneficiary, but the amount
16 so allowed as a deduction shall be included in computing
17 the net income of the legatee, heir, or beneficiary.

18 **SEC. 163. CREDITS AGAINST NET INCOME.**

19 (a) **CREDITS OF ESTATE OR TRUST.**—For the pur-
20 pose of the normal tax the estate or trust shall be allowed
21 the same personal exemption as is allowed to a single person
22 under section 25 (c), and, if no part of the income of the
23 estate or trust is included in computing the net income of
24 any legatee, heir, or beneficiary, then in addition the same

1 credits against net income for dividends and interest as are
2 allowed by section 25 (a) and (b).

3 (b) CREDITS OF BENEFICIARY.—If any part of the
4 income of an estate or trust is included in computing the
5 net income of any legatee, heir, or beneficiary, such legatee,
6 heir, or beneficiary shall, for the purpose of the normal tax,
7 be allowed as credits against net income, in addition to the
8 credits allowed to him under section 25, his proportionate
9 share of such amounts of dividends and interest specified in
10 section 25 (a) and (b) as are, under this Supplement,
11 required to be included in computing his net income. Any
12 remaining portion of such amounts specified in section 25 (a)
13 and (b) shall, for the purpose of the normal tax, be allowed
14 as credits to the estate or trust.

15 **SEC. 164. DIFFERENT TAXABLE YEARS.**

16 If the taxable year of a beneficiary is different from
17 that of the estate or trust, the amount which he is required,
18 under section 162 (b), to include in computing his net
19 income, shall be based upon the income of the estate or trust
20 for any taxable year of the estate or trust ending within his
21 taxable year.

22 **SEC. 165. EMPLOYEES' TRUSTS.**

23 A trust created by an employer as a part of a stock
24 bonus, pension, or profit-sharing plan for the exclusive

1 benefit of some or all of his employees, to which contribu-
2 tions are made by such employer, or employees, or both,
3 for the purpose of distributing to such employees the earn-
4 ings and principal of the fund accumulated by the trust in
5 accordance with such plan, shall not be taxable under section
6 161, but the amount contributed to such fund by the
7 employer and all earnings of such fund shall be taxed to the
8 distributee in the year in which distributed or made available
9 to him. Such distributees shall for the purpose of the normal
10 tax be allowed as credits against net income such part of
11 the amount so distributed or made available as represents
12 the items of dividends and interest specified in section
13 25 (a) and (b).

14 **SEC. 166. REVOCABLE TRUSTS.**

15 Where the grantor of a trust has, at any time during
16 the taxable year, ~~either alone or in conjunction with any~~
17 ~~person not a beneficiary of the trust,~~ the power to revest in
18 himself title to any part of the corpus of the ~~trust, then trust~~
19 *(if such power is vested in him either alone or in conjunction*
20 *with any person not having a substantial adverse interest in*
21 *the disposition of the part of the corpus in question), then the*
22 income of such part of the trust for such ~~taxable~~ year shall
23 be included in computing the net income of the grantor.

1 SEC. 167. INCOME FOR BENEFIT OF GRANTOR.

2 Where any part of the income of a trust may, in the
 3 discretion of the grantor of the trust, either alone or in con-
 4 junction with any person not a beneficiary of the trust, be
 5 distributed to the grantor or be held or accumulated for
 6 future distribution to him, or where any part of the income
 7 of a trust is or may be applied to the payment of premiums
 8 upon policies of insurance on the life of the grantor (except
 9 policies of insurance irrevocably payable for the purposes
 10 and in the manner specified in section 23 (n), relating to
 11 the so-called "charitable contribution" deduction); such
 12 part of the income of the trust shall be included in computing
 13 the net income of the grantor.

14 (a) Where any part of the income of a trust—

15 (1) is, or in the discretion of the grantor may be,
 16 held or accumulated for future distribution to him; or

17 (2) may, in the discretion of the grantor, be dis-
 18 tributed to him; or

19 (3) is, or in the discretion of the grantor may be,
 20 applied to the payment of premiums upon policies of
 21 insurance on the life of the grantor (except policies of
 22 insurance irrevocably payable for the purposes and in
 23 the manner specified in section 23 (n), relating to the
 24 so-called "charitable contribution" deduction);

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

3 *(b) As used in this section, the term "in the discretion*
4 *of the grantor" means "in the discretion of the grantor,*
5 *either alone or in conjunction with any person not having*
6 *a substantial adverse interest in the disposition of the part*
7 *of the income in question".*

8 **SEC. 168. CAPITAL NET GAINS AND LOSSES.**

9 In the case of an estate or trust, or of a beneficiary of
10 an estate or trust, the proper part of each share of the net
11 income which consists, respectively, of ordinary net income,
12 capital net gain, or capital net loss, shall be determined under
13 rules and regulations to be prescribed by the Commissioner
14 with the approval of the Secretary, and shall be separately
15 shown in the return of the estate or trust, and shall be taxed
16 to the beneficiary or to the estate or trust as provided in this
17 Supplement, but at the rates and in the manner provided in
18 section 101(a) and (b), relating to capital net gains and
19 losses.

20 **SEC. 169. NET LOSSES.**

21 The benefit of the special deduction for net losses
22 allowed by section 117 shall be allowed to an estate or trust
23 under regulations prescribed by the Commissioner with the
24 approval of the Secretary.

1 **SEC. 170. TAXES OF FOREIGN COUNTRIES AND POSSES-**
2 **SIONS OF UNITED STATES.**

3 The amount of income, war-profits, and excess-profits
4 taxes imposed by foreign countries or possessions of the
5 United States shall be allowed as credit against the tax of
6 the beneficiary of an estate or trust to the extent provided
7 in section 131.

8 **Supplement F—Partnerships**

9 **SEC. 181. PARTNERSHIP NOT TAXABLE.**

10 Individuals carrying on business in partnership shall be
11 liable for income tax only in their individual capacity.

12 **SEC. 182. TAX OF PARTNERS.**

13 (a) **GENERAL RULE.**—There shall be included in com-
14 puting the net income of each partner his distributive share,
15 whether distributed or not, of the net income of the partner-
16 ship for the taxable year. If the taxable year of a partner
17 is different from that of the partnership, the amount so
18 included shall be based upon the income of the partnership
19 for any taxable year of the partnership ending within his
20 taxable year.

21 (b) **PARTNERSHIP YEAR EMBRACING CALENDAR**
22 **YEARS WITH DIFFERENT LAWS.**—If a fiscal year of a part-
23 nership begins in one calendar year and ends in another
24 calendar year, and the law applicable to the second calendar

1 year is different from the law applicable to the first calendar
2 year, then

3 (1) the rates for the calendar year during which
4 such fiscal year begins shall apply to an amount of
5 each partner's share of such partnership net income
6 (determined under the law applicable to such calendar
7 year) equal to the proportion which the part of such
8 fiscal year falling within such calendar year bears to the
9 full fiscal year, and

10 (2) the rates for the calendar year during which
11 such fiscal year ends shall apply to an amount of each
12 partner's share of such partnership net income (deter-
13 mined under the law applicable to such calendar year)
14 equal to the proportion which the part of such fiscal
15 year falling within such calendar year bears to the full
16 fiscal year.

17 In such cases the part of such income subject to the rates
18 in effect for the most recent calendar year shall be added to
19 the other income of the taxpayer subject to such rates and
20 the resulting amount shall be placed in the lower brackets
21 of the rate schedule applicable to such year, and the part
22 of such income subject to the rates in effect for the next
23 preceding calendar year shall be placed in the next higher
24 brackets of the rate schedule applicable to such year.

1 SEC. 183. COMPUTATION OF PARTNERSHIP INCOME.

2 The net income of the partnership shall be computed
3 in the same manner and on the same basis as in the case
4 of an individual, except that the so-called "charitable con-
5 tribution" deduction provided in section 23 (n) shall not
6 be allowed.

7 SEC. 184. CREDITS AGAINST NET INCOME.

8 The partner shall, for the purpose of the normal tax,
9 be allowed as a credit against his net income, in addition to
10 the credits allowed to him under section 25, his propor-
11 tionate share of such amounts of dividends and interest
12 specified in section 25 (a) and (b) as are received by
13 the partnership.

14 SEC. 185. EARNED INCOME.

15 In the case of the members of a partnership the proper
16 part of each share of the net income which consists of earned
17 income shall be determined under rules and regulations to be
18 prescribed by the Commissioner with the approval of the
19 Secretary and shall be separately shown in the return of the
20 partnership and shall be taxed to the member as provided
21 in this Supplement.

22 SEC. 186. CAPITAL NET GAINS AND LOSSES.

23 In the case of the members of a partnership the proper
24 part of each share of the net income which consists, respec-

1 tively, of ordinary net income, capital net gain, or capital
2 net loss, shall be determined under rules and regulations to
3 be prescribed by the Commissioner with the approval of the
4 Secretary, and shall be separately shown in the return of the
5 partnership and shall be taxed to the member as provided in
6 this Supplement, but at the rates and in the manner provided
7 in section 101 (a) and (b), relating to capital net gains and
8 losses.

9 **SEC. 187. NET LOSSES.**

10 The benefit of the special deduction for net losses
11 allowed by section 117 shall be allowed to the members of a
12 partnership under regulations prescribed by the Commis-
13 sioner with the approval of the Secretary.

14 **SEC. 188. TAXES OF FOREIGN COUNTRIES AND POSSES-**
15 **SIONS OF UNITED STATES.**

16 The amount of income, war-profits, and excess-profits
17 taxes imposed by foreign countries or possessions of the
18 United States shall be allowed as a credit against the tax of
19 the member of a partnership to the extent provided in sec-
20 tion 131.

21 **SEC. 189. PARTNERSHIP RETURNS.**

22 Every partnership shall make a return for each taxable
23 year, stating specifically the items of its gross income and
24 the deductions allowed by this title, and shall include in the
25 return the names and addresses of the individuals who would

1 be entitled to share in the net income if distributed and the
 2 amount of the distributive share of each individual. The
 3 return shall be sworn to by any one of the partners.

4 **Supplement G—Insurance Companies**

5 **SEC. 201. TAX ON LIFE INSURANCE COMPANIES.**

6 (a) **DEFINITION.**—When used in this title the term
 7 “life insurance company” means an insurance company
 8 engaged in the business of issuing life insurance and annuity
 9 contracts (including contracts of combined life, health, and
 10 accident insurance), the reserve funds of which held for
 11 the fulfillment of such contracts comprise more than 50 per
 12 centum of its total reserve funds.

13 (b) **RATE OF TAX.**—In lieu of the tax imposed by sec-
 14 tion 13, there shall be levied, collected, and paid for each
 15 taxable year upon the net income of every life insurance com-
 16 pany a tax as follows:

17 (1) In the case of a domestic life insurance com-
 18 pany, ~~12 per centum~~ $13\frac{1}{2}$ per centum of its net income;

19 (2) In the case of a foreign life insurance com-
 20 pany, ~~12 per centum~~ $13\frac{1}{2}$ per centum of its net income
 21 from sources within the United States.

22 **SEC. 202. GROSS INCOME OF LIFE INSURANCE COMPANIES.**

23 (a) In the case of a life insurance company the term
 24 “gross income” means the gross amount of income received
 25 during the taxable year from interest, dividends, and rents.

1 (b) The term "reserve funds required by law" in-
 2 cludes, in the case of assessment insurance, sums actually
 3 deposited by any company or association with State or
 4 Territorial officers pursuant to law as guaranty or reserve
 5 funds, and any funds maintained under the charter or articles
 6 of incorporation of the company or association exclusively
 7 for the payment of claims arising under certificates of mem-
 8 bership or policies issued upon the assessment plan and not
 9 subject to any other use.

10 **SEC. 203. NET INCOME OF LIFE INSURANCE COMPANIES.**

11 (a) **GENERAL RULE.**—In the case of a life insurance
 12 company the term "net income" means the gross income
 13 less—

14 (1) **TAX-FREE INTEREST.**—The amount of in-
 15 terest received during the taxable year which under
 16 section 22 (b) is exempt from ~~taxation~~ *under the taxes*
 17 *imposed by this title;*

18 (2) **RESERVE FUNDS.**—An amount equal to the
 19 ~~excess, if any, over the deduction specified in paragraph~~
 20 ~~(1) of this subsection,~~ *of 4 per centum 3½ per centum*
 21 *of the mean of the reserve funds required by law and*
 22 *held at the beginning and end of the taxable year, plus*
 23 *(in case of life insurance companies issuing policies*
 24 *covering life, health, and accident insurance combined*
 25 *in one policy issued on the weekly premium payment*

1 plan, continuing for life and not subject to cancellation)
2 ~~4 per centum~~ $3\frac{1}{2}$ per centum of the mean of such re-
3 serve funds (not required by law) held at the begin-
4 ning and end of the taxable year, as the Commissioner
5 finds to be necessary for the protection of the holders
6 of such policies only;

7 (3) DIVIDENDS.—The amount received as divi-
8 dends (A) from a domestic corporation ~~other~~ *which*
9 *is subject to taxation under this title, other* than a
10 corporation entitled to the benefits of section 251, and
11 other than a corporation organized under the China
12 Trade Act, 1922, or (B) from any foreign corporation
13 when it is shown to the satisfaction of the Commis-
14 sioner that more than 50 per centum of the gross income
15 of such foreign corporation for the three-year period
16 ending with the close of its taxable year preceding the
17 declaration of such dividends (or for such part of such
18 period as the foreign corporation has been in existence)
19 was derived from sources within the United States as
20 determined under section 119;

21 (4) RESERVE FOR DIVIDENDS.—An amount
22 equal to 2 per centum of any sums held at the end of
23 the taxable year as a reserve for dividends (other than
24 dividends payable during the year following the taxable
25 year) the payment of which is deferred for a period

1 of not less than five years from the date of the policy
2 contract;

3 (5) INVESTMENT EXPENSES.—Investment ex-
4 penses paid during the taxable year: *Provided*, That
5 if any general expenses are in part assigned to or
6 included in the investment expenses, the total deduc-
7 tion under this paragraph shall not exceed one-fourth
8 of 1 per centum of the book value of the mean of the
9 invested assets held at the beginning and end of the
10 taxable year;

11 (6) REAL ESTATE EXPENSES.—Taxes and other
12 expenses paid during the taxable year exclusively upon
13 or with respect to the real estate owned by the com-
14 pany, not including taxes assessed against local benefits
15 of a kind tending to increase the value of the property
16 assessed, and not including any amount paid out for
17 new buildings, or for permanent improvements or
18 betterments made to increase the value of any prop-
19 erty. The deduction allowed by this paragraph shall
20 be allowed in the case of taxes imposed upon a share-
21 holder of a company upon his interest as shareholder,
22 which are paid by the company without reimbursement
23 from the shareholder, but in such cases no deduction
24 shall be allowed the shareholder for the amount of
25 such taxes;

1 (7) DEPRECIATION.—A reasonable allowance
2 for the exhaustion, wear and tear of property, including
3 a reasonable allowance for obsolescence;

4 (8) INTEREST.—All interest paid or accrued
5 within the taxable year on its indebtedness, except on
6 indebtedness incurred or continued to purchase or carry
7 obligations or securities (other than obligations of the
8 United States issued after September 24, 1917, and
9 originally subscribed for by the taxpayer) the interest
10 upon which is wholly exempt from taxation under this
11 title; and

12 (9) SPECIFIC EXEMPTION.—In the case of a do-
13 mestic life insurance company, the net income of which
14 (computed without the benefit of this paragraph) is
15 ~~\$25,000~~ \$10,000 or less, the sum of ~~\$2,000~~ \$1,000;
16 but if the net income is more than ~~\$25,000~~ \$10,000
17 the tax imposed by section 201 shall not exceed the
18 tax which would be payable if the ~~\$2,000~~ \$1,000
19 credit were allowed, plus the amount of the net income
20 in excess of ~~\$25,000~~ \$10,000.

21 (b) RENTAL VALUE OF REAL ESTATE.—No deduc-
22 tion shall be made under subsection (a) (6) and (7) of
23 this section on account of any real estate owned and occupied
24 in whole or in part by a life insurance company unless there
25 is included in the return of gross income the rental value

1 of the space so occupied. Such rental value shall be not
2 less than a sum which in addition to any rents received from
3 other tenants shall provide a net income (after deducting
4 taxes, depreciation, and all other expenses) at the rate of
5 4 per centum per annum of the book value at the end of the
6 taxable year of the real estate so owned or occupied.

7 (c) FOREIGN LIFE INSURANCE COMPANIES.—In the
8 case of a foreign life insurance company the amount of its
9 net income for any taxable year from sources within the
10 United States shall be the same proportion of its net income
11 for the taxable year from sources within and without the
12 United States, which the reserve funds required by law
13 and held by it at the end of the taxable year upon business
14 transacted within the United States is of the reserve funds
15 held by it at the end of the taxable year upon all business
16 transacted.

17 **SEC. 204. INSURANCE COMPANIES OTHER THAN LIFE OR**
18 **MUTUAL.**

19 (a) IMPOSITION OF TAX.—In lieu of the tax imposed
20 by section 13 of this title, there shall be levied, collected,
21 and paid for each taxable year upon the net income of every
22 insurance company (other than a life or mutual insurance
23 company) a tax as follows:

24 (1) In the case of such a domestic insurance com-
25 pany, ~~4~~ per centum ~~13~~ $\frac{1}{4}$ per centum of its net income;

1 (2) In the case of such a foreign insurance com-
2 pany, ~~12 per centum~~ *13½ per centum* of its net income
3 from sources within the United States.

4 (b) DEFINITION OF INCOME, ETC.—In the case of
5 an insurance company subject to the tax imposed by this
6 section—

7 (1) GROSS INCOME.—“Gross income” means
8 the sum of (A) the combined gross amount earned
9 during the taxable year, from investment income and
10 from underwriting income as provided in this subsec-
11 tion, computed on the basis of the underwriting and
12 investment exhibit of the annual statement approved
13 by the National Convention of Insurance Commis-
14 sioners, and (B) gain during the taxable year from
15 the sale or other disposition of property;

16 (2) NET INCOME.—“Net income” means the
17 gross income as defined in paragraph (1) of this sub-
18 section less the deductions allowed by subsection (c)
19 of this section;

20 (3) INVESTMENT INCOME.—“Investment in-
21 come” means the gross amount of income earned dur-
22 ing the taxable year from interest, dividends, and
23 rents, computed as follows:

24 To all interest, dividends and rents received dur-
25 ing the taxable year, add interest, dividends and rents

1 due and accrued at the end of the taxable year, and
2 deduct all interest, dividends and rents due and accrued
3 at the end of the preceding taxable year;

4 (4) UNDERWRITING INCOME.—“ Underwriting
5 income ” means the premiums earned on insurance con-
6 tracts during the taxable year less losses incurred and
7 expenses incurred;

8 (5) PREMIUMS EARNED.—“ Premiums earned
9 on insurance contracts during the taxable year ” means
10 an amount computed as follows:

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

18 (6) LOSSES INCURRED.—“ Losses incurred ”
19 means losses incurred during the taxable year on insur-
20 ance contracts, computed as follows:

21 To losses paid during the taxable year, add salvage
22 and reinsurance recoverable outstanding at the end of
23 the preceding taxable year, and deduct salvage and
24 reinsurance recoverable outstanding at the end of the
25 taxable year. To the result so obtained add all unpaid

1 losses outstanding at the end of the taxable year and
2 deduct unpaid losses outstanding at the end of the
3 preceding taxable year;

4 (7) EXPENSES INCURRED.—“Expenses in-
5 curred” means all expenses shown on the annual state-
6 ment approved by the National Convention of Insur-
7 ance Commissioners, and shall be computed as follows:

8 To all expenses paid during the taxable year add
9 expenses unpaid at the end of the taxable year and
10 deduct expenses unpaid at the end of the preceding
11 taxable year. For the purpose of computing the net
12 income subject to the tax imposed by this section there
13 shall be deducted from expenses incurred as defined in
14 this paragraph all expenses incurred which are not
15 allowed as deductions by subsection (c) of this section.

16 (c) DEDUCTIONS ALLOWED.—In computing the net
17 income of an insurance company subject to the tax imposed
18 by this section there shall be allowed as deductions:

19 (1) All ordinary and necessary expenses incurred,
20 as provided in section 23 (a) ;

21 (2) All interest as provided in section 23 (b) ;

22 (3) Taxes as provided in section 23 (c) ;

23 (4) Losses incurred as defined in subsection

24 (b) (6) of this section ;

1 (5) Losses sustained during the taxable year
2 from the sale or other disposition of property;

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

6 (7) The amount received as dividends from cor-
7 porations as provided in section 23 (p) ;

8 (8) The amount of interest earned during the
9 taxable year which under section 22 (b) (4) is exempt
10 from ~~taxation~~ *under the taxes imposed by this title,*
11 and the amount of interest allowed as a credit under
12 section 26;

13 (9) A reasonable allowance for the exhaustion,
14 wear and tear of property, as provided in section
15 23 (k) ;

16 (10) In the case of such a domestic insurance
17 company, the net income of which (computed without
18 the benefit of this paragraph) is ~~\$25,000~~ *\$10,000* or
19 less, the sum of ~~\$3,000~~ *\$1,000*; but if the net income
20 is more than ~~\$25,000~~ *\$10,000* the tax imposed by
21 this section shall not exceed the tax which would be
22 payable if the ~~\$3,000~~ *\$1,000* credit were allowed, plus
23 the amount of the net income in excess of ~~\$25,000~~
24 *\$10,000*.

1 (d) DEDUCTIONS OF FOREIGN CORPORATIONS.—In
2 the case of a foreign corporation the deductions allowed in
3 this section shall be allowed to the extent provided in
4 Supplement I.

5 (e) DOUBLE DEDUCTIONS.—Nothing in this section
6 shall be construed to permit the same item to be twice
7 deducted.

8 **SEC. 205. NET LOSSES.**

9 The benefit of the special deduction for net losses al-
10 lowed by section 117 shall be allowed to insurance com-
11 panies subject to the tax imposed by section 201 or 204,
12 under regulations prescribed by the Commissioner with the
13 approval of the Secretary.

14 **SEC. 206. TAXES OF FOREIGN COUNTRIES AND POSSES-**
15 **SIONS OF UNITED STATES.**

16 The amount of income, war-profits, and excess-profits
17 taxes imposed by foreign countries or possessions of the
18 United States shall be allowed as a credit against the tax
19 of a domestic insurance company subject to the tax imposed
20 by section 201 or 204, to the extent provided in the case
21 of a domestic corporation in section 131, and in such cases
22 "net income" as used in that section means the net income
23 as defined in this Supplement.

1 **SEC. 207. COMPUTATION OF GROSS INCOME.**

2 The gross income of insurance companies subject to
3 the tax imposed by section 201 or 204 shall not be deter-
4 mined in the manner provided in section 119.

5 **SEC. 208. MUTUAL INSURANCE COMPANIES OTHER THAN**
6 **LIFE.**

7 (a) **APPLICATION OF TITLE.**—Mutual insurance
8 companies, other than life insurance companies, shall be
9 taxable in the same manner as other corporations, except as
10 hereinafter provided in this section.

11 (b) **GROSS INCOME.**—Mutual marine insurance com-
12 panies shall include in gross income the gross premiums col-
13 lected and received by them less amounts paid for reinsur-
14 ance.

15 (c) **DEDUCTIONS.**—In addition to the deductions al-
16 lowed to corporations by section 23 the following deduc-
17 tions to insurance companies shall also be allowed, unless
18 otherwise allowed—

19 (1) **MUTUAL INSURANCE COMPANIES OTHER**
20 **THAN LIFE INSURANCE.**—In the case of mutual
21 insurance companies other than life insurance com-
22 panies—

23 (A) the net addition required by law to be
24 made within the taxable year to reserve funds
25 (including in the case of assessment insurance

1 companies the actual deposit of sums with State
2 or Territorial officers pursuant to law as additions
3 to guarantee or reserve funds); and

4 (B) the sums other than dividends paid
5 within the taxable year on policy and annuity
6 contracts.

7 (2) **MUTUAL MARINE INSURANCE COMPA-**
8 **NIES.**—In the case of mutual marine insurance com-
9 panies, in addition to the deductions allowed in para-
10 graph (1) of this subsection, unless otherwise allowed,
11 amounts repaid to policyholders on account of pre-
12 miums previously paid by them, and interest paid
13 upon such amounts between the ascertainment and the
14 payment thereof;

15 (3) **MUTUAL INSURANCE COMPANIES OTHER**
16 **THAN LIFE AND MARINE.**—In the case of mutual
17 insurance companies (including interinsurers and recip-
18 rocal underwriters, but not including mutual life or
19 mutual marine insurance companies) requiring their
20 members to make premium deposits to provide for
21 losses and expenses, the amount of premium deposits
22 returned to their policyholders and the amount of pre-
23 mium deposits retained for the payment of losses,
24 expenses, and reinsurance reserves.

Supplement H—Nonresident Alien Individuals**SEC. 211. NORMAL TAX.**

(a) **GENERAL RULE.**—In the case of a nonresident alien individual who is not a resident of a contiguous country, the normal tax shall be ~~5 per centum~~ *7 per centum* of the amount of the net income in excess of the credits against net income allowed to such individual.

(b) **ALIENS RESIDENT IN CONTIGUOUS COUNTRIES.**—In the case of an alien individual resident in a contiguous country, the normal tax shall be an amount equal to the sum of the following:

(1) ~~1½ per centum~~ *2 per centum* of the amount by which the part of the net income attributable to wages, salaries, professional fees, or other amounts received as compensation for personal services actually performed in the United States, exceeds the personal exemption and credit for dependents; but the amount taxable at such ~~1½ per centum~~ *2 per centum* rate shall not exceed \$4,000;

(2) ~~3 per centum~~ *4 per centum* of the amount by which such part of the net income exceeds the sum of (A) the personal exemption and credit for dependents, plus (B) \$4,000; but the amount taxable at such ~~3 per centum~~ *4 per centum* rate shall not exceed \$4,000; and

1 (3) ~~5 per centum~~ *7 per centum* of the amount of
2 the net income in excess of the sum of (A) the amount
3 taxed under paragraphs (1) and (2) of this subsec-
4 tion plus (B) the total credits against net income
5 allowed to such individual.

6 (c) IN LIEU OF NORMAL TAX UNDER SECTION 11.—

7 The tax imposed by this section shall be in lieu of the normal
8 tax imposed by section 11.

9 SEC. 212. GROSS INCOME.

10 (a) GENERAL RULE.—In the case of a nonresident
11 alien individual gross income includes only the gross income
12 from sources within the United States.

13 (b) SHIPS UNDER FOREIGN FLAG.—The income of a
14 nonresident alien individual which consists exclusively of
15 earnings derived from the operation of a ship or ships docu-
16 mented under the laws of a foreign country which grants
17 an equivalent exemption to citizens of the United States and
18 to corporations organized in the United States, shall not be
19 included in gross income and shall be exempt from taxation
20 under this title.

21 SEC. 213. DEDUCTIONS.

22 (a) GENERAL RULE.—In the case of a nonresident
23 alien individual the deductions shall be allowed only if
24 and to the extent that they are connected with income from
25 sources within the United States; and the proper apportion-

1 ment and allocation of the deductions with respect to sources
2 of income within and without the United States shall be
3 determined as provided in section 119, under rules and
4 regulations prescribed by the Commissioner with the
5 approval of the Secretary.

6 (b) **LOSSES.**—

7 (1) The deduction, for losses not connected with
8 the trade or business if incurred in transactions entered
9 into for profit, allowed by section 23 (e) (2) shall be
10 allowed whether or not connected with income from
11 sources within the United States, but only if the profit,
12 if such transaction had resulted in a profit, would be
13 taxable under this title.

14 (2) The deduction for losses of property not con-
15 nected with the trade or business if arising from certain
16 casualties or theft, allowed by section 23 (e) (3), shall
17 be allowed whether or not connected with income from
18 sources within the United States, but only if the loss
19 is of property within the United States.

20 (c) **CHARITABLE, ETC., CONTRIBUTIONS.**—The
21 so-called “charitable contribution” deduction allowed by
22 section 23 (n) shall be allowed whether or not connected
23 with income from sources within the United States, but only
24 as to contributions or gifts made to domestic corporations,

1 or to community chests, funds, or foundations, created in the
2 United States, or to the vocational rehabilitation fund.

3 **SEC. 214. CREDITS AGAINST NET INCOME.**

4 In the case of a nonresident alien individual the personal
5 exemption allowed by section 25 (c) of this title shall be
6 only ~~\$1,500~~ \$1,000. The credit for dependents allowed by
7 section 25 (d) shall not be allowed in the case of a nonresident
8 alien individual unless he is a resident of a contiguous country.
9 These credits shall be determined by the status of the tax-
10 payer on the last day of the taxable year, except that in case
11 of death the rule provided in section 25 (e) (3) shall be
12 applied.

13 **SEC. 215. ALLOWANCE OF DEDUCTIONS AND CREDITS.**

14 (a) RETURN TO CONTAIN INFORMATION.—A non-
15 resident alien individual shall receive the benefit of the de-
16 ductions and credits allowed to him in this title only by filing
17 or causing to be filed with the collector a true and accurate
18 return of his total income received from all sources in the
19 United States, in the manner prescribed in this title; includ-
20 ing therein all the information which the Commissioner may
21 deem necessary for the calculation of such deductions and
22 credits.

23 (b) TAX WITHHELD AT SOURCE.—The benefit of
24 the personal exemption and credit for dependents, and of

1 the reduced rate of tax provided for in section 211 (b),
2 may, in the discretion of the Commissioner and under regu-
3 lations prescribed by him with the approval of the Secretary,
4 be received by a nonresident alien individual entitled
5 thereto, by filing a claim therefor with the withholding
6 agent.

7 **SEC. 216. CREDITS AGAINST TAX.**

8 A nonresident alien individual shall not be allowed the
9 credits against the tax for taxes of foreign countries and
10 possessions of the United States allowed by section 131.

11 **SEC. 217. RETURNS.**

12 In the case of a nonresident alien individual the return,
13 in lieu of the time prescribed in section 53 (a) (1), shall be
14 made on or before the fifteenth day of the sixth month fol-
15 lowing the close of the fiscal year, or, if the return is made
16 on the basis of the calendar year, then on or before the fifteenth
17 day of June.

18 **SEC. 218. PAYMENT OF TAX.**

19 (a) **TIME OF PAYMENT.**—In the case of a nonresi-
20 dent alien individual the total amount of tax imposed by
21 this title shall be paid, in lieu of the time prescribed in
22 section 56 (a), on the 15th day of June following the
23 close of the calendar year, or, if the return should be made
24 on the basis of a fiscal year, then on the 15th day of
25 the sixth month following the close of the fiscal year.

1 (b) **WITHHOLDING AT SOURCE.**—For withholding
2 at source of tax on income of nonresident aliens, see sec-
3 tion 144 143.

4 **Supplement I—Foreign Corporations**

5 **SEC. 231. GROSS INCOME.**

6 (a) **GENERAL RULE.**—In the case of a foreign corpo-
7 ration gross income includes only the gross income from
8 sources within the United States.

9 (b) **SHIPS UNDER FOREIGN FLAG.**—The income of a
10 foreign corporation, which consists exclusively of earnings
11 derived from the operation of a ship or ships documented
12 under the laws of a foreign country which grants an equiva-
13 lent exemption to citizens of the United States and to corpo-
14 rations organized in the United States, shall not be included
15 in gross income and shall be exempt from taxation under
16 this title.

17 **SEC. 232. DEDUCTIONS.**

18 In the case of a foreign corporation the deductions
19 shall be allowed only if and to the extent that they are
20 connected with income from sources within the United
21 States; and the proper apportionment and allocation of the
22 deductions with respect to sources within and without the
23 United States shall be determined as provided in section
24 119, under rules and regulations prescribed by the Com-
25 missioner with the approval of the Secretary.

1 SEC. 233. ALLOWANCE OF DEDUCTIONS AND CREDITS.

2 A foreign corporation shall receive the benefit of the
3 deductions and credits allowed to it in this title only by
4 filing or causing to be filed with the collector a true and
5 accurate return of its total income received from all sources
6 in the United States, in the manner prescribed in this title,
7 including therein all the information which the Commis-
8 sioner may deem necessary for the calculation of such
9 deductions and credits.

10 SEC. 234. CREDITS AGAINST TAX.

11 Foreign corporations shall not be allowed the credits
12 against the tax for taxes of foreign countries and possessions
13 of the United States allowed by section 131.

14 SEC. 235. RETURNS.

15 In the case of a foreign corporation not having any
16 office or place of business in the United States the return,
17 in lieu of the time prescribed in section 53 (a) (1), shall
18 be made on or before the fifteenth day of the sixth month
19 following the close of the fiscal year, or, if the return is
20 made on the basis of the calendar year then on or before
21 the fifteenth day of June. If any foreign corporation has
22 no office or place of business in the United States but has
23 an agent in the United States, the return shall be made by
24 the agent.

1 **SEC. 232. PAYMENT OF TAX.**

2 (a) **TIME OF PAYMENT.**—In the case of a foreign
3 corporation *not having any office or place of business in the*
4 *United States* the total amount of tax imposed by this title
5 shall be paid, in lieu of the time prescribed in section 56 (a),
6 on the fifteenth day of June following the close of the
7 calendar year, or, if the return should be made on the basis
8 of a fiscal year, then on the fifteenth day of the sixth month
9 following the close of the fiscal year.

10 (b) **WITHHOLDING AT SOURCE.**—For withholding at
11 source of tax on income of foreign corporations, see section
12 **144 143.**

13 **SEC. 237. FOREIGN INSURANCE COMPANIES.**

14 For special provisions relating to foreign insurance
15 companies, see Supplement G.

16 **SEC. 238. AFFILIATION.**

17 A foreign corporation shall not be deemed to be affi-
18 ated with any other corporation within the meaning of
19 section 141 or 142.

20 **Supplement J—Possessions of the United States**

21 **SEC. 251. INCOME FROM SOURCES WITHIN POSSESSIONS**
22 **OF UNITED STATES.**

23 (a) **GENERAL RULE.**—In the case of citizens of the
24 United States or domestic corporations, satisfying the fol-

1 lowing conditions, gross income means only gross income
2 from sources within the United States—

3 (1) If 80 per centum or more of the gross in-
4 come of such citizen or domestic corporation (com-
5 puted without the benefit of this section), for the
6 three-year period immediately preceding the close of
7 the taxable year (or for such part of such period
8 immediately preceding the close of such taxable year
9 as may be applicable) was derived from sources within
10 a possession of the United States; and

11 (2) If, in the case of such corporation, 50 per
12 centum or more of its gross income (computed with-
13 out the benefit of this section) for such period or such
14 part thereof was derived from the active conduct of
15 a trade or business within a possession of the United
16 States; or

17 (3) If, in case of such citizen, 50 per centum or
18 more of his gross income (computed without the bene-
19 fit of this section) for such period or such part thereof
20 was derived from the active conduct of a trade or busi-
21 ness within a possession of the United States either
22 on his own account or as an employee or agent of
23 another.

24 (b) AMOUNTS RECEIVED IN UNITED STATES.—Not-
25 withstanding the provisions of subsection (a) there shall be

1 included in gross income all amounts received by such citi-
2 zens or corporations within the United States, whether
3 derived from sources within or without the United States.

4 (c) DEFINITION.—As used in this section the term
5 “possession of the United States” does not include the
6 Virgin Islands of the United States.

7 (d) DEDUCTIONS.—

8 (1) Citizens of the United States entitled to the
9 benefits of this section shall have the same deductions
10 as are allowed by Supplement H in the case of a non-
11 resident alien individual.

12 (2) Domestic corporations entitled to the benefits
13 of this section shall have the same deductions as are
14 allowed by Supplement I in the case of a foreign
15 corporation.

16 (e) CREDITS AGAINST NET INCOME.—

17 (1) CITIZENS.—A citizen of the United States
18 entitled to the benefits of this section shall be allowed
19 a personal exemption of only ~~\$1,500~~ \$1,000 and shall
20 not be allowed the credit for dependents provided in
21 section 25 (d). The personal exemption shall be
22 determined by the status of the taxpayer on the last day
23 of the taxable year, except that in case of death the
24 rule provided in section 25 (c) (3) shall be applied.

1 (2) A domestic corporation entitled to the benefits
2 of this section shall not be allowed the specific credit
3 of ~~\$2,000~~ \$1,000 provided in section 26.

4 (f) ALLOWANCE OF DEDUCTIONS AND CREDITS.—
5 Citizens of the United States and domestic corporations
6 entitled to the benefits of this section shall receive the benefit
7 of the deductions and credits allowed to them in this title only
8 by filing or causing to be filed with the collector a true and
9 accurate return of their total income received from all sources
10 in the United States, in the manner prescribed in this title;
11 including therein all the information which the Commis-
12 sioner may deem necessary for the calculation of such deduc-
13 tions and credits.

14 (g) CREDITS AGAINST TAX.—Persons entitled to the
15 benefits of this section shall not be allowed the credits
16 against the tax for taxes of foreign countries and possessions
17 of the United States allowed by section 131.

18 (h) AFFILIATION.—A corporation entitled to the
19 benefits of this section shall not be deemed to be affiliated
20 with any other corporation within the meaning of section
21 141 or 142.

22 **SEC. 252. CITIZENS OF POSSESSIONS OF UNITED STATES.**

23 (a) Any individual who is a citizen of any possession
24 of the United States (but not otherwise a citizen of the
25 United States) and who is not a resident of the United

1 States, shall be subject to taxation under this title only as to
2 income derived from sources within the United States, and
3 in such case the tax shall be computed and paid in the same
4 manner and subject to the same conditions as in the case of
5 other persons who are taxable only as to income derived
6 from such sources.

7 (b) Nothing in this section shall be construed to alter
8 or amend the provisions of the Act entitled "An Act making
9 appropriations for the naval service for the fiscal year ending
10 June 30, 1922, and for other purposes," approved July 12,
11 1921, relating to the imposition of income taxes in the
12 Virgin Islands of the United States.

13 **Supplement K—China Trade Act Corporations**

14 **SEC. 26L. CREDIT AGAINST NET INCOME.**

15 (a) ALLOWANCE OF CREDIT.—For the purpose only
16 of the tax imposed by section 13 there shall be allowed, in
17 the case of a corporation organized under the China Trade
18 Act, 1922, in addition to the credits provided in section 26,
19 a credit against the net income of an amount equal to the
20 proportion of the net income derived from sources within
21 China (determined in a similar manner to that provided in
22 section 119) which the par value of the shares of stock of
23 the corporation owned on the last day of the taxable year
24 by (1) persons resident in China, the United States, or
25 possessions of the United States, and (2) individual citizens

1 of the United States or China wherever resident, bears to
2 the par value of the whole number of shares of stock of the
3 corporation outstanding on such date: *Provided*, That in no
4 case shall the amount by which the tax imposed by section
5 13 is diminished by reason of such credit exceed the amount
6 of the special dividend certified under subsection (b) of this
7 section.

8 (b) SPECIAL DIVIDEND.—Such credit shall not be
9 allowed unless the Secretary of Commerce has certified to
10 the Commissioner—

11 (1) The amount which, during the year ending
12 on the date fixed by law for filing the return, the cor-
13 poration has distributed as a special dividend to or for
14 the benefit of such persons as on the last day of the
15 taxable year were resident in China, the United States,
16 or possessions of the United States, or were individual
17 citizens of the United States or China, and owned shares
18 of stock of the corporation;

19 (2) That such special dividend was in addition
20 to all other amounts, payable or to be payable to such
21 persons or for their benefit, by reason of their interest
22 in the corporation; and

23 (3) That such distribution has been made to or
24 for the benefit of such persons in proportion to the par
25 value of the shares of stock of the corporation owned

1 by each; except that if the corporation has more than
2 one class of stock, the certificates shall contain a state-
3 ment that the articles of incorporation provide a method
4 for the apportionment of such special dividend among
5 such persons, and that the amount certified has been
6 distributed in accordance with the method so provided.

7 (c) OWNERSHIP OF STOCK.—For the purposes of this
8 section shares of stock of a corporation shall be considered
9 to be owned by the person in whom the equitable right to
10 the income from such shares is in good faith vested.

11 (d) DEFINITION OF CHINA.—As used in this section
12 the term “China” shall have the same meaning as when
13 used in the China Trade Act, 1922.

14 **SEC. 262. CREDITS AGAINST THE TAX.**

15 A corporation organized under the China Trade Act,
16 1922, shall not be allowed the credits against the tax for
17 taxes of foreign countries and possessions of the United
18 States allowed by section 131.

19 **SEC. 263. AFFILIATION:**

20 A corporation organized under the China Trade Act,
21 1922, shall not be deemed to be affiliated with any other
22 corporation within the meaning of section 141 or 142.

23 **SEC. 264. INCOME OF SHAREHOLDERS.**

24 For exclusion of dividends from gross income, see sec-
25 tion 116.

1 **Supplement L—Assessment and Collection of Deficiencies**

2 **SEC. 271. DEFINITION OF DEFICIENCY.**

3 As used in this title in respect of a tax imposed by
4 this title "deficiency" means—

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

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

20 **SEC. 272. PROCEDURE IN GENERAL.**

21 (a) **PETITION TO BOARD OF TAX APPEALS.**—If in
22 the case of any taxpayer, the Commissioner determines that
23 there is a deficiency in respect of the tax imposed by this
24 title, the Commissioner is authorized to send notice of such
25 deficiency to the taxpayer by registered mail. Within 60

1 days after such notice is mailed (not counting Sunday as the
2 sixtieth day), the taxpayer may file a petition with the Board
3 of Tax Appeals for a redetermination of the deficiency. No
4 assessment of a deficiency in respect of the tax imposed by
5 this title and no distraint or proceeding in court for its collec-
6 tion shall be made, begun, or prosecuted until such notice
7 has been mailed to the taxpayer, nor until the expiration of
8 such 60-day period, nor, if a petition has been filed with
9 the Board, until the decision of the Board has become final.
10 Notwithstanding the provisions of section 3224 of the Re-
11 vised Statutes the making of such assessment or the begin-
12 ning of such proceeding or distraint during the time such
13 prohibition is in force may be enjoined by a proceeding in
14 the proper court.

15 For exceptions to the restrictions imposed by this sub-
16 section, see—

17 (1) Subsection (d) of this section, relating to
18 waivers by the taxpayer;

19 (2) Subsection (f) of this section, relating to
20 notifications of mathematical errors appearing upon the
21 face of the return;

22 (3) Section 273, relating to jeopardy assess-
23 ments;

24 (4) Section 274, relating to bankruptcy and
25 receiverships; and

1 (5) Section 1001 of the Revenue Act of 1926, as
2 amended, relating to assessment or collection of the
3 amount of the deficiency determined by the Board
4 pending court review.

5 (b) COLLECTION OF DEFICIENCY FOUND BY BOARD.—

6 If the taxpayer files a petition with the Board, the entire
7 amount redetermined as the deficiency by the decision of
8 the Board which has become final shall be assessed and
9 shall be paid upon notice and demand from the collector.
10 No part of the amount determined as a deficiency by
11 the Commissioner but disallowed as such by the decision
12 of the Board which has become final shall be assessed or
13 be collected by distraint or by proceeding in court with or
14 without assessment.

15 (c) FAILURE TO FILE PETITION.—If the taxpayer
16 does not file a petition with the Board within the time pre-
17 scribed in subsection (a) of this section, the deficiency,
18 notice of which has been mailed to the taxpayer, shall be
19 assessed, and shall be paid upon notice and demand from
20 the collector.

21 (d) WAIVER OF RESTRICTIONS.—The taxpayer shall
22 at any time have the right, by a signed notice in writing
23 filed with the Commissioner, to waive the restrictions pro-
24 vided in subsection (a) of this section on the assessment
25 and collection of the whole or any part of the deficiency.

1 (e) INCREASE OF DEFICIENCY AFTER NOTICE
2 MAILED.—The Board shall have jurisdiction to redetermine
3 the correct amount of the deficiency even if the amount so
4 redetermined is greater than the amount of the deficiency,
5 notice of which has been mailed to the taxpayer, and to
6 determine whether any penalty, additional amount or addi-
7 tion to the tax should be assessed—if claim therefor is
8 asserted by the Commissioner at or before the hearing or
9 a rehearing.

10 (f) FURTHER DEFICIENCY LETTERS RESTRICTED.—
11 If the Commissioner has mailed to the taxpayer notice of a
12 deficiency as provided in subsection (a) of this section, and
13 the taxpayer files a petition with the Board within the time
14 prescribed in such subsection, the Commissioner shall have
15 no right to determine any additional deficiency in respect
16 of the same taxable year, except in the case of fraud, and
17 except as provided in subsection (e) of this section, relating
18 to assertion of greater deficiencies before the Board, or in
19 section 273 (c), relating to the making of jeopardy assess-
20 ments. If the taxpayer is notified that, on account of a
21 mathematical error appearing upon the face of the return,
22 an amount of tax in excess of that shown upon the return
23 is due, and that an assessment of the tax has been or will
24 be made on the basis of what would have been the correct
25 amount of tax but for the mathematical error, such notice

1 shall not be considered (for the purposes of this subsection,
2 or of subsection (a) of this section, prohibiting assessment
3 and collection until notice of deficiency has been mailed,
4 or of section 322 (c), prohibiting credits or refunds after
5 petition to the Board of Tax Appeals) as a notice of a
6 deficiency, and the taxpayer shall have no right to file a
7 petition with the Board based on such notice, nor shall such
8 assessment or collection be prohibited by the provisions of
9 subsection (a) of this section.

10 (g) JURISDICTION OVER OTHER TAXABLE YEARS.—

11 The Board in redetermining a deficiency in respect of any
12 taxable year shall consider such facts with relation to the
13 taxes for other taxable years as may be necessary correctly
14 to redetermine the amount of such deficiency, but in so doing
15 shall have no jurisdiction to determine whether or not the
16 tax for any other taxable year has been overpaid or
17 underpaid.

18 (h) FINAL DECISIONS OF BOARD.—For the purposes
19 of this title the date on which a decision of the Board
20 becomes final shall be determined according to the provisions
21 of section 1005 of the Revenue Act of 1926.

22 (i) PRORATING OF DEFICIENCY TO INSTALLMENTS.—

23 If the taxpayer has elected to pay the tax in installments and
24 a deficiency has been assessed, the deficiency shall be pro-
25 rated to the four installments. Except as provided in sec-

1 tion 273 (relating to jeopardy assessments), that part of
2 the deficiency so prorated to any installment the date for
3 payment of which has not arrived, shall be collected at the
4 same time as and as part of such installment. That part
5 of the deficiency so prorated to any installment the date for
6 payment of which has arrived, shall be paid upon notice and
7 demand from the collector.

8 (j) EXTENSION OF TIME FOR PAYMENT OF DEFICI-
9 CIENCIES.—Where it is shown to the satisfaction of the
10 Commissioner that the payment of a deficiency upon the
11 date prescribed for the payment thereof will result in undue
12 hardship to the taxpayer the Commissioner, with the ap-
13 proval of the Secretary (except where the deficiency is due
14 to negligence, to intentional disregard of rules and regu-
15 lations, or to fraud with intent to evade tax), may grant
16 an extension for the payment of such deficiency or any part
17 thereof for a period not in excess of eighteen months, and,
18 in exceptional cases, for a further period not in excess of
19 twelve months. If an extension is granted, the Commis-
20 sioner may require the taxpayer to furnish a bond in such
21 amount, not exceeding double the amount of the deficiency,
22 and with such sureties, as the Commissioner deems neces-
23 sary, conditioned upon the payment of the deficiency in
24 accordance with the terms of the extension.

1 **(k) ADDRESS FOR NOTICE OF DEFICIENCY.**—In the
2 absence of notice to the Commissioner under section 312 (a)
3 of the existence of a fiduciary relationship, notice of a defi-
4 ciency in respect of a tax imposed by this title, if mailed to
5 the taxpayer at his last known address, shall be sufficient for
6 the purposes of this title even if such taxpayer is deceased,
7 or is under a legal disability, or, in the case of a corporation,
8 has terminated its existence.

9 **SEC. 272. JEOPARDY ASSESSMENTS.**

10 **(a) AUTHORITY FOR MAKING.**—If the Commissioner
11 believes that the assessment or collection of a deficiency will
12 be jeopardized by delay, he shall immediately assess such
13 deficiency (together with all interest, additional amounts,
14 or additions to the tax provided for by law) and notice and
15 demand shall be made by the collector for the payment
16 thereof.

17 **(b) DEFICIENCY LETTERS.**—If the jeopardy assess-
18 ment is made before any notice in respect of the tax to which
19 the jeopardy assessment relates has been mailed under section
20 272 (a), then the Commissioner shall mail a notice under
21 such subsection within 60 days after the making of the
22 assessment.

23 **(c) AMOUNT ASSESSABLE BEFORE DECISION OF**
24 **BOARD.**—The jeopardy assessment may be made in respect
25 of a deficiency greater or less than that notice of which has

1 been mailed to the taxpayer, despite the provisions of section
2 272 (f) prohibiting the determination of additional deficiencies,
3 and whether or not the taxpayer has theretofore filed
4 a petition with the Board of Tax Appeals. The Commissioner
5 shall notify the Board of the amount of such assessment,
6 if the petition is filed with the Board before the making
7 of the assessment or is subsequently filed, and the Board shall
8 have jurisdiction to redetermine the entire amount of the
9 deficiency and of all amounts assessed at the same time in
10 connection therewith.

11 (d) **AMOUNT ASSESSABLE AFTER DECISION OF**
12 **BOARD.**—If the jeopardy assessment is made after the decision
13 of the Board is rendered such assessment may be made
14 only in respect of the deficiency determined by the Board
15 in its decision.

16 (e) **EXPIRATION OF RIGHT TO ASSESS.**—A jeopardy
17 assessment may not be made after the decision of the Board
18 has become final or after the taxpayer has filed a petition
19 for review of the decision of the Board.

20 (f) **BOND TO STAY COLLECTION.**—When a jeopardy
21 assessment has been made the taxpayer, within 10 days after
22 notice and demand from the collector for the payment of
23 the amount of the assessment, may obtain a stay of collection
24 of the whole or any part of the amount of the assessment by
25 filing with the collector a bond in such amount, not exceed-

1 ing double the amount as to which the stay is desired, and
2 with such sureties, as the collector deems necessary, condi-
3 tioned upon the payment of so much of the amount, the
4 collection of which is stayed by the bond, as is not abated
5 by a decision of the Board which has become final, together
6 with interest thereon as provided in section 297.

7 (g) SAME—FURTHER CONDITIONS.—If the bond is
8 given before the taxpayer has filed his petition with the
9 Board under section 272 (a), the bond shall contain a
10 further condition that if a petition is not filed within the
11 period provided in such subsection, then the amount the
12 collection of which is stayed by the bond will be paid on
13 notice and demand at any time after the expiration of such
14 period, together with interest thereon at the rate of 6 per
15 centum per annum from the date of the jeopardy notice and
16 demand to the date of notice and demand under this sub-
17 section.

18 (h) WAIVER OF STAY.—Upon the filing of the bond
19 the collection of so much of the amount assessed as is cov-
20 ered by the bond shall be stayed. The taxpayer shall have
21 the right to waive such stay at any time in respect of the
22 whole or any part of the amount covered by the bond, and
23 if as a result of such waiver any part of the amount covered
24 by the bond is paid, then the bond shall, at the request of

1 the taxpayer, be proportionately reduced. If the Board
2 determines that the amount assessed is greater than the
3 amount which should have been assessed, then when the
4 decision of the Board is rendered the bond shall, at the
5 request of the taxpayer, be proportionately reduced.

6 (i) COLLECTION OF UNPAID AMOUNTS.—When the
7 petition has been filed with the Board and when the amount
8 which should have been assessed has been determined by a
9 decision of the Board which has become final, then any
10 unpaid portion, the collection of which has been stayed by
11 the bond, shall be collected as part of the tax upon notice
12 and demand from the collector, and any remaining portion
13 of the assessment shall be abated. If the amount already
14 collected exceeds the amount determined as the amount
15 which should have been assessed, such excess shall be
16 credited or refunded to the taxpayer as provided in section
17 322, without the filing of claim therefor. If the amount
18 determined as the amount which should have been assessed
19 is greater than the amount actually assessed, then the differ-
20 ence shall be assessed and shall be collected as part of the
21 tax upon notice and demand from the collector.

22 (j) CLAIMS IN ABATEMENT.—No claim in abatement
23 shall be filed in respect of any assessment in respect of any
24 tax imposed by this title.

1 **SEC. 274. BANKRUPTCY AND RECEIVERSHIPS.**

2 **(a) IMMEDIATE ASSESSMENT.**—Upon the adjudica-
3 tion of bankruptcy of any taxpayer in any bankruptcy pro-
4 ceeding or the appointment of a receiver for any taxpayer
5 in any receivership proceeding before any court of the
6 United States or of any State or Territory or of the District
7 of Columbia, any deficiency (together with all interest,
8 additional amounts, or additions to the tax provided for by
9 law) determined by the Commissioner in respect of a tax
10 imposed by this title upon such taxpayer shall, despite the
11 restrictions imposed by section 272 (a) upon assessments be
12 immediately assessed if such deficiency has not theretofore
13 been assessed in accordance with law. Claims for the
14 deficiency and such interest, additional amounts and addi-
15 tions to the tax may be presented, for adjudication in
16 accordance with law, to the court before which the bank-
17 ruptcy or receivership proceeding is pending, despite the
18 pendency of proceedings for the redetermination of the
19 deficiency in pursuance of a petition to the Board; but no
20 petition for any such redetermination shall be filed with the
21 Board after the adjudication of bankruptcy or the appoint-
22 ment of the receiver.

23 **(b) UNPAID CLAIMS.**—Any portion of the claim
24 allowed in such bankruptcy or receivership proceeding
25 which is unpaid shall be paid by the taxpayer upon notice

1 and demand from the collector after the termination of
2 such proceeding, and may be collected by distraint or pro-
3 ceeding in court within six years after termination of such
4 proceeding. Extensions of time for such payment may be
5 had in the same manner and subject to the same provisions
6 and limitations as are provided in section 272 (j) and
7 section 296 in the case of a deficiency in a tax imposed by
8 this title.

9 **SEC. 275. PERIOD OF LIMITATION UPON ASSESSMENT**
10 **AND COLLECTION.**

11 Except as provided in section 276—

12 (a) **GENERAL RULE.**—The amount of income taxes im-
13 posed by this title shall be assessed within two years after
14 the return was filed, and no proceeding in court without
15 assessment for the collection of such taxes shall be begun
16 after the expiration of such period.

17 (b) **REQUEST FOR PROMPT ASSESSMENT.**—In the
18 case of income received during the lifetime of a decedent, or
19 by his estate during the period of administration, or by a
20 corporation, the tax shall be assessed, and any proceeding
21 in court without assessment for the collection of such tax
22 shall be begun, within one year after written request therefor
23 (filed after the return is made) by the executor, administra-
24 tor, or other fiduciary representing the estate of such dece-
25 dent, or by the corporation, but not after the expiration of

1 two years after the return was filed. This subsection shall
2 not apply in the case of a corporation unless—

3 (1) Such written request notifies the Commis-
4 sioner that the corporation contemplates dissolution at
5 or before the expiration of such year; and

6 (2) The dissolution is in good faith begun before
7 the expiration of such year; and

8 (3) The dissolution is completed.

9 (c) CORPORATION AND SHAREHOLDER.—If a corpora-
10 tion makes no return of the tax imposed by this title, but
11 each of the shareholders includes in his return his distribu-
12 tive share of the net income of the corporation, then the
13 tax of the corporation shall be assessed within four years
14 after the last date on which any such shareholder's return
15 was filed.

16 **SEC. 276. SAME—EXCEPTIONS.**

17 (a) FALSE RETURN OR NO RETURN.—In the case of
18 a false or fraudulent return with intent to evade tax or of a
19 failure to file a return the tax may be assessed, or a pro-
20 ceeding in court for the collection of such tax may be begun
21 without assessment, at any time.

22 (b) WAIVERS.—Where before the expiration of the
23 time prescribed in section 275 for the assessment of the
24 tax, both the Commissioner and the taxpayer have con-
25 sented in writing to its assessment after such time, the tax

1 may be assessed at any time prior to the expiration of the
2 period agreed upon. The period so agreed upon may be
3 extended by subsequent agreements in writing made before
4 the expiration of the period previously agreed upon.

5 (c) **COLLECTION AFTER ASSESSMENT.**—Where the
6 assessment of any income tax imposed by this title has been
7 made within the period of limitation properly applicable
8 thereto, such tax may be collected by distraint or by a
9 proceeding in court, but only if begun (1) within six years
10 after the assessment of the tax, or (2) prior to the expira-
11 tion of any period for collection agreed upon in writing by
12 the Commissioner and the taxpayer before the expiration
13 of such six-year period. The period so agreed upon may
14 be extended by subsequent agreements in writing made
15 before the expiration of the period previously agreed upon.

16 **SEC. 277. SUSPENSION OF RUNNING OF STATUTE.**

17 The running of the statute of limitations provided in
18 section 275 or 276 on the making of assessments and the
19 beginning of distraint or a proceeding in court for collection,
20 in respect of any deficiency, shall (after the mailing of a
21 notice under section 272 (a)) be suspended for the period
22 during which the Commissioner is prohibited from making
23 the assessment or beginning distraint or a proceeding in
24 court (and in any event, if a proceeding in respect of the
25 deficiency is placed on the docket of the Board, until the

1 decision of the Board becomes final), and for 60 days
2 thereafter.

3 **Supplement M—Interest and Additions to the Tax**

4 **SEC. 291. FAILURE TO FILE RETURN.**

5 In case of any failure to make and file a return required
6 by this title, within the time prescribed by law or prescribed
7 by the Commissioner in pursuance of law, 25 per centum of
8 the tax shall be added to the tax, except that when a return
9 is filed after such time and it is shown that the failure to
10 file it was due to reasonable cause and not due to willful
11 neglect no such addition shall be made to the tax. The
12 amount so added to any tax shall be collected at the same
13 time and in the same manner and as a part of the tax unless
14 the tax has been paid before the discovery of the neglect, in
15 which case the amount so added shall be collected in the
16 same manner as the tax. The amount added to the tax
17 under this section shall be in lieu of the 25 per centum addi-
tion to the tax provided in section 3176 of the Revised
Statutes, as amended.

20 **SEC. 292. INTEREST ON DEFICIENCIES.**

21 Interest upon the amount determined as a deficiency
22 shall be assessed at the same time as the deficiency, shall
23 be paid upon notice and demand from the collector, and shall
24 be collected as a part of the tax, at the rate of 6 per centum

1 per annum from the date prescribed for the payment of the
2 tax (or, if the tax is paid in installments, from the date
3 prescribed for the payment of the first installment) to the
4 date the deficiency is assessed, or, in the case of a waiver
5 under section 272 (d), to the thirtieth day after the filing of
6 such waiver or to the date the deficiency is assessed which-
7 ever is the earlier.

8 **SEC. 293. ADDITIONS TO THE TAX IN CASE OF DEFI-**
9 **CIENCY.**

10 (a) **NEGLIGENCE.**—If any part of any deficiency is
11 due to negligence, or intentional disregard of rules and regu-
12 lations but without intent to defraud, 5 per centum of the
13 total amount of the deficiency (in addition to such defi-
14 ciency) shall be assessed, collected, and paid in the same
15 manner as if it were a deficiency, except that the provisions
16 of section 272 (i), relating to the prorating of a deficiency,
17 and of section 292, relating to interest on deficiencies, shall
18 not be applicable.

19 (b) **FRAUD.**—If any part of any deficiency is due to
20 fraud with intent to evade tax, then 50 per centum of the
21 total amount of the deficiency (in addition to such defi-
22 ciency) shall be so assessed, collected, and paid, in lieu of the
23 50 per centum addition to the tax provided in section 3176
24 of the Revised Statutes, as amended.

1 **SEC. 294. ADDITIONS TO THE TAX IN CASE OF NONPAY-**
2 **MENT.**

3 (a) **TAX SHOWN ON RETURN.—**

4 (1) **GENERAL RULE.—**Where the amount de-
5 termined by the taxpayer as the tax imposed by this
6 title, or any installment thereof, or any part of such
7 amount or installment, is not paid on or before the date
8 prescribed for its payment, there shall be collected as
9 a part of the tax, interest upon such unpaid amount at
10 the rate of 1 per centum a month from the date pre-
11 scribed for its payment until it is paid.

12 (2) **IF EXTENSION GRANTED.—**Where an exten-
13 sion of time for payment of the amount so determined
14 as the tax by the taxpayer, or any installment thereof,
15 has been granted, and the amount the time for payment
16 of which has been extended, and the interest thereon
17 determined under section 295, is not paid in full prior
18 to the expiration of the period of the extension, then,
19 in lieu of the interest provided for in paragraph (1) of
20 this subsection, interest at the rate of 1 per centum a
21 month shall be collected on such unpaid amount from
22 the date of the expiration of the period of the extension
23 until it is paid.

24 (b) **DEFICIENCY.—**Where a deficiency, or any inter-
25 est or additional amounts assessed in connection therewith

1 under section 292, or under section 293, or any addition
2 to the tax in case of delinquency provided for in section 291,
3 is not paid in full within ten days from the date of notice
4 and demand from the collector, there shall be collected as
5 part of the tax, interest upon the unpaid amount at the rate
6 of 1 per centum a month from the date of such notice and
7 demand until it is paid. If any part of a deficiency prorated
8 to any unpaid installment under section 272 (i) is not paid
9 in full on or before the date prescribed for the payment
10 of such installment, there shall be collected as part of the
11 tax interest upon the unpaid amount at the rate of 1 per
12 centum a month from such date until it is paid.

13 (c) FIDUCIARIES.—For any period an estate is held
14 by a fiduciary appointed by order of any court of competent
15 jurisdiction or by will, there shall be collected interest at the
16 rate of 6 per centum per annum in lieu of the interest pro-
17 vided in subsections (a) and (b) of this section.

18 (d) FILING OF JEOPARDY BOND.—If a bond is filed,
19 as provided in section 273, the provisions of subsections
20 (b) and (c) of this section shall not apply to the amount
21 covered by the bond.

22 **SEC. 295. TIME EXTENDED FOR PAYMENT OF TAX SHOWN**
23 **ON RETURN.**

24 If the time for payment of the amount determined as
25 the tax by the taxpayer, or any installment thereof, is ex-

1 tended under the authority of section 56 (c), there shall be
2 collected as a part of such amount, interest thereon at the
3 rate of 6 per centum per annum from the date when such
4 payment should have been made if no extension had been
5 granted, until the expiration of the period of the extension.

6 **SEC. 296. TIME EXTENDED FOR PAYMENT OF DEFICIENCY.**

7 If the time for the payment of any part of a deficiency
8 is extended, there shall be collected, as a part of the tax,
9 interest on the part of the deficiency the time for payment
10 of which is so extended, at the rate of 6 per centum per
11 annum for the period of the extension, and no other interest
12 shall be collected on such part of the deficiency for such
13 period. If the part of the deficiency the time for payment
14 of which is so extended is not paid in accordance with the
15 terms of the extension, there shall be collected, as a part
16 of the tax, interest on such unpaid amount at the rate of
17 1 per centum a month for the period from the time fixed
18 by the terms of the extension for its payment until it is paid,
19 and no other interest shall be collected on such unpaid
20 amount for such period.

21 **SEC. 297. INTEREST IN CASE OF JEOPARDY ASSESSMENTS.**

22 In the case of the amount collected under section
23 273 (i) there shall be collected at the same time as such
24 amount, and as a part of the tax, interest at the rate of 6
25 per centum per annum upon such amount from the date of
26 the jeopardy notice and demand to the date of notice and

1 demand under section 273 (i), or, in the case of the amount
2 collected in excess of the amount of the jeopardy assessment,
3 interest as provided in section 292. If the amount included
4 in the notice and demand from the collector under section
5 273 (i) is not paid in full within ten days after such notice
6 and demand, then there shall be collected, as part of the tax,
7 interest upon the unpaid amount at the rate of 1 per centum
8 a month (or, for any period the estate of the taxpayer is
9 held by a fiduciary appointed by any court of competent
10 jurisdiction or by will, at the rate of 6 per centum per
11 annum) from the date of such notice and demand until it
12 is paid.

13 **SEC. 298. BANKRUPTCY AND RECEIVERSHIPS.**

14 If the unpaid portion of the claim allowed in a bank-
15 ruptcy or receivership proceeding, as provided in section
16 274, is not paid in full within 10 days from the date of
17 notice and demand from the collector, then there shall be
18 collected as a part of such amount interest upon the unpaid
19 portion thereof at the rate of 1 per centum a month from
20 the date of such notice and demand until payment.

21 **SEC. 299. REMOVAL OF PROPERTY OR DEPARTURE FROM**
22 **UNITED STATES.**

23 For additions to tax in case of leaving the United States
24 or concealing property in such manner as to hinder collec-
25 tion of the tax, see section 147 146.

1 **Supplement N—Claims against Transferees and Fidu-**
2 **ciaries**

3 **SEC. 311. TRANSFERRED ASSETS.**

4 (a) **METHOD OF COLLECTION.**—The amounts of the
5 following liabilities shall, except as hereinafter in this sec-
6 tion provided, be assessed, collected, and paid in the same
7 manner and subject to the same provisions and limitations
8 as in the case of a deficiency in a tax imposed by this title
9 (including the provisions in case of delinquency in payment
10 after notice and demand, the provisions authorizing distraint
11 and proceedings in court for collection, and the provisions
12 prohibiting claims and suits for refunds) :

13 (1) **TRANSFEREES.**—The liability, at law or in
14 equity, of a transferee of property of a taxpayer, in
15 respect of the tax (including interest, additional
16 amounts, and additions to the tax provided by law)
17 imposed upon the taxpayer by this title.

18 (2) **FIDUCIARIES.**—The liability of a fiduciary
19 under section 3467 of the Revised Statutes in respect
20 of the payment of any such tax from the estate of the
21 taxpayer.

22 Any such liability may be either as to the amount of
23 tax shown on the return or as to any deficiency in tax.

24 (b) **PERIOD OF LIMITATION.**—The period of limita-
25 tion for assessment of any such liability of a transferee or
26 fiduciary shall be as follows:

1 (1) In the case of the liability of an initial trans-
2 feree of the property of the taxpayer,—within one year
3 after the expiration of the period of limitation for assess-
4 ment against the taxpayer;

5 (2) In the case of the liability of a transferee of a
6 transferee of the property of the taxpayer,—within one
7 year after the expiration of the period of limitation for
8 assessment against the preceding transferee, but only if
9 within three years after the expiration of the period of
10 limitation for assessment against the taxpayer;—

11 except that if before the expiration of the period of limitation
12 for the assessment of the liability of the transferee, a court
13 proceeding for the collection of the tax or liability in respect
14 thereof has been begun against the taxpayer or last preced-
15 ing transferee, respectively,—then the period of limitation
16 for assessment of the liability of the transferee shall expire
17 one year after the return of execution in the court pro-
18 ceeding.

19 (3) In the case of the liability of a fiduciary,—
20 not later than one year after the liability arises or not
21 later than the expiration of the period for collection of
22 the tax in respect of which such liability arises, which-
23 ever is the later.

24 (c) PERIOD FOR ASSESSMENT AGAINST TAXPAYER.—
25 For the purposes of this section, if the taxpayer is deceased,

1 or in the case of a corporation, has terminated its existence,
2 the period of limitation for assessment against the taxpayer
3 shall be the period that would be in effect had the death or
4 termination of existence not occurred.

5 (d) **SUSPENSION OF RUNNING OF STATUTE OF LIMITATIONS.**—The running of the statute of limitations upon the
6 assessment of the liability of a transferee or fiduciary shall,
7 after the mailing to the transferee or fiduciary of the notice
8 provided for in section 272 (a), be suspended for the period
9 during which the Commissioner is prohibited from making
10 the assessment in respect of the liability of the transferee or
11 fiduciary (and in any event, if a proceeding in respect of
12 the liability is placed on the docket of the Board, until the
13 decision of the Board becomes final), and for 60 days there-
14 after.
15

16 (e) **ADDRESS FOR NOTICE OF LIABILITY.**—In the ab-
17 sence of notice to the Commissioner under section 312 (b)
18 of the existence of a fiduciary relationship, notice of liability
19 enforceable under this section in respect of a tax imposed
20 by this title, if mailed to the person subject to the liability at
21 his last known address, shall be sufficient for the purposes of
22 this title even if such person is deceased, or is under a legal
23 disability, or, in the case of a corporation, has terminated its
24 existence,

1 (f) DEFINITION OF "TRANSFEREE".—As used in this
2 section, the term "transferee" includes heir, legatee, dev-
3 isee, and distributee.

4 **SEC. 312. NOTICE OF FIDUCIARY RELATIONSHIP.**

5 (a) FIDUCIARY OF TAXPAYER.—Upon notice to the
6 Commissioner that any person is acting in a fiduciary capac-
7 ity such fiduciary shall assume the powers, rights, duties,
8 and privileges of the taxpayer in respect of a tax imposed
9 by this title (except as otherwise specifically provided and
10 except that the tax shall be collected from the estate of the
11 taxpayer), until notice is given that the fiduciary capacity
12 has terminated.

13 (b) FIDUCIARY OF TRANSFEREE.—Upon notice to the
14 Commissioner that any person is acting in a fiduciary capac-
15 ity for a person subject to the liability specified in section
16 311, the fiduciary shall assume, on behalf of such person,
17 the powers, rights, duties, and privileges of such person
18 under such section (except that the liability shall be col-
19 lected from the estate of such person), until notice is given
20 that the fiduciary capacity has terminated.

21 (c) MANNER OF NOTICE.—Notice under subsection
22 (a) or (b) shall be given in accordance with regulations
23 prescribed by the Commissioner with the approval of the
24 Secretary.

1 Supplement O—Overpayments**2 SEC. 321. OVERPAYMENT OF INSTALLMENT.**

3 If the taxpayer has paid as an installment of the tax
4 more than the amount determined to be the correct amount
5 of such installment, the overpayment shall be credited
6 against the unpaid installments, if any. If the amount
7 already paid, whether or not on the basis of installments,
8 exceeds the amount determined to be the correct amount
9 of the tax, the overpayment shall be credited or refunded
10 as provided in section 322.

11 SEC. 322. REFUNDS AND CREDITS.

12 (a) AUTHORIZATION.—Where there has been an
13 overpayment of any tax imposed by this title, the amount
14 of such overpayment shall be credited against any income.
15 war-profits, or excess-profits tax or installment thereof then
16 due from the taxpayer, and any balance shall be refunded
17 immediately to the taxpayer.

18 (b) LIMITATION ON ALLOWANCE.—

19 (1) PERIOD OF LIMITATION.—No such credit or
20 refund shall be allowed or made after two years from
21 the time the tax was paid, unless before the expiration
22 of such period a claim therefor is filed by the taxpayer.

23 (2) LIMIT ON AMOUNT OF CREDIT OR RE-
24 FUND.—The amount of the credit or refund shall not
25 exceed the portion of the tax paid during the two

1 years immediately preceding the filing of the claim,
2 or if no claim was filed, then during the two years
3 immediately preceding the allowance of the credit or
4 refund.

5 (c) EFFECT OF PETITION TO BOARD.—If the Com-
6 missioner has mailed to the taxpayer a notice of deficiency
7 under section 272 (a) and if the taxpayer files a petition
8 with the Board of Tax Appeals within the time prescribed
9 in such subsection, no credit or refund in respect of the tax
10 for the taxable year in respect of which the Commissioner
11 has determined the deficiency shall be allowed or made
12 and no suit by the taxpayer for the recovery of any part
13 of such tax shall be instituted in any court except—

14 (1) As to overpayments determined by a de-
15 cision of the Board which has become final; and

16 (2) As to any amount collected in excess of
17 an amount computed in accordance with the decision
18 of the Board which has become final; and

19 (3) As to any amount collected after the period
20 of limitation upon the beginning of distraint or a pro-
21 ceeding in court for collection has expired; but in any
22 such claim for credit or refund or in any such suit for
23 refund the decision of the Board which has become
24 final, as to whether such period has expired before the
25 notice of deficiency was mailed, shall be conclusive.

1 (d) **OVERPAYMENT FOUND BY BOARD.**—If the Board
 2 finds that there is no deficiency and further finds that the
 3 taxpayer has made an overpayment of tax in respect of the
 4 taxable year in respect of which the Commissioner deter-
 5 mined the deficiency, the Board shall have jurisdiction to
 6 determine the amount of such overpayment, and such
 7 amount shall, when the decision of the Board has become
 8 final, be credited or refunded to the taxpayer. No such
 9 credit or refund shall be made of any portion of the tax paid
 10 more than two years before the filing of the claim or the
 11 filing of the petition, whichever is earlier.

12 (e) **TAX WITHHELD AT SOURCE.**—For refund or
 13 credit in case of excessive withholding at the source, see
 14 section ~~144(f)~~ 143(f).

15 **TITLE II—ADDITIONAL ESTATE TAX**

16 **SEC. 401. IMPOSITION OF TAX.**

17 (a) *In addition to the estate tax imposed by section*
 18 *301(a) of the Revenue Act of 1926, there is hereby imposed*
 19 *upon the transfer of the net estate of every decedent dying*
 20 *after the enactment of this Act, whether a resident or non-*
 21 *resident of the United States, an additional tax equal to the*
 22 *excess of—*

23 (1) *the amount of a tentative tax computed under*
 24 *subsection (b) of this section, over*

1 (2) the amount of the tax imposed by section
2 301(a) of the Revenue Act of 1926, computed without
3 regard to the provisions of this title.

4 (b) The tentative tax referred to in subsection (a)(1)
5 of this section shall equal the sum of the following per-
6 tages of the value of the net estate:

7 Upon net estates not in excess of \$10,000, 1 per centum.

8 \$100 upon net estates of \$10,000; and upon net estates
9 in excess of \$10,000 and not in excess of \$20,000, 2 per
10 centum in addition of such excess.

11 \$300 upon net estates of \$20,000; and upon net estates
12 in excess of \$20,000 and not in excess of \$30,000, 3 per
13 centum in addition of such excess.

14 \$600 upon net estates of \$30,000; and upon net estates
15 in excess of \$30,000 and not in excess of \$40,000, 4 per
16 centum in addition of such excess.

17 \$1,000 upon net estates of \$40,000; and upon net estates
18 in excess of \$40,000 and not in excess of \$50,000, 5 per
19 centum in addition of such excess.

20 \$1,500 upon net estates of \$50,000; and upon net estates
21 in excess of \$50,000 and not in excess of \$100,000, 7 per
22 centum in addition of such excess.

23 \$5,000 upon net estates of \$100,000; and upon net
24 estates in excess of \$100,000 and not in excess of \$200,000,
25 9 per centum in addition of such excess.

1 **\$14,000 upon net estates of \$200,000; and upon net**
2 **estates in excess of \$200,000 and not in excess of \$400,000,**
3 **11 per centum in addition of such excess.**

4 **\$36,000 upon net estates of \$400,000; and upon net**
5 **estates in excess of \$400,000 and not in excess of \$600,000.**
6 **13 per centum in addition of such excess.**

7 **\$62,000 upon net estates of \$600,000; and upon net**
8 **estates in excess of \$600,000 and not in excess of \$800,000,**
9 **15 per centum in addition of such excess.**

10 **\$92,000 upon net estates of \$800,000; and upon net**
11 **estates in excess of \$800,000 and not in excess of \$1,000,000,**
12 **17 per centum in addition of such excess.**

13 **\$126,000 upon net estates of \$1,000,000; and upon net**
14 **estates in excess of \$1,000,000 and not in excess of \$1,500,000,**
15 **19 per centum in addition of such excess.**

16 **\$221,000 upon net estates of \$1,500,000; and upon**
17 **net estates in excess of \$1,500,000 and not in excess of**
18 **\$2,000,000, 21 per centum in addition of such excess.**

19 **\$326,000 upon net estates of \$2,000,000; and upon**
20 **net estates in excess of \$2,000,000 and not in excess of**
21 **\$2,500,000, 23 per centum in addition of such excess.**

22 **\$441,000 upon net estates of \$2,500,000; and upon net**
23 **estates in excess of \$2,500,000 and not in excess of**
24 **\$3,000,000, 25 per centum in addition of such excess.**

1 *\$566,000 upon net estates of \$3,000,000; and upon*
2 *net estates in excess of \$3,000,000 and not in excess of*
3 *\$3,500,000, 27 per centum in addition of such excess.*

4 *\$701,000 upon net estates of \$3,500,000; and upon net*
5 *estates in excess of \$3,500,000 and not in excess of*
6 *\$4,000,000, 29 per centum in addition of such excess.*

7 *\$846,000 upon net estates of \$4,000,000; and upon net*
8 *estates in excess of \$4,000,000 and not in excess of*
9 *\$4,500,000, 31 per centum in addition of such excess.*

10 *\$1,001,000 upon net estates of \$4,500,000; and upon*
11 *net estates in excess of \$4,500,000 and not in excess of*
12 *\$5,000,000, 33 per centum in addition of such excess.*

13 *\$1,166,000 upon net estates of \$5,000,000; and upon*
14 *net estates in excess of \$5,000,000 and not in excess of*
15 *\$6,000,000, 35 per centum in addition of such excess.*

16 *\$1,516,000 upon net estates of \$6,000,000; and upon*
17 *net estates in excess of \$6,000,000 and not in excess of*
18 *\$7,000,000, 37 per centum in addition of such excess.*

19 *\$1,886,000 upon net estates of \$7,000,000; and upon*
20 *net estates in excess of \$7,000,000 and not in excess of*
21 *\$8,000,000, 39 per centum in addition of such excess.*

22 *\$2,276,000 upon net estates of \$8,000,000; and upon*
23 *net estates in excess of \$8,000,000 and not in excess of*
24 *\$9,000,000, 41 per centum in addition of such excess.*

1 \$2,686,000 upon net estates of \$9,000,000; and upon
2 net estates in excess of \$9,000,000 and not in excess of
3 \$10,000,000, 43 per centum in addition of such excess.

4 \$3,116,000 upon net estates of \$10,000,000; and upon
5 net estates in excess of \$10,000,000, 45 per centum in addi-
6 tion of such excess.

7 (c) For the purposes of this section the value of the net
8 estate shall be determined as provided in Title III of the
9 Revenue Act of 1926, as amended, except that in lieu of the
10 exemption of \$100,000 provided in section 303(a)(4) of
11 such Act, the exemption shall be \$50,000.

12 **SEC. 402. CREDITS AGAINST TAX.**

13 (a) The credit provided in section 301(c) of the Rev-
14 enue Act of 1926, as amended (80 per centum credit),
15 shall not be allowed in respect of such additional tax.

16 (b)(1) If a tax has been paid under Title III of this
17 Act on a gift, and thereafter upon the death of the donor
18 any amount in respect of such gift is required to be included
19 in the value of the gross estate of the decedent for the pur-
20 poses of this title, then there shall be credited against the
21 tax imposed by section 401 of this Act the amount of the
22 tax paid under such Title III with respect to so much of the
23 property which constituted the gift as is included in the gross
24 estate, except that the amount of such credit (A) shall not
25 exceed an amount which bears the same ratio to the tax

1 imposed by section 401 of this Act as the value (at the
2 time of the gift or at the time of the death, whichever is
3 lower) of so much of the property which constituted the
4 gift as is included in the gross estate, bears to the value of
5 the entire gross estate, and (B) shall not exceed the amount
6 by which the gift tax paid under Title III of this Act with
7 respect to so much of the property as constituted the gift as
8 is included in the gross estate, exceeds the amount of the
9 credit under section 301(b) of the Revenue Act of 1926,
10 as amended by this Act.

11 (2) For the purposes of paragraph (1), the amount
12 of tax paid for any year under Title III of this Act with
13 respect to any property shall be an amount which bears the
14 same ratio to the total tax paid for such year as the value of
15 such property bears to the total amount of net gifts (com-
16 puted without deduction of the specific exemption) for such
17 year.

18 **SEC. 403. ASSESSMENT, COLLECTION, AND PAYMENT OF TAX.**

19 Except as provided in section 402, the tax imposed by
20 section 401 of this Act shall be assessed, collected, and paid,
21 in the same manner, and shall be subject to the same pro-
22 visions of law (including penalties), as the tax imposed by
23 section 301(a) of the Revenue Act of 1926, except that a re-
24 turn shall be required if the value of the gross estate at the
25 time of the decedent's death exceeds \$50,000.

TITLE III—GIFT TAX

1

SEC. 501. IMPOSITION OF TAX.

2
3 (a) *For the calendar year 1932 and each calendar*
4 *year thereafter a tax, computed as provided in section 502,*
5 *shall be imposed upon the transfer during such calendar*
6 *year by any individual, resident or nonresident, of property*
7 *by gift.*

8 (b) *The tax shall apply whether the transfer is in*
9 *trust or otherwise, whether the gift is direct or indirect, and*
10 *whether the property is real or personal, tangible or intan-*
11 *gible; but, in the case of a nonresident, shall apply to a trans-*
12 *fer only if the property is situated within the United States.*

SEC. 502. COMPUTATION OF TAX.

13
14 *The tax for each calendar year shall be an amount*
15 *equal to the excess of—*

16 (1) *a tax, computed in accordance with the Rate*
17 *Schedule hereinafter set forth, on the aggregate sum*
18 *of the net gifts for such calendar year and for each of*
19 *the preceding calendar years, over*

20 (2) *a tax, computed in accordance with the Rate*
21 *Schedule, on the aggregate sum of the net gifts for each*
22 *of the preceding calendar years.*

GIFT TAX RATE SCHEDULE

23
24 *Upon net gifts not in excess of \$10,000, three-fourths*
25 *of 1 per centum.*

1 *\$75 upon net gifts of \$10,000; and upon net gifts*
2 *in excess of \$10,000 and not in excess of \$20,000, 1½ per*
3 *centum in addition of such excess.*

4 *\$225 upon net gifts of \$20,000; and upon net gifts in*
5 *excess of \$20,000 and not in excess of \$30,000, 2½ per*
6 *centum in addition of such excess.*

7 *\$450 upon net gifts of \$30,000; and upon net gifts in*
8 *excess of \$30,000 and not in excess of \$40,000, 3 per centum*
9 *in addition of such excess.*

10 *\$750 upon net gifts of \$40,000; and upon net gifts*
11 *in excess of \$40,000 and not in excess of \$50,000, 3¾*
12 *per centum in addition of such excess.*

13 *\$1,125 upon net gifts of \$50,000; and upon net gifts*
14 *in excess of \$50,000 and not in excess of \$100,000, 5 per*
15 *centum in addition of such excess.*

16 *\$3,625 upon net gifts of \$100,000; and upon net gifts*
17 *in excess of \$100,000 and not in excess of \$200,000, 6½*
18 *per centum in addition of such excess.*

19 *\$10,125 upon net gifts of \$200,000; and upon net gifts*
20 *in excess of \$200,000 and not in excess of \$400,000, 8 per*
21 *centum in addition of such excess.*

22 *\$26,125 upon net gifts of \$400,000; and upon net*
23 *gifts in excess of \$400,000 and not in excess of \$600,000,*
24 *9½ per centum in addition of such excess.*

1 *\$45,125 upon net gifts of \$600,000; and upon net gifts*
2 *in excess of \$600,000 and not in excess of \$800,000, 11*
3 *per centum in addition of such excess.*

4 *\$67,125 upon net gifts of \$800,000; and upon net gifts*
5 *in excess of \$800,000 and not in excess of \$1,000,000, 12½*
6 *per centum in addition of such excess.*

7 *\$92,125 upon net gifts of \$1,000,000; and upon net*
8 *gifts in excess of \$1,000,000 and not in excess of \$1,500,000,*
9 *14 per centum in addition of such excess.*

10 *\$162,125 upon net gifts of \$1,500,000; and upon net*
11 *gifts in excess of \$1,500,000 and not in excess of \$2,000,000,*
12 *15½ per centum in addition of such excess.*

13 *\$239,625 upon net gifts of \$2,000,000; and upon net*
14 *gifts in excess of \$2,000,000 and not in excess of \$2,500,000,*
15 *17 per centum in addition of such excess.*

16 *\$324,625 upon net gifts of \$2,500,000; and upon net*
17 *gifts in excess of \$2,500,000 and not in excess of \$3,000,000,*
18 *18½ per centum in addition of such excess.*

19 *\$417,125 upon net gifts of \$3,000,000; and upon net*
20 *gifts in excess of \$3,000,000 and not in excess of \$3,500,000,*
21 *20 per centum in addition of such excess.*

22 *\$517,125 upon net gifts of \$3,500,000; and upon net*
23 *gifts in excess of \$3,500,000 and not in excess of \$4,000,000,*
24 *21½ per centum in addition of such excess.*

1 *\$624,625 upon net gifts of \$4,000,000; and upon net*
2 *gifts in excess of \$4,000,000 and not in excess of \$4,500,000,*
3 *23 per centum in addition of such excess.*

4 *\$739,625 upon net gifts of \$4,500,000; and upon net*
5 *gifts in excess of \$4,500,000 and not in excess of \$5,000,000,*
6 *24½ per centum in addition of such excess.*

7 *\$862,125 upon net gifts of \$5,000,000; and upon net*
8 *gifts in excess of \$5,000,000 and not in excess of \$6,000,000,*
9 *26 per centum in addition of such excess.*

10 *\$1,122,125 upon net gifts of \$6,000,000; and upon net*
11 *gifts in excess of \$6,000,000 and not in excess of \$7,000,000,*
12 *27½ per centum in addition of such excess.*

13 *\$1,397,125 upon net gifts of \$7,000,000; and upon net*
14 *gifts in excess of \$7,000,000 and not in excess of \$8,000,000,*
15 *29 per centum in addition of such excess.*

16 *\$1,687,125 upon net gifts of \$8,000,000; and upon net*
17 *gifts in excess of \$8,000,000 and not in excess of \$9,000,000,*
18 *30½ per centum in addition of such excess.*

19 *\$1,992,125 upon net gifts of \$9,000,000; and upon net*
20 *gifts in excess of \$9,000,000 and not in excess of \$10,000,-*
21 *000, 32 per centum in addition of such excess.*

22 *\$2,312,125 upon net gifts of \$10,000,000; and upon*
23 *net gifts in excess of \$10,000,000, 33½ per centum in addi-*
24 *tion of such excess.*

1 **SEC. 503. TRANSFER FOR LESS THAN ADEQUATE AND FULL**
2 **CONSIDERATION.**

3 *Where property is transferred for less than an adequate*
4 *and full consideration in money or money's worth, then the*
5 *amount by which the value of the property exceeded the*
6 *value of the consideration shall, for the purpose of the tax*
7 *imposed by this title, be deemed a gift, and shall be included*
8 *in computing the amount of gifts made during the calendar*
9 *year.*

10 **SEC. 504. NET GIFTS.**

11 (a) *GENERAL DEFINITION.*—*The term "net gifts"*
12 *means the total amount of gifts made during the calendar*
13 *year, less the deductions provided in section 505.*

14 (b) *GIFTS LESS THAN \$3,000.*—*In the case of gifts*
15 *(other than of future interests in property) made to any*
16 *person by the donor during the calendar year, the first \$3,000*
17 *of such gifts to such person shall not, for the purposes of*
18 *subsection (a), be included in the total amount of gifts made*
19 *during such year.*

20 **SEC. 505. DEDUCTIONS.**

21 *In computing net gifts for any calendar year there shall*
22 *be allowed as deductions:*

23 (a) *RESIDENTS.*—*In the case of a resident—*

24 (1) *SPECIFIC EXEMPTION.*—*An exemption of*
25 *\$50,000, less the aggregate of the amounts claimed*

1 *and allowed as specific exemption for preceding*
2 *calendar years.*

3 *(2) CHARITABLE, ETC., GIFTS.—The amount of*
4 *all gifts made during such year to or for the use of—*

5 *(A) the United States, any State, Territory,*
6 *or any political subdivision thereof, or the District*
7 *of Columbia, for exclusively public purposes;*

8 *(B) a corporation, or trust, or community*
9 *chest, fund, or foundation, organized and operated*
10 *exclusively for religious, charitable, scientific,*
11 *literary, or educational purposes, including the*
12 *encouragement of art and the prevention of*
13 *cruelty to children or animals; no part of the net*
14 *earnings of which inures to the benefit of any*
15 *private shareholder or individual;*

16 *(C) a fraternal society, order, or association,*
17 *operating under the lodge system, but only if such*
18 *gifts are to be used exclusively for religious,*
19 *charitable, scientific, literary, or educational pur-*
20 *poses, including the encouragement of art and the*
21 *prevention of cruelty to children or animals;*

22 *(D) posts or organizations of war veterans,*
23 *or auxiliary units or societies of any such posts or*
24 *organizations, if such posts, organizations, units,*
25 *or societies are organized in the United States or*

1 *any of its possessions, and if no part of their net*
2 *earnings inures to the benefit of any private share-*
3 *holder or individual;*

4 *(E) the special fund for vocational rehabili-*
5 *tation authorized by section 12 of the World War*
6 *Veterans' Act, 1924.*

7 **(b) NONRESIDENTS.**—*In the case of a nonresident,*
8 *the amount of all gifts made during such year to or for the*
9 *use of—*

10 *(1) the United States, any State, Territory, or*
11 *any political subdivision thereof, or the District of*
12 *Columbia, for exclusively public purposes;*

13 *(2) a domestic corporation organized and oper-*
14 *ated exclusively for religious, charitable, scientific,*
15 *literary, or educational purposes, including the encour-*
16 *agement of art and the prevention of cruelty to chil-*
17 *dren or animals; no part of the net earnings of which*
18 *inures to the benefit of any private shareholder or indi-*
19 *vidual;*

20 *(3) a trust, or community chest, fund, or foun-*
21 *dation, organized and operated exclusively for reli-*
22 *gious, charitable, scientific, literary, or educational*
23 *purposes, including the encouragement of art and the*
24 *prevention of cruelty to children or animals; but only*

1 *if such gifts are to be used within the United States*
2 *exclusively for such purposes;*

3 *(4) a fraternal society, order, or association,*
4 *operating under the lodge system, but only if such gifts*
5 *are to be used within the United States exclusively*
6 *for religious, charitable, scientific, literary, or educa-*
7 *tional purposes, including the encouragement of art*
8 *and the prevention of cruelty to children or animals;*

9 *(5) posts or organizations of war veterans, or aux-*
10 *iliary units or societies of any such posts or organiza-*
11 *tions, if such posts, organizations, units, or societies are*
12 *organized in the United States or any of its posses-*
13 *sions, and if no part of their net earnings inures to*
14 *the benefit of any private shareholder or individual;*

15 *(6) the special fund for vocational rehabilitation*
16 *authorized by section 12 of the World War Veterans'*
17 *Act, 1924.*

18 *(c) The deductions provided in subsection (a)(2) or*
19 *(b) shall be allowed only to the extent that the gifts therein*
20 *specified are included in the amount of gifts against which*
21 *such deductions are applied.*

22 **SEC. 506. GIFTS MADE IN PROPERTY.**

23 *If the gift is made in property, the value thereof at the*
24 *date of the gift shall be considered the amount of the gift.*

1 **SEC. 507. RETURNS.**

2 (a) **REQUIREMENT.**—Any individual who within the
3 calendar year 1932 or any calendar year thereafter makes
4 any transfers by gift (except those which under section 504
5 are not to be included in the total amount of gifts for such
6 year) shall make a return under oath in duplicate. The
7 return shall set forth (1) each gift made during the calendar
8 year which under section 504 is to be included in computing
9 net gifts; (2) the deductions claimed and allowable under
10 section 505; (3) the net gifts for each of the preceding
11 calendar years; and (4) such further information as may
12 be required by regulations made pursuant to law.

13 (b) **TIME AND PLACE FOR FILING.**—The return shall
14 be filed on or before the 15th day of March following the close of
15 the calendar year with the collector for the district in which is
16 located the legal residence of the donor, or if he has no legal
17 residence in the United States, then (unless the Commissioner
18 designates another district) with the collector at Baltimore,
19 Maryland.

20 **SEC. 508. RECORDS AND SPECIAL RETURNS.**

21 (a) **BY DONOR.**—Every person liable to any tax im-
22 posed by this title or for the collection thereof, shall keep
23 such records, render under oath such statements, make such
24 returns, and comply with such rules and regulations, as the

1 *Commissioner, with the approval of the Secretary, may from*
2 *time to time prescribe.*

3 (b) *TO DETERMINE LIABILITY TO TAX.*—Whenever
4 *in the judgment of the Commissioner necessary he may*
5 *require any person, by notice served upon him, to make a*
6 *return, render under oath such statements, or keep such*
7 *records, as the Commissioner deems sufficient to show whether*
8 *or not such person is liable to tax under this title.*

9 **SEC. 509. PAYMENT OF TAX.**

10 (a) *TIME OF PAYMENT.*—The tax imposed by this
11 *title shall be paid by the donor on or before the 15th day of*
12 *March following the close of the calendar year.*

13 (b) *EXTENSION OF TIME FOR PAYMENT.*—At the re-
14 *quest of the donor, the Commissioner may extend the time*
15 *for payment of the amount determined as the tax by the*
16 *donor, for a period not to exceed six months from the date*
17 *prescribed for the payment of the tax. In such case the*
18 *amount in respect of which the extension is granted shall*
19 *be paid on or before the date of the expiration of the period*
20 *of the extension.*

21 (c) *VOLUNTARY ADVANCE PAYMENT.*—A tax im-
22 *posed by this title may be paid, at the election of the donor,*
23 *prior to the date prescribed for its payment.*

24 (d) *FRACTIONAL PARTS OF CENT.*—In the payment
25 *of any tax under this title a fractional part of a cent shall*

1 *be disregarded unless it amounts to one-half cent or more, in*
2 *which case it shall be increased to 1 cent.*

3 (e) *RECEIPTS.*—*The collector to whom any payment*
4 *of any gift tax is made shall, upon request, grant to the person*
5 *making such payment a receipt therefor.*

6 **SEC. 510. LIEN FOR TAX.**

7 *The tax imposed by this title shall be a lien upon all*
8 *gifts made during the calendar year, for ten years from*
9 *the time the gifts are made. If the tax is not paid when*
10 *due, the donee of any gift shall be personally liable for*
11 *such tax to the extent of the value of such gift. Any part*
12 *of the property comprised in the gift sold by the donee*
13 *to a bona fide purchaser for an adequate and full considera-*
14 *tion in money or money's worth shall be divested of the*
15 *lien herein imposed and the lien, to the extent of the value*
16 *of such gift, shall attach to all the property of the donee*
17 *(including after-acquired property) except any part sold*
18 *to a bona fide purchaser for an adequate and full considera-*
19 *tion in money or money's worth. If the Commissioner is*
20 *satisfied that the tax liability has been fully discharged or*
21 *provided for, he may, under regulations prescribed by him*
22 *with the approval of the Secretary, issue his certificate,*
23 *releasing any or all of the property from the lien herein*
24 *imposed.*

1 **SEC. 511. EXAMINATION OF RETURN AND DETERMINATION OF**
2 **TAX.**

3 *As soon as practicable after the return is filed the Com-*
4 *missioner shall examine it and shall determine the correct*
5 *amount of the tax.*

6 **SEC. 512. DEFINITION OF DEFICIENCY.**

7 *As used in this title in respect of the tax imposed by*
8 *this title the term "deficiency" means—*

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

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

1 **SEC. 513. ASSESSMENT AND COLLECTION OF DEFICIENCIES.**

2 (a) *PETITION TO BOARD OF TAX APPEALS.*—If the
3 Commissioner determines that there is a deficiency in respect
4 of the tax imposed by this title, the Commissioner is authorized
5 to send notice of such deficiency to the donor by registered
6 mail. Within 60 days after such notice is mailed (not
7 counting Sunday as the sixtieth day), the donor may file
8 a petition with the Board of Tax Appeals for a redetermi-
9 nation of the deficiency. No assessment of a deficiency in
10 respect of the tax imposed by this title and no distraint or
11 proceeding in court for its collection shall be made, begun,
12 or prosecuted until such notice has been mailed to the donor,
13 nor until the expiration of such 60-day period, nor, if a
14 petition has been filed with the Board, until the decision of
15 the Board has become final. Notwithstanding the provisions
16 of section 3224 of the Revised Statutes the making of such
17 assessment or the beginning of such proceeding or distraint
18 during the time such prohibition is in force may be enjoined
19 by a proceeding in the proper court.

20 For exceptions to the restrictions imposed by this sub-
21 section see—

22 (1) Subsection (d) of this section, relating to
23 waivers by the donor;

24 (2) Subsection (f) of this section, relating to
25 notifications of mathematical errors appearing upon
26 the face of the return;

1 (3) *Section 514, relating to jeopardy assessments;*

2 (4) *Section 516, relating to bankruptcy and*
3 *receiverships; and*

4 (5) *Section 1001 of the Revenue Act of 1926, as*
5 *amended, relating to assessment or collection of the*
6 *amount of the deficiency determined by the Board per.d-*
7 *ing court review.*

8 **(b) COLLECTION OF DEFICIENCY FOUND BY**
9 **BOARD.**—*If the donor files a petition with the Board, the*
10 *entire amount redetermined as the deficiency by the decision of*
11 *the Board which has become final shall be assessed and shall*
12 *be paid upon notice and demand from the collector. No part*
13 *of the amount determined as a deficiency by the Commissioner*
14 *but disallowed as such by the decision of the Board which has*
15 *become final shall be assessed or be collected by distraint or*
16 *by proceeding in court with or without assessment.*

17 **(c) FAILURE TO FILE PETITION.**—*If the donor does*
18 *not file a petition with the Board within the time prescribed in*
19 *subsection (a) the deficiency, notice of which has been mailed*
20 *to the donor, shall be assessed, and shall be paid upon notice*
21 *and demand from the collector.*

22 **(d) WAIVER OF RESTRICTIONS.**—*The donor shall*
23 *at any time have the right, by a signed notice in writing filed*
24 *with the Commissioner, to waive the restrictions provided in*

1 subsection (a) on the assessment and collection of the whole
2 or any part of the deficiency.

3 (e) INCREASE OF DEFICIENCY AFTER NOTICE
4 MAILED.—The Board shall have jurisdiction to redetermine
5 the correct amount of the deficiency even if the amount so
6 redetermined is greater than the amount of the deficiency,
7 notice of which has been mailed to the donor, and to determine
8 whether any additional amount or addition to the tax should
9 be assessed, if claim therefor is asserted by the Commissioner
10 at or before the hearing or a rehearing.

11 (f) FURTHER DEFICIENCY LETTERS RESTRICTED.—
12 If the Commissioner has mailed to the donor notice of a
13 deficiency as provided in subsection (a) of this section, and
14 the donor files a petition with the Board within the time
15 prescribed in such subsection, the Commissioner shall have
16 no right to determine any additional deficiency in respect
17 of the same calendar year, except in the case of fraud, and
18 except as provided in subsection (e) of this section, relating
19 to assertion of greater deficiencies before the Board, or in
20 section 514(c), relating to the making of jeopardy assess-
21 ments. If the donor is notified that, on account of a mathe-
22 matical error appearing upon the face of the return, an
23 amount of tax in excess of that shown upon the return is
24 due, and that an assessment of the tax has been or will be
25 made on the basis of what would have been the correct amount

1 of tax but for the mathematical error, such notice shall not
2 be considered (for the purposes of this subsection, or of sub-
3 section (a) of this section, prohibiting assessment and collec-
4 tion until notice of deficiency has been mailed, or of section
5 528(c), prohibiting credits or refunds after petition to the
6 Board of Tax Appeals) as a notice of a deficiency, and the
7 donor shall have no right to file a petition with the Board
8 based on such notice, nor shall such assessment or collection
9 be prohibited by the provisions of subsection (a) of this
10 section.

11 (g) JURISDICTION OVER OTHER CALENDAR
12 YEARS.—The Board in redetermining a deficiency in respect
13 of any calendar year shall consider such facts with relation
14 to the taxes for other calendar years as may be necessary
15 correctly to redetermine the amount of such deficiency, but in
16 so doing shall have no jurisdiction to determine whether or
17 not the tax for any other calendar year has been overpaid
18 or underpaid.

19 (h) FINAL DECISIONS OF BOARD.—For the pur-
20 poses of this title the date on which a decision of the Board
21 becomes final shall be determined according to the provisions
22 of section 1005 of the Revenue Act of 1926.

23 (i) EXTENSION OF TIME FOR PAYMENT OF DEFICI-
24 CIENCIES.—Where it is shown to the satisfaction of the

1 *Commissioner that the payment of a deficiency upon the date*
2 *prescribed for the payment thereof will result in undue hard-*
3 *ship to the donor the Commissioner, with the approval of the*
4 *Secretary (except where the deficiency is due to negligence,*
5 *to intentional disregard of rules and regulations, or to fraud*
6 *with intent to evade tax), may grant an extension for the*
7 *payment of such deficiency or any part thereof for a period*
8 *not in excess of eighteen months, and, in exceptional cases,*
9 *for a further period not in excess of twelve months. If an*
10 *extension is granted, the Commissioner may require the*
11 *donor to furnish a bond in such amount, not exceeding double*
12 *the amount of the deficiency, and with such sureties, as the*
13 *Commissioner deems necessary, conditioned upon the pay-*
14 *ment of the deficiency in accordance with the terms of the*
15 *extension.*

16 (j) *ADDRESS FOR NOTICE OF DEFICIENCY.—In the*
17 *absence of notice to the Commissioner under section 527(a)*
18 *of the existence of a fiduciary relationship, notice of a*
19 *deficiency in respect of a tax imposed by this title, if mailed*
20 *to the donor at his last known address, shall be sufficient*
21 *for the purposes of this title even if such donor is deceased,*
22 *or is under a legal disability.*

23 **SEC. 514. JEOPARDY ASSESSMENTS.**

24 (a) *AUTHORITY FOR MAKING.—If the Commis-*
25 *sioner believes that the assessment or collection of a deficiency*

1 will be jeopardized by delay, he shall immediately assess such
2 deficiency (together with all interest, additional amounts, or
3 additions to the tax provided for by law) and notice and
4 demand shall be made by the collector for the payment
5 thereof.

6 (b) DEFICIENCY LETTERS.—If the jeopardy assess-
7 ment is made before any notice in respect of the tax to which
8 the jeopardy assessment relates has been mailed under section
9 513(a), then the Commissioner shall mail a notice under
10 such subsection within 60 days after the making of the
11 assessment.

12 (c) AMOUNT ASSESSABLE BEFORE DECISION OF
13 BOARD.—The jeopardy assessment may be made in respect
14 of a deficiency greater or less than that notice of which
15 has been mailed to the donor, despite the provisions of sec-
16 tion 513(f) prohibiting the determination of additional de-
17 ficiencies, and whether or not the donor has theretofore filed
18 a petition with the Board of Tax Appeals. The Commis-
19 sioner shall notify the Board of the amount of such assess-
20 ment, if the petition is filed with the Board before the making
21 of the assessment or is subsequently filed, and the Board
22 shall have jurisdiction to redetermine the entire amount of
23 the deficiency and of all amounts assessed at the same time
24 in connection therewith.

1 (d) *AMOUNT ASSESSABLE AFTER DECISION OF*
2 *BOARD.*—If the jeopardy assessment is made after the
3 decision of the Board is rendered, such assessment may be
4 made only in respect of the deficiency determined by the
5 Board in its decision.

6 (e) *EXPIRATION OF RIGHT TO ASSESS.*—A jeopardy
7 assessment may not be made after the decision of the Board
8 has become final or after the donor has filed a petition for
9 review of the decision of the Board.

10 (f) *BOND TO STAY COLLECTION.*—When a jeopardy
11 assessment has been made, the donor, within 10 days after
12 notice and demand from the collector for the payment of the
13 amount of the assessment, may obtain a stay of collection
14 of the whole or any part of the amount of the assessment
15 by filing with the collector a bond in such amount, not ex-
16 ceeding double the amount as to which the stay is desired,
17 and with such sureties, as the collector deems necessary, con-
18 ditioned upon the payment of so much of the amount,
19 the collection of which is stayed by the bond, as is not
20 abated by a decision of the Board which has become final,
21 together with interest thereon as provided in section 523 or
22 524(b)(4).

23 (g) *SAME—FURTHER CONDITIONS.*—If the bond is
24 given before the donor has filed his petition with the Board
25 under subsection (a) of section 513(a), the bond shall con-

1 *tain a further condition that if a petition is not filed within*
2 *the period provided in such subsection, then the amount the*
3 *collection of which is stayed by the bond will be paid on*
4 *notice and demand at any time after the expiration of such*
5 *period, together with interest thereon at the rate of 6 per*
6 *centum per annum from the date of the jeopardy notice and*
7 *demand to the date of notice and demand under this subsection.*

8 *(h) WAIVER OF STAY.—Upon the filing of the bond*
9 *the collection of so much of the amount assessed as is covered*
10 *by the bond shall be stayed. The donor shall have the right*
11 *to waive such stay at any time in respect of the whole or*
12 *any part of the amount covered by the bond, and if as a*
13 *result of such waiver any part of the amount covered by the*
14 *bond is paid, then the bond shall, at the request of the donor,*
15 *be proportionately reduced. If the Board determines that the*
16 *amount assessed is greater than the amount which should*
17 *have been assessed, then when the decision of the Board is*
18 *rendered the bond shall, at the request of the donor, be pro-*
19 *portionately reduced.*

20 *(i) COLLECTION OF UNPAID AMOUNTS.—When the*
21 *petition has been filed with the Board and when the amount*
22 *which should have been assessed has been determined by a*
23 *decision of the Board which has become final, then any*
24 *unpaid portion, the collection of which has been stayed by*
25 *the bond, shall be collected as part of the tax upon notice and*

1 demand from the collector, and any remaining portion of the
 2 assessment shall be abated. If the amount already collected
 3 exceeds the amount determined as the amount which should
 4 have been assessed, such excess shall be credited or refunded
 5 as provided in section 528, without the filing of claim there-
 6 for. If the amount determined as the amount which should
 7 have been assessed is greater than the amount actually
 8 assessed, then the difference shall be assessed and shall be
 9 collected as part of the tax upon notice and demand from
 10 the collector.

11 **SEC. 515. CLAIMS IN ABATEMENT.**

12 No claim in abatement shall be filed in respect of any
 13 assessment in respect of any tax imposed by this title.

14 **SEC. 516. BANKRUPTCY AND RECEIVERSHIPS.**

15 (a) **IMMEDIATE ASSESSMENT.**—Upon the adjudica-
 16 tion of bankruptcy of any donor in any bankruptcy
 17 proceeding or the appointment of a receiver for any donor
 18 in any receivership proceeding before any court of the United
 19 States or of any State or Territory or of the District of
 20 Columbia, any deficiency (together with all interest, addi-
 21 tional amounts, or additions to the tax provided for by law)
 22 determined by the Commissioner in respect of a tax imposed
 23 by this title upon such donor shall, despite the restrictions
 24 imposed by section 513(a) upon assessments be immediately
 25 assessed if such deficiency has not theretofore been assessed

1 in accordance with law. Claims for the deficiency and such
2 interest, additional amounts and additions to the tax may be
3 presented, for adjudication in accordance with law, to the
4 court before which the bankruptcy or receivership proceeding
5 is pending, despite the pendency of proceedings for the
6 redetermination of the deficiency in pursuance of a petition
7 to the Board; but no petition for any such redetermination
8 shall be filed with the Board after the adjudication of bank-
9 ruptcy or the appointment of the receiver.

10 (b) UNPAID CLAIMS.—Any portion of the claim
11 allowed in such bankruptcy or receivership proceeding which
12 is unpaid shall be paid by the donor upon notice and demand
13 from the collector after the termination of such proceeding,
14 and may be collected by distraint or proceeding in court
15 within six years after termination of such proceeding.
16 Extensions of time for such payment may be had in the same
17 manner and subject to the same provisions and limitations as
18 are provided in sections 513(i), 521(b), and 524(b)(3)
19 in the case of a deficiency in a tax imposed by this title.

20 **SEC. 517. PERIOD OF LIMITATION UPON ASSESSMENT AND**
21 **COLLECTION.**

22 (a) GENERAL RULE.—Except as provided in subsec-
23 tion (b), the amount of taxes imposed by this title shall be
24 assessed within three years after the return was filed, and
25 no proceeding in court without assessment for the collection

1 of such taxes shall be begun after the expiration of three
2 years after the return was filed.

3 (b) EXCEPTIONS—

4 (1) FALSE RETURN OR NO RETURN.—In the
5 case of a false or fraudulent return with intent to evade
6 tax or of a failure to file a return the tax may be
7 assessed, or a proceeding in court for the collection of
8 such tax may be begun without assessment, at any time.

9 (2) COLLECTION AFTER ASSESSMENT.—Where
10 the assessment of any tax imposed by this title has
11 been made within the statutory period of limitation
12 properly applicable thereto, such tax may be collected
13 by distraint or by a proceeding in court, but only if
14 begun (1) within six years after the assessment of the
15 tax, or (2) prior to the expiration of any period for
16 collection agreed upon in writing by the Commissioner
17 and the donor.

18 SEC. 518. SUSPENSION OF RUNNING OF STATUTE.

19 The running of the statute of limitations provided in
20 section 517 on the making of assessments and the beginning
21 of distraint or a proceeding in court for collection, in respect
22 of any deficiency, shall (after the mailing of a notice under
23 section 513(a)) be suspended for the period during which
24 the Commissioner is prohibited from making the assessment
25 or beginning distraint or a proceeding in court (and in any

1 event, if a proceeding in respect of the deficiency is placed
 2 on the docket of the Board, until the decision of the Board
 3 becomes final), and for 60 days thereafter.

4 **SEC. 519. ADDITIONS TO THE TAX IN CASE OF FAILURE TO**
 5 **FILE RETURN.**

6 *In case of any failure to make and file a return required*
 7 *by this title, within the time prescribed by law or pre-*
 8 *scribed by the Commissioner in pursuance of law, 25 per*
 9 *centum of the tax shall be added to the tax, except that when*
 10 *a return is filed after such time and it is shown that the*
 11 *failure to file it was due to reasonable cause and not due to*
 12 *willful neglect no such addition shall be made to the tax.*
 13 *The amount so added to any tax shall be collected at the same*
 14 *time and in the same manner and as a part of the tax unless*
 15 *the tax has been paid before the discovery of the neglect, in*
 16 *which case the amount so added shall be collected in the*
 17 *same manner as the tax. The amount added to the tax*
 18 *under this section shall be in lieu of the 25 per centum*
 19 *addition to the tax provided in section 3176 of the Revised*
 20 *Statutes, as amended.*

21 **SEC. 520. ADDITIONS TO THE TAX IN CASE OF DEFICIENCY.**

22 (a) **NEGLIGENCE.**—*If any part of any deficiency*
 23 *is due to negligence, or intentional disregard of rules and*
 24 *regulations but without intent to defraud, 5 per centum of*
 25 *the total amount of the deficiency (in addition to such de-*

1 deficiency) shall be assessed, collected, and paid in the same
2 manner as if it were a deficiency, except that the provisions
3 of section 522, relating to interest on deficiencies, shall not
4 be applicable.

5 (b) FRAUD.—If any part of any deficiency is due to
6 fraud with intent to evade tax, then 50 per centum of the
7 total amount of the deficiency (in addition to such deficiency)
8 shall be so assessed, collected, and paid, in lieu of the 50
9 per centum addition to the tax provided in section 3176
10 of the Revised Statutes, as amended.

11 **SEC. 521. INTEREST ON EXTENDED PAYMENTS.**

12 (a) TAX SHOWN ON RETURN.—If the time for pay-
13 ment of the amount determined as the tax by the donor is
14 extended under the authority of section 509(b), there shall
15 be collected as a part of such amount, interest thereon at
16 the rate of 6 per centum per annum from the date when
17 such payment should have been made if no extension had
18 been granted, until the expiration of the period of the
19 extension.

20 (b) DEFICIENCY.—In case an extension for the pay-
21 ment of a deficiency is granted, as provided in section 513(i),
22 there shall be collected, as a part of the tax, interest on the
23 part of the deficiency the time for payment of which is so
24 extended, at the rate of 6 per centum per annum for the
25 period of the extension, and no other interest shall be col-
26 lected on such part of the deficiency for such period.

1 **SEC. 522. INTEREST ON DEFICIENCIES.**

2 *Interest upon the amount determined as a deficiency*
3 *shall be assessed at the same time as the deficiency, shall be*
4 *paid upon notice and demand from the collector, and shall*
5 *be collected as a part of the tax, at the rate of 6 per centum*
6 *per annum from the due date of the tax to the date the*
7 *deficiency is assessed, or, in the case of a waiver under*
8 *section 513(d), to the thirtieth day after the filing of such*
9 *waiver or to the date the deficiency is assessed whichever is*
10 *the earlier.*

11 **SEC. 523. INTEREST ON JEOPARDY ASSESSMENTS.**

12 *In the case of the amount collected under section 514(f)*
13 *there shall be collected at the same time as such amount, and*
14 *as a part of the tax, interest at the rate of 6 per centum per*
15 *annum upon such amount from the date of the jeopardy*
16 *notice and demand to the date of notice and demand under*
17 *section 514(i), or, in the case of the amount collected in*
18 *excess of the amount of the jeopardy assessment, interest as*
19 *provided in section 522.*

20 **SEC. 524. ADDITIONS TO THE TAX IN CASE OF NONPAYMENT.**

21 **(a) TAX SHOWN ON RETURN—**

22 **(1) PAYMENT NOT EXTENDED.—***Where the*
23 *amount determined by the donor as the tax imposed by*
24 *this title, or any part of such amount, is not paid on*
25 *the due date of the tax, there shall be collected as a*

1 part of the tax, interest upon such unpaid amount at
2 the rate of 1 per centum a month from the due date
3 until it is paid.

4 (2) **PAYMENT EXTENDED.**—Where an extension
5 of time for payment of the amount so determined as
6 the tax by the donor has been granted, and the amount
7 the time for payment of which has been extended, and
8 the interest thereon determined under section 521(a),
9 is not paid in full prior to the expiration of the period
10 of the extension, then, in lieu of the interest provided
11 for in paragraph (1) of this subsection, interest at
12 the rate of 1 per centum a month shall be collected on
13 such unpaid amount from the date of the expiration
14 of the period of the extension until it is paid.

15 (b) **DEFICIENCY**—

16 (1) **PAYMENT NOT EXTENDED.**—Where a defi-
17 ciency, or any interest assessed in connection therewith
18 under section 522, or any addition to the tax provided
19 for in section 3176 of the Revised Statutes, is not paid
20 in full within 10 days from the date of notice and
21 demand from the collector, there shall be collected as
22 part of the tax, interest upon the unpaid amount at
23 the rate of 1 per centum a month from the date of such
24 notice and demand until it is paid.

1 (2) *FILING OF JEOPARDY BOND.*—If a bond is
2 filed, as provided in section 514, the provisions of
3 paragraph (1) of this subsection shall not apply to the
4 amount covered by the bond.

5 (3) *PAYMENT EXTENDED.*—If the part of the
6 deficiency the time for payment of which is extended
7 as provided in section 513(i) is not paid in accordance
8 with the terms of the extension, there shall be collected,
9 as a part of the tax, interest on such unpaid amount at
10 the rate of 1 per centum a month for the period from
11 the time fixed by the terms of the extension for its pay-
12 ment until it is paid, and no other interest shall be
13 collected on such unpaid amount for such period.

14 (4) *JEOPARDY ASSESSMENT—PAYMENT STAYED*
15 *BY BOND.*—If the amount included in the notice and
16 demand from the collector under section 514(i) is not
17 paid in full within 10 days after such notice and
18 demand, then there shall be collected, as part of the tax,
19 interest upon the unpaid amount at the rate of 1 per
20 centum a month from the date of such notice and demand
21 until it is paid.

22 (5) *INTEREST IN CASE OF BANKRUPTCY AND*
23 *RECEIVERSHIPS.*—If the unpaid portion of the claim
24 allowed in a bankruptcy or receivership proceeding, as
25 provided in section 516, is not paid in full within 10

1 *days from the date of notice and demand from the col-*
2 *lector, then there shall be collected as a part of such*
3 *amount interest upon the unpaid portion thereof at the*
4 *rate of 1 per centum a month from the date of such*
5 *notice and demand until payment.*

6 **SEC. 525. PENALTIES.**

7 *Any person required under this title to pay any tax,*
8 *or required by law or regulations made under authority*
9 *thereof to make a return, keep any records, or supply any*
10 *information, for the purposes of the computation, assessment,*
11 *or collection of any tax imposed by this title, who willfully*
12 *fails to pay such tax, make such return, keep such records,*
13 *or supply such information, at the time or times required*
14 *by law or regulations, shall, in addition to other penalties*
15 *provided by law, be guilty of a misdemeanor and, upon con-*
16 *viction thereof, be fined not more than \$10,000, or imprisoned*
17 *for not more than one year, or both, together with the costs*
18 *of prosecution.*

19 **SEC. 526. TRANSFERRED ASSETS.**

20 *(a) METHOD OF COLLECTION.—The amounts of the*
21 *following liabilities shall, except as hereinafter in this section*
22 *provided, be assessed, collected, and paid in the same manner*
23 *and subject to the same provisions and limitations as in the*
24 *case of a deficiency in the tax imposed by this title (including*
25 *the provisions in case of delinquency in payment after notice*

1 and demand, the provisions authorizing distraint and pro-
2 ceedings in court for collection, and the provisions prohibiting
3 claims and suits for refunds):

4 (1) *TRANSFEREES*.—The liability, at law or in
5 equity, of a transferee of property of a donor, in respect
6 of the tax (including interest, additional amounts, and
7 additions to the tax provided by law) imposed by this
8 title.

9 (2) *FIDUCIARIES*.—The liability of a fiduciary
10 under section 3467 of the Revised Statutes [U. S. C.,
11 title 31, sec. 192] in respect of the payment of any such
12 tax from the estate of the donor.

13 Any such liability may be either as to the amount of tax
14 shown on the return or as to any deficiency in tax.

15 (b) *PERIOD OF LIMITATION*.—The period of limita-
16 tion for assessment of any such liability of a transferee or
17 fiduciary shall be as follows:

18 (1) Within one year after the expiration of the
19 period of limitation for assessment against the donor.

20 (2) If a court proceeding against the donor for
21 the collection of the tax has been begun within the period
22 provided in paragraph (1), then within one year
23 after return of execution in such proceeding.

24 (c) *PERIOD FOR ASSESSMENT AGAINST DONOR*.—
25 For the purposes of this section, if the donor is deceased,

1 the period of limitation for assessment against the donor
2 shall be the period that would be in effect had the death
3 not occurred.

4 (d) *SUSPENSION OF RUNNING OF STATUTE OF LIM-*
5 *ITATIONS.*—The running of the statute of limitations upon
6 the assessment of the liability of a transferee or fiduciary
7 shall, after the mailing of the notice under section 513(a)
8 to the transferee or fiduciary, be suspended for the period
9 during which the Commissioner is prohibited from making
10 the assessment in respect of the liability of the transferee or
11 fiduciary (and in any event, if a proceeding in respect of
12 the liability is placed on the docket of the Board, until the
13 decision of the Board becomes final), and for 60 days
14 thereafter.

15 (e) *PROHIBITION OF SUITS TO RESTRAIN EN-*
16 *FORCEMENT OF LIABILITY OF TRANSFEREE OR FIDUCI-*
17 *ARY.*—No suit shall be maintained in any court for the pur-
18 pose of restraining the assessment or collection of (1) the
19 amount of the liability, at law or in equity, of a transferee
20 of property of a donor in respect of any gift tax, or (2) the
21 amount of the liability of a fiduciary under section 3467 of
22 the Revised Statutes [U. S. C., title 31, sec. 192] in respect
23 of any such tax.

24 (f) *DEFINITION OF "TRANSFEREE".*—As used in
25 this section, the term "transferee" includes donee, heir,
26 legatee, devisee, and distributee.

1 (g) ADDRESS FOR NOTICE OF LIABILITY.—In the
 2 absence of notice to the Commissioner under section 527(b)
 3 of the existence of a fiduciary relationship, notice of liability
 4 enforceable under this section in respect of a tax imposed by
 5 this title, if mailed to the person subject to the liability at his
 6 last known address, shall be sufficient for the purposes of this
 7 title even if such person is deceased, or is under a legal dis-
 8 ability, or, in the case of a corporation, has terminated its
 9 existence.

10 SEC. 527. NOTICE OF FIDUCIARY RELATIONSHIP.

11 (a) FIDUCIARY OF DONOR.—Upon notice to the
 12 Commissioner that any person is acting in a fiduciary
 13 capacity such fiduciary shall assume the powers, rights,
 14 duties, and privileges of the donor in respect of a tax imposed
 15 by this title (except as otherwise specifically provided and
 16 except that the tax shall be collected from the estate of the
 17 donor), until notice is given that the fiduciary capacity has
 18 terminated.

19 (b) FIDUCIARY OF TRANSFEREE.—Upon notice to
 20 the Commissioner that any person is acting in a fiduciary
 21 capacity for a person subject to the liability specified in
 22 section 526, the fiduciary shall assume, on behalf of such
 23 person, the powers, rights, duties, and privileges of such
 24 person under such section (except that the liability shall be

1 collected from the estate of such person), until notice is given
2 that the fiduciary capacity has terminated.

3 (c) **MANNER OF NOTICE.**—Notice under subsection
4 (a) or (b) shall be given in accordance with regulations
5 prescribed by the Commissioner with the approval of the
6 Secretary.

7 **SEC. 528. REFUNDS AND CREDITS.**

8 (a) **AUTHORIZATION.**—Where there has been an over-
9 payment of any tax imposed by this title, the amount of such
10 overpayment shall be credited against any gift tax then due
11 from the taxpayer, and any balance shall be refunded
12 immediately to the taxpayer.

13 (b) **LIMITATION ON ALLOWANCE.**—

14 (1) **PERIOD OF LIMITATION.**—No such credit or
15 refund shall be allowed or made after three years from
16 the time the tax was paid, unless before the expiration
17 of such period a claim therefor is filed by the taxpayer.

18 (2) **LIMIT ON AMOUNT OF CREDIT OR RE-**
19 **FUND.**—The amount of the credit or refund shall not
20 exceed the portion of the tax paid during the three years
21 immediately preceding the filing of the claim, or if no
22 claim was filed, then during the three years immediately
23 preceding the allowance of the credit or refund.

24 (c) **EFFECT OF PETITION TO BOARD.**—If the Com-
25 missioner has mailed to the taxpayer a notice of deficiency

1 under section 513(a) and if the taxpayer files a petition with
 2 the Board of Tax Appeals within the time prescribed in such
 3 subsection, no credit or refund in respect of the tax for the
 4 calendar year in respect of which the Commissioner has
 5 determined the deficiency shall be allowed or made and no
 6 suit by the taxpayer for the recovery of any part of such
 7 tax shall be instituted in any court except—

8 (1) As to overpayments determined by a deci-
 9 sion of the Board which has become final; and

10 (2) As to any amount collected in excess of an
 11 amount computed in accordance with the decision of
 12 the Board which has become final; and

13 (3) As to any amount collected after the period
 14 of limitation upon the beginning of distraint or a pro-
 15 ceeding in court for collection has expired; but in any
 16 such claim for credit or refund or in any such suit for
 17 refund the decision of the Board which has become final;
 18 as to whether such period has expired before the notice
 19 of deficiency was mailed, shall be conclusive.

20 (d) OVERPAYMENT FOUND BY BOARD.—If the
 21 Board finds that there is no deficiency and further finds that
 22 the taxpayer has made an overpayment of tax in respect of
 23 the taxable year in respect of which the Commissioner deter-
 24 mined the deficiency, the Board shall have jurisdiction to
 25 determine the amount of such overpayment, and such amount

1 shall, when the decision of the Board has become final, be
2 credited or refunded to the taxpayer. No such credit or
3 refund shall be made of any portion of the tax paid more
4 than three years before the filing of the claim or the filing
5 of the petition, whichever is earlier.

6 **SEC. 529. LAWS MADE APPLICABLE.**

7 All administrative, special, or stamp provisions of law,
8 including the law relating to the assessment of taxes, so far
9 as applicable, are hereby extended to and made a part of
10 this title.

11 **SEC. 530. RULES AND REGULATIONS.**

12 The Commissioner, with the approval of the Secretary,
13 shall prescribe and publish all needful rules and regulations
14 for the enforcement of this title.

15 **SEC. 531. DEFINITIONS.**

16 For the purposes of this title—

17 (a) **CALENDAR YEAR.**—The term "calendar year"
18 includes only the calendar year 1932 and succeeding calendar
19 years, and, in the case of the calendar year 1932, includes
20 only the portion of such year after the date of the enactment
21 of this Act.

22 (b) **PROPERTY WITHIN UNITED STATES.**—Stock in a
23 domestic corporation owned and held by a nonresident shall
24 be deemed property situated within the United States.

1 **SEC. 532. SHORT TITLE.**

2 *This title may be cited as the "Gift Tax Act of 1932".*

3 **TITLE IV—MANUFACTURERS' EXCISE TAX**4 **SEC. 601. EXCISE TAXES ON CERTAIN ARTICLES.**

5 *(a) In addition to any other tax or duty imposed by*
6 *law, there shall be imposed a tax as provided in subsection*
7 *(c) on every article imported into the United States.*

8 *(b) The tax imposed under subsection (a) shall be*
9 *levied, assessed, collected, and paid in the same manner as*
10 *a duty imposed by the Tariff Act of 1930, and shall be*
11 *treated for the purposes of all provisions of law relating*
12 *to the customs revenue as a duty imposed by such Act, except*
13 *that—*

14 *(1) the value on which such tax shall be based*
15 *shall be the sum of (A) the dutiable value (under*
16 *section 503 of such Act) of the article, plus (B) the*
17 *customs duties, if any, imposed thereon under any provi-*
18 *sion of law;*

19 *(2) for the purposes of section 489 of such Act*
20 *(relating to additional duties in certain cases of under-*
21 *valuation) such tax shall not be considered an ad*
22 *valorem rate of duty or a duty based upon or regulated*
23 *in any manner by the value of the article and for the*
24 *purposes of section 336 of such Act (the so-called flex-*

1 ible tariff provision) such tax shall not be considered a
2 duty;

3 (3) such tax shall not be imposed upon any
4 article imported prior to the date on which this title
5 takes effect;

6 (4) no drawback of such tax (except tax paid
7 upon the importation of an article described in sub-
8 section (c) (4)) shall be allowed under section 313 (a),
9 (b), or (f) of the Tariff Act of 1930 or any provision
10 of law allowing a drawback of customs duties on articles
11 manufactured or produced with the use of duty-paid
12 materials;

13 (5) such tax shall be imposed in full notwithstand-
14 ing any provision of law or treaty granting exemption
15 from or reduction of duties to products of any possession
16 of the United States or of any country.

17 (c) There is hereby imposed upon the following articles
18 sold in the United States by the manufacturer or producer,
19 or imported into the United States, a tax at the rates here-
20 inafter set forth, to be paid by the manufacturer, producer,
21 or importer:

22 (1) Lubricating oils, of the grades designated (at
23 the time of the enactment of this Act) by Society of
24 Automotive Engineers viscosity numbers 20 to 70,
25 inclusive, 4 cents a gallon.

1 (2) Brewer's wort, liquid malt, malt syrup, and
2 malt extract, fluid, solid, or condensed (unless sold to
3 a baker for use in baking or to a manufacturer of
4 malted milk or medicinal products for use in the manu-
5 facture of such products), if containing less than 15
6 per centum of solids by weight, 5 cents a gallon; if
7 containing 15 per centum or more of solids by weight,
8 35 cents a gallon.

9 (3) Grape syrup, grape concentrate, and evapo-
10 rated grape juice, if containing more than 35 per centum
11 of sugars by weight and not containing preservative
12 sufficient to prevent fermentation when diluted, 40 per
13 centum of the price for which sold or in the case of
14 such articles imported into the United States, 40 per
15 centum ad valorem.

16 (4) Crude petroleum, fuel oil derived from petro-
17 leum, gas oil derived from petroleum, and gasoline, 1
18 cent a gallon; but the tax on the articles described in
19 this paragraph shall apply only with respect to the
20 importation of such articles.

21 (5) That an excise tax shall be levied, collected
22 and paid upon the hereinafter described articles when
23 imported from any foreign country into the United
24 States upon coal (anthracite or bituminous), coke, or
25 coal or coke briquettes, 10 cents per one hundred pounds.

1 **SEC. 602. TAX ON TOILET PREPARATIONS, ETC.**

2 *There is hereby imposed upon the following articles,*
 3 *sold by the manufacturer, producer, or importer, a tax*
 4 *equivalent to 10 per centum of the price for which so sold:*
 5 *Perfumes, essences, extracts, toilet waters, cosmetics, petro-*
 6 *leum jellies, hair oils, pomades, hair dressings, hair restora-*
 7 *tives, hair dyes, tooth and mouth washes, dentifrices, tooth*
 8 *pastes, aromatic cachous, toilet soaps, toilet powders, and any*
 9 *similar substance, article, or preparation, by whatsoever*
 10 *name known or distinguished; any of the above which are*
 11 *used or applied or intended to be used or applied for toilet*
 12 *purposes.*

13 **SEC. 603. TAX ON FURS.**

14 *There is hereby imposed upon the following articles, sold*
 15 *by the manufacturer, producer, or importer, a tax equivalent*
 16 *to 10 per centum of the price for which so sold: Articles made*
 17 *of fur on the hide or pelt or of which any such fur is the*
 18 *component material of chief value.*

19 **SEC. 604. TAX ON JEWELRY, ETC.**

20 *There is hereby imposed upon the following articles, sold*
 21 *by the manufacturer, producer, or importer, a tax equivalent*
 22 *to 10 per centum of the price for which so sold: All articles*
 23 *commonly or commercially known as jewelry, whether real*
 24 *or imitation; pearls, precious and semiprecious stones, and*
 25 *imitations thereof; articles made of, or ornamented, mounted*

1 or fitted with, precious metals or imitations thereof or ivory
 2 (not including surgical instruments), watches, clocks, opera
 3 glasses, lorgnettes, marine glasses, field glasses, and
 4 binoculars.

5 **SEC. 605. TAX ON AUTOMOBILES, ETC.**

6 There is hereby imposed upon the following articles

7 sold by the manufacturer, producer, or importer, a tax

8 equivalent to the following percentages of the price for which

9 they are sold:

10 (a) Automobile truck chassis and automobile truck

11 bodies (including in both cases parts or accessories therefor

12 sold on or in connection therewith or with the sale thereof),

13 2 per centum. A sale of an automobile truck shall, for the

14 purposes of this subsection, be considered to be a sale of the

15 chassis and of the body.

16 (b) Other automobile chassis and bodies and motor-

17 cycles (including in each case parts or accessories therefor

18 sold on or in connection therewith or with the sale thereof),

19 except tractors, 3 per centum. A sale of an automobile shall,

20 for the purposes of this subsection, be considered to be a

21 sale of the chassis and of the body.

22 (c) Parts or accessories for any of the articles enu-

23 merated in subsection (a) or (b), 1 per centum. For the

24 purposes of this subsection and subsections (a) and (b),

25 spark plugs, storage batteries, leaf springs, coils, timers,

1 tires, inner tubes, and tire chains, which are suitable for use
 2 on or in connection with, or as component parts of, any of
 3 the articles enumerated in subsection (a) or (b), shall be
 4 considered parts or accessories for such articles, whether or
 5 not primarily adapted for such use. This subsection shall
 6 not apply to chassis or bodies for automobile trucks or other
 7 automobiles. Under regulations prescribed by the Commis-
 8 sioner, with the approval of the Secretary, the tax under this
 9 subsection shall not apply in the case of sales of parts or
 10 accessories by the manufacturer, producer, or importer to a
 11 manufacturer or producer of any of the articles enumerated
 12 in subsection (a) or (b). If any such parts or accessories
 13 are resold by such vendee otherwise than on or in connection
 14 with, or with the sale of, an article enumerated in subsection
 15 (a) or (b) and manufactured or produced by such vendee,
 16 then for the purposes of this section the vendee shall be con-
 17 sidered the manufacturer or producer of the parts or
 18 accessories so resold.

19 **SEC. 606. TAX ON BOATS.**

20 There is hereby imposed upon the following articles,
 21 sold by the manufacturer, producer, or importer, a tax
 22 equivalent to 10 per centum of the price for which so sold:
 23 Yachts and motor boats not designed for trade, fishing, or

national defense; and pleasure boats and pleasure canoes if sold for more than \$15.

SEC. 607. TAX ON RADIO RECEIVING SETS, ETC.

There is hereby imposed upon the following articles, sold by the manufacturer, producer, or importer, a tax equivalent to 5 per centum of the price for which so sold: Chassis, cabinets, tubes, reproducing units, power packs, and phonograph mechanisms, suitable for use in connection with or as part of radio receiving sets or combination radio and phonograph sets (including in each case parts or accessories therefor sold on or in connection therewith or with the sale thereof), and records for phonographs. A sale of any two or more of the above articles shall, for the purpose of this section, be considered a sale of each separately.

SEC. 608. TAX ON MECHANICAL REFRIGERATORS.

There is hereby imposed upon the following articles, sold by the manufacturer, producer, or importer, a tax equivalent to 5 per centum of the price for which so sold:

(a) Household type refrigerators (for single or multiple cabinet installations) operated with electricity, gas, kerosene, or other means (including parts or accessories therefor sold on or in connection therewith or with the sale thereof).

(b) Cabinets, compressors, condensers, expansion units, absorbers, and controls (hereinafter referred to as "refriger-

1 ator components") for, or suitable for use as part of or with,
 2 any of the articles enumerated in subsection (a) (including in
 3 each case parts or accessories for such refrigerator components
 4 sold on or in connection therewith or with the sale thereof)
 5 except when sold as component parts of completed refriger-
 6 ators or refrigeration or cooling apparatus. Under regula-
 7 tions prescribed by the Commissioner, with the approval of
 8 the Secretary, the tax under this subsection shall not apply in
 9 the case of sales of any such refrigerator components by the
 10 manufacturer, producer, or importer to a manufacturer or
 11 producer of refrigerators or refrigerating or cooling appa-
 12 ratus. If any such refrigerator components are resold by
 13 such vendee otherwise than on or in connection with, or with
 14 the sale of, refrigerators or refrigerating or cooling apparatus,
 15 manufactured or produced by such vendee, then for the pur-
 16 poses of this section the vendee shall be considered the manu-
 17 facturer or producer of the refrigerator components so resold.

18 **SEC. 609. TAX ON SPORTING GOODS.**

19 There is hereby imposed upon the following articles,
 20 sold by the manufacturer, producer, or importer, a tax
 21 equivalent to 10 per centum of the price for which so sold:
 22 Tennis rackets, nets, racket covers and presses, skates, snow-
 23 shoes, skis, toboggans, canoe paddles and cushions, polo mal-
 24 lets, baseball bats, gloves, masks, protectors, shoes and uni-
 25 forms, football helmets, harness and goals, basket-ball goals

1 and uniforms, golf bags and clubs, lacrosse sticks, balls of
2 all kinds, including baseballs, footballs, tennis, golf, lacrosse,
3 billiard and pool balls, fishing rods and reels, billiard and
4 pool tables, chess and checker boards and pieces, dice, games
5 and parts of games (except playing cards and children's
6 toys and games); and all similar articles commonly or com-
7 mercially known as sporting goods.

8 **SEC. 610. TAX ON FIREARMS, SHELLS, AND CARTRIDGES.**

9 There is hereby imposed upon firearms, shells, and
10 cartridges, sold by the manufacturer, producer, or importer,
11 a tax equivalent to 10 per centum of the price for which so
12 sold. The tax imposed by this section shall not apply (1) to
13 articles sold for the use of the United States, any State,
14 Territory, or possession of the United States, any political
15 subdivision thereof, or the District of Columbia, or (2) to
16 pistols and revolvers.

17 **SEC. 611. TAX ON CAMERAS.**

18 There is hereby imposed upon cameras, weighing not
19 more than 100 pounds, and lenses for such cameras, sold by
20 the manufacturer, producer, or importer, a tax equivalent
21 to 10 per centum of the price for which so sold.

22 **SEC. 612. TAX ON MATCHES.**

23 There is hereby imposed upon matches, sold by the
24 manufacturer, producer, or importer, a tax of 4 cents per
25 1,000 matches.

1 SEC. 613. TAX ON CANDY.

2 *There is hereby imposed upon candy, sold by the manu-*
 3 *facturer, producer, or importer, a tax equivalent to 5 per-*
 4 *centum of the price for which so sold.*

5 SEC. 614. TAX ON CHEWING GUM.

6 *There is hereby imposed upon chewing gum or substi-*
 7 *tutes therefor, sold by the manufacturer, producer, or im-*
 8 *porter, a tax equivalent to 5 per centum of the price for*
 9 *which so sold.*

10 SEC. 615. TAX ON SOFT DRINKS.

11 (a) *There is hereby imposed—*

12 (1) *Upon all beverages derived wholly or in part*
 13 *from cereals or substitutes therefor, containing less*
 14 *than one-half of 1 per centum of alcohol by volume,*
 15 *sold by the manufacturer, producer, or importer, a*
 16 *tax of 2 cents per gallon.*

17 (2) *Upon all unfermented fruit juices, in natural*
 18 *or slightly concentrated form, or such fruit juices to*
 19 *which sugar has been added (as distinguished from*
 20 *finished or fountain syrups), intended for consumption*
 21 *as beverages with the addition of water or water and*
 22 *sugar, and upon all imitations of any such fruit juices,*
 23 *and upon all carbonated beverages, commonly known as*
 24 *soft drinks (except those described in paragraph (1)),*
 25 *manufactured, compounded, or mixed by the use of con-*

1 *centrate, essence, or extract, instead of a finished or*
 2 *fountain syrup, sold by the manufacturer, producer, or*
 3 *importer, a tax of 2 cents per gallon.*

4 (3) *Upon all still drinks, containing less than one-*
 5 *half of 1 per centum of alcohol by volume, intended for*
 6 *consumption as beverages in the form in which sold (ex-*
 7 *cept natural or artificial mineral and table waters and*
 8 *imitations thereof, and pure apple cider), sold by the*
 9 *manufacturer, producer, or importer, a tax of 2 cents*
 10 *per gallon.*

11 (4) *Upon all natural or artificial mineral waters*
 12 *or table waters, whether carbonated or not, and all*
 13 *imitations thereof, sold by the producer, bottler, or*
 14 *importer thereof, in bottles or other closed containers, at*
 15 *over 12½ cents per gallon, a tax of 2 cents per gallon.*

16 (5) *Upon all finished or fountain syrups of the*
 17 *kinds used in manufacturing, compounding, or mixing*
 18 *drinks commonly known as soft drinks, sold by the*
 19 *manufacturer, producer, or importer, a tax of 9 cents*
 20 *per gallon; except that in the case of any such syrups*
 21 *intended to be used in the manufacture of carbonated*
 22 *beverages sold in bottles or other closed containers the*
 23 *rate shall be 5 cents per gallon. Where any person*
 24 *conducting a soda fountain, ice cream parlor, or other*
 25 *similar place of business manufactures any syrups of*

1 the kinds described in this paragraph, there shall be
2 levied, assessed, collected, and paid on each gallon
3 manufactured and used in the preparation of soft drinks
4 a tax of 9 cents per gallon; and where any person manu-
5 facturing carbonated beverages manufactures and uses
6 any such syrups in the manufacture of carbonated
7 beverages sold in bottles or other closed containers there
8 shall be levied, assessed, collected, and paid on each
9 gallon of such syrups a tax of 5 cents per gallon. The
10 taxes imposed by this paragraph shall not apply to
11 finished or fountain syrups sold for use in the manu-
12 facture of a beverage subject to tax under paragraph
13 (1) or (3), nor to any article enumerated in section
14 601(d)(3).
15 (6) Upon all carbonic acid gas sold by the manu-
16 facturer, producer, or importer, or by a dealer in such
17 gas, to a manufacturer of any carbonated beverages,
18 or to any person conducting a soda fountain, ice cream
19 parlor, or other similar place of business, and upon all
20 carbonic acid gas used by the manufacturer, producer,
21 or importer thereof in the preparation of soft drinks,
22 a tax of 4 cents per pound.
23 (b) Each manufacturer, producer, or importer of any
24 of the articles enumerated in subsection (a) and each person
25 who sells carbonic acid gas to a manufacturer of carbonated

1 beverages or to a person conducting a soda fountain, ice
2 cream parlor, or other similar place of business, shall make
3 monthly returns under oath in duplicate and pay the tax
4 imposed in respect of the articles enumerated in subsection
5 (a) to the collector for the district in which is located his
6 principal place of business, or, if he has no principal place
7 of business in the United States, then to the collector at
8 Baltimore, Maryland. Such returns shall contain such
9 information and be made at such times and in such manner
10 as the Commissioner, with the approval of the Secretary,
11 may by regulations prescribe. The tax shall, without assess-
12 ment by the Commissioner or notice from the collector, be
13 due and payable to the collector at the time so fixed for filing
14 the return. If the tax is not paid when due, there shall be
15 added as part of the tax interest at the rate of 1 per centum
16 a month from the time the tax became due until paid.

17 (c) Each person required to pay any tax imposed by
18 subsection (a) shall procure and keep posted a certificate
19 of registry in accordance with regulations to be prescribed
20 by the Commissioner, with the approval of the Secretary.
21 Any person who fails to register or keep posted any certifi-
22 cate of registry in accordance with such regulations, shall
23 be subject to a penalty of not more than \$1,000 for each such
24 offense.

1 **SEC. 616. DEFINITION OF SALE.**

2 *For the purposes of this title, the lease of an article*
 3 *shall be considered the sale of such article.*

4 **SEC. 617. RETAIL SALES.**

5 *If any manufacturer, producer, or importer liable*
 6 *under this title for tax based on the price for which any*
 7 *articles are sold by him customarily sells such articles both*
 8 *at wholesale and at retail, the tax in the case of any article*
 9 *sold by him at retail shall be computed on the price for which*
 10 *like articles are sold by him at wholesale.*

11 **SEC. 618. SALES FOR LESS THAN FAIR MARKET PRICE.**

12 *If any person sells an article to any person (otherwise*
 13 *than through an arm's-length transaction) at less than the*
 14 *fair market price, the tax under this title on the sale of such*
 15 *article shall (if based on the price for which sold) be com-*
 16 *puted on the fair market price of such article.*

17 **SEC. 619. CONTRACTS PRIOR TO MARCH 1, 1932.**

18 (a) *If (1) any person has, prior to March 1, 1932,*
 19 *made a bona fide contract with another person for the sale,*
 20 *after the tax takes effect, of any article in respect of the*
 21 *sale of which a tax is imposed under this title, or in respect*
 22 *of which a tax is imposed under this subsection, and (2)*
 23 *such contract does not permit the adding to the amount to be*
 24 *paid under such contract, of the whole of such tax, then the*

1 vendee shall, in lieu of the vendor, pay so much of the tax
2 as is not so permitted to be added to the contract price.

3 (b) The taxes payable by the vendee shall be paid to
4 the vendor at the time the sale is consummated, and shall be
5 collected, returned, and paid to the United States by such
6 vendor in the same manner as provided in section 702.

7 **SEC. 620. RETURN AND PAYMENT OF MANUFACTURERS' TAXES.**

8 (a) Every person liable for any tax imposed by this
9 title on sales by him (except tax under section 615, relating
10 to tax on soft drinks) shall make monthly returns under
11 oath in duplicate and pay the taxes imposed by this title to
12 the collector for the district in which is located his principal
13 place of business or, if he has no principal place of business
14 in the United States, then to the collector at Baltimore, Mary-
15 land. Such returns shall contain such information and be
16 made at such times and in such manner as the Commissioner,
17 with the approval of the Secretary, may by regulations
18 prescribe.

19 (b) The tax shall, without assessment by the Commis-
20 sioner or notice from the collector, be due and payable to the
21 collector at the time so fixed for filing the return. If the
22 tax is not paid when due, there shall be added as part of the
23 tax interest at the rate of 1 per centum a month from the
24 time when the tax became due until paid.

1 **SEC. 621. APPLICABILITY OF ADMINISTRATIVE PROVISIONS:**

2 All provisions of law (including penalties) applicable
3 in respect of the taxes imposed by section 600 of the Revenue
4 Act of 1926 shall, in so far as applicable and not inconsistent
5 with this Act, be applicable in respect of the taxes imposed
6 by this title.

7 **SEC. 622. RULES AND REGULATIONS:**

8 The Commissioner, with the approval of the Secretary,
9 shall prescribe and publish all needful rules and regulations
10 for the enforcement of this title.

11 **SEC. 623. EFFECTIVE DATE:**

12 This title shall take effect on the fifteenth day after the
13 date of the enactment of this Act, except that section 622,
14 relating to rules and regulations, and this section shall take
15 effect on the date of the enactment of this Act. No sale or
16 importation after June 30, 1934, shall be taxable under
17 this title.

18 **TITLE V—MISCELLANEOUS TAXES**

19 **Part I—Tax on Telegraph, Telephone, Radio, and Cable**
20 **Facilities**

21 **(SEC. 701. IMPOSITION.**

22 (a) On and after the fifteenth day after the date of
23 the enactment of this Act, there shall be imposed—

24 (1) in the case of each telegraph, telephone, cable, or
25 radio dispatch, message, or conversation, which originates

1 on or after such date and before July 1, 1934, within the
 2 United States, and for the transmission of which the charge
 3 is more than 30 cents and less than 50 cents, a tax of
 4 5 cents; and if the charge is 50 cents or more, a tax of
 5 10 cents; but only one payment of such tax shall be
 6 required, notwithstanding the lines or stations of one
 7 or more persons are used for the transmission of such
 8 dispatch, message, or conversation; and
 9 (2) a tax equivalent to 10 per centum of the
 10 amount paid on or after the fifteenth day after the date
 11 of the enactment of this Act to any telegraph or
 12 telephone company for any leased wire or talking circuit
 13 special service furnished on or after such date and
 14 before July 1, 1934. This paragraph shall not apply
 15 to the amount paid for so much of such service as is
 16 utilized in the conduct, by a common carrier or telephone
 17 or telegraph company or radio broadcasting station on
 18 network, of its business as such. 21
 19 (b) No tax shall be imposed under this section upon
 20 any payment received for services or facilities furnished to
 21 the United States or to any State or Territory, or political
 22 subdivision thereof, or the District of Columbia, nor upon
 23 any payment received from any person for services or
 24 facilities utilized in the collection of news for the public press
 25 or in the dissemination of news through the public press, if:

1 the charge for such services or facilities is billed in writing
2 to such person. The right to exemption under this subsec-
3 tion shall be evidenced in such manner as the Commissioner
4 with the approval of the Secretary may by regulation
5 prescribe.

6 **SEC. 702. RETURNS AND PAYMENT OF TAX.**

7 (a) The taxes imposed by section 701 shall be paid by
8 the person paying for the services or facilities.

9 (b) Each person receiving any payments specified in
10 section 701 shall collect the amount of the tax imposed by
11 such section from the person making such payments, and
12 shall on or before the last day of each month make a return,
13 under oath, for the preceding month, and pay the taxes so
14 collected, to the collector of the district in which his prin-
15 cipal place of business is located, or if he has no principal
16 place of business in the United States, to the collector at
17 Baltimore, Maryland. Such returns shall contain such
18 information and be made in such manner as the Commis-
19 sioner with the approval of the Secretary may by regulation
20 prescribe.

21 (c) The tax shall, without assessment by the Com-
22 missioner or notice from the collector, be due and payable to
23 the collector at the time fixed for filing the return. If the
24 tax is not paid when due, there shall be added as part of the
25 tax interest at the rate of 1 per centum a month, from the
26 time the tax became due until paid.

1 (d) The provisions (including penalties) of section
2 1114 of the Revenue Act of 1926 shall be applicable with
3 respect to the tax imposed by section 701.

4 **SEC. 703. REFUNDS AND CREDITS.**

5 (a) No credit or refund of any tax imposed by section
6 701 shall be made unless the person who paid the tax to
7 the United States shall establish, to the satisfaction of the
8 Commissioner, under such regulations as the Commissioner
9 with the approval of the Secretary may prescribe, that he has
10 repaid the amount of such tax to the person from whom he
11 collected it, or obtained the consent of such person to the
12 allowance of such credit or refund.

13 (b) Any person entitled to refund of tax under section
14 701 paid by him to the United States may take credit there-
15 for against taxes due upon any monthly return.

16 (c) Any person making a refund of any payment on
17 which tax under section 701 has been collected, may repay
18 therewith the amount of tax collected on such payment, and
19 the amount of tax so repaid may be credited against the tax
20 under any subsequent return under section 702.

21 **SEC. 704. REGULATIONS.**

22 The Commissioner, with the approval of the Secretary,
23 shall prescribe and publish all needful rules and regulations
24 for the enforcement of this part.

Part II—Admissions Tax

SEC. 711. ADMISSIONS TAX.

(a) Paragraph (1) of section 500(a) of the Revenue Act of 1926, as amended, is amended to read as follows:

“(1) A tax of 1 cent for each 10 cents or fraction thereof of the amount paid for admission to any place, including admission by season ticket or subscription, to be paid by the person paying for such admission; except that in case the amount paid for admission is \$3 or less, less than 46 cents, no tax shall be imposed, and except that in case of admission to a prize fight, or boxing, sparring, or other pugilistic match or exhibition, for which the amount paid for admission is \$5 or more, the tax shall be 25 per centum of such amount:

Provided, That an equivalent tax shall be collected on all free or complimentary tickets or admissions to such prize fight, or boxing, sparring, or other pugilistic match or exhibition and the tax shall be on the amount for which a similar seat or box is sold at the said match or exhibition imposed. In the case of persons (except bona fide employees, municipal officers, on official business, and children under 12 years of age) admitted free or at reduced rates to any place at a time when and under circumstances under which an admission charge is made to other persons, an equivalent tax

1 shall be collected based on the price so charged to such
2 other persons for the same or similar accommodations,
3 to be paid by the person so admitted. Amounts paid
4 for admission by season ticket or subscription shall be
5 exempt only if the amount which would be charged
6 to the holder or subscriber for a single admission is ~~\$3~~
7 or less; less than 46 cents;"

8 (b) Paragraph (2) of section 500(a) of the Revenue
9 Act of 1926, as amended, is amended to read as follows:

10 " (2) Upon tickets or cards of admission to
11 theaters, operas, and other places of amusement, sold
12 at news stands, hotels, and places other than the ticket
13 offices of such theaters, operas, or other places of
14 amusement, at not to exceed 75 cents a price in excess
15 of the sum of the established price therefor at such
16 ticket offices plus the amount of any tax imposed under
17 paragraph (1), a tax equivalent to ~~5~~ per centum 10
18 per centum of the amount of such excess; and if sold
19 for more than 75 cents in excess of the sum of such
20 established price plus the amount of any tax imposed
21 under paragraph (1), a tax equivalent to ~~50~~ per
22 centum of the whole amount of such excess, such taxes
23 tax to be returned and paid, in the manner and subject
24 to the interest provided in section 502, by the person
25 selling such tickets;"

1 *(c) Section 500 of the Revenue Act of 1926, as*
 2 *amended, is amended by adding at the end thereof the*
 3 *following subdivision:*

4 *“(e) The exemption from tax provided by subdivision*
 5 *(b)(1)(A) shall not be allowed in the case of admissions*
 6 *to wrestling matches, prize fights, or boxing, sparring, or*
 7 *other pugilistic matches or exhibitions. The exemption from*
 8 *tax provided by subdivision (b)(1) shall not be allowed in*
 9 *the case of admissions to any athletic game or exhibition the*
 10 *proceeds of which inure wholly or partly to the benefit of*
 11 *any college or university (including any academy of the*
 12 *military or naval forces of the United States).”*

Note.—Section 500(b)(1) of the Revenue Act of 1926, referred to in the above amendment, reads as follows:

(b) No tax shall be levied under this title in respect of—

(1) Any admissions all the proceeds of which inure (A) exclusively to the benefit of religious, educational, or charitable institutions, societies, or organizations, societies for the prevention of cruelty to children or animals, or societies or organizations conducted for the sole purpose of maintaining symphony orchestras and receiving substantial support from voluntary contributions, or of improving any city, town, village, or other municipality, or of maintaining a cooperative or community center moving-picture theater—if no part of the net earnings thereof inures to the benefit of any private stockholder or individual; or (B) exclusively to the benefit of persons in the military or naval forces of the United States; or (C) exclusively to the benefit of persons who have served in such forces and are in need; or (D) exclusively to the benefit of National Guard organizations, Reserve Officers' associations or organizations, posts or organizations of war veterans, or auxiliary units or societies of any such posts or organizations, if such posts, organizations, units, or societies are organized in the United States or any of its possessions, and if no part of their net earnings inures to the benefit of any private stockholder or individual; or (E) exclusively to the benefit of members of the police or fire department of any city, town, village, or other municipality, or the dependents or heirs of such members; or

(d) Subsections (a) and (c) shall take effect on the fifteenth day after the date of the enactment of this Act.

(e) Effective July 1, 1934, section 500(a)(1) of the Revenue Act of 1926, as amended by subsection (a) of this section, is amended by striking out "less than 46 cents" wherever appearing in such paragraph, and inserting in lieu thereof "\$3 or less".

Part III—Stamp Taxes

SEC. 721. STAMP TAX ON ISSUES OF BONDS, ETC.

(a) Subdivision 1 of Schedule A of Title VIII of the Revenue Act of 1926 is amended by striking out "5 cents" and inserting in lieu thereof "10 cents".

(b) Subsection (a) shall take effect on the 15th day after the date of the enactment of this Act.

(c) Effective July 1, 1934, such subdivision 1, as amended by subsection (a) of this section, is amended by striking out "10 cents" and inserting in lieu thereof "5 cents".

SEC. 722. STAMP TAX ON ISSUES OF STOCK, ETC.

(a) Subdivision 2 of Schedule A of Title VIII of the Revenue Act of 1926 is amended to read as follows:

"2. Capital stock (and similar interests), issue: On each original issue, whether on organization or reorganization, of shares or certificates of stock, or of profits;

1 or of interest in property or accumulations, by any cor-
2 poration, or by any investment trust or similar organization
3 (or by any person on behalf of such investment trust or
4 similar organization) holding or dealing in any of the instru-
5 ments mentioned or described in this subdivision or subdivi-
6 sion 1 (whether or not such investment trust or similar
7 organization constitutes a corporation within the meaning
8 of this Act), on each \$100 of par or face value or fraction
9 thereof, ~~5 cents~~ 10 cents: Provided, That where a certificate
10 is such shares or certificates are issued without par or face
11 value, the tax shall be ~~5 cents~~ 10 cents per share (corporate
12 share, or investment trust or other organization share, as the
13 case may be), unless the actual value is in excess of \$100 per
14 share, in which case the tax shall be ~~5 cents~~ 10 cents on each
15 \$100 of actual value or fraction thereof, or unless the actual
16 value is less than \$100 per share, in which case the tax
17 shall be ~~1 cent~~ 2 cents on each \$20 of actual value, or frac-
18 tion thereof.

19 "The stamps representing the tax imposed by this
20 subdivision shall be attached to the stock books or corre-
21 sponding records of the organization and not to the
22 certificates issued."

23 (b) Subsection (a) shall take effect on the fifteenth
24 day after the date of the enactment of this Act.

1 (c) *Effective July 1, 1934, such subdivision 2, as*
 2 *amended by subsection (a) of this section, is amended by*
 3 *striking out "10 cents" wherever appearing in such sub-*
 4 *division and inserting in lieu thereof "5 cents", and by*
 5 *striking out "2 cents" and inserting in lieu thereof "1*
 6 *cent".*

7 SEC. 723. STAMP TAX ON TRANSFER OF STOCKS, ETC.

8 (a) *Subdivision 3 of Schedule A of Title VIII of the*
 9 *Revenue Act of 1926 is amended to read as follows:*

10 "3. Capital stock (and similar interests), sales or
 11 transfers: On all sales, or agreements to sell, or memo-
 12 randa of sales or deliveries of, or transfers of legal title to
 13 shares or certificates of stock or of profits or of interest in
 14 property or accumulations in any corporation, any of the
 15 shares or certificates mentioned or described in subdivision 2,
 16 or to rights to subscribe for or to receive such shares or
 17 certificates, whether made upon or shown by the books of
 18 the corporation or other organization, or by any assignment
 19 in blank, or by any delivery, or by any paper or agreement
 20 or memorandum or other evidence of transfer or sale,
 21 whether sale (whether entitling the holder in any manner
 22 to the benefit of such stock share, certificate, interest, or
 23 rights, or not), on each \$100 of par or face value or
 24 fraction thereof, 2 cents 4 cents, and where such shares or

1 *certificates* are without par or face value, the tax shall be
2 ~~2~~ *3 cents 4 cents* on the transfer or sale or agreement to sell
3 on each share (*corporate share, or investment trust or other*
4 *organization share, as the case may be*): *Provided*, That in
5 *no case shall the tax imposed by this subdivision be less than*
6 *one-fourth of 1 per centum of the selling price, if any, of such*
7 *shares, certificates, or rights*: *Provided further*, That it is
8 not intended by this title to impose a tax upon an agreement
9 evidencing a deposit of certificates as collateral security for
10 money loaned thereon, which certificates are not actually
11 sold, nor upon the delivery or transfer for such purpose of
12 certificates so deposited, nor upon mere loans of stock nor
13 upon the return of stock so loaned: *Provided further*, That
14 the tax shall not be imposed upon deliveries or transfers to
15 a broker for sale, nor upon deliveries or transfers by a
16 broker to a customer for whom and upon whose order he
17 has purchased same, but such deliveries or transfers shall
18 be accompanied by a certificate setting forth the facts:
19 *Provided further*, That in case of sale where the evidence
20 of transfer is shown only by the books of the corporation
21 or other organization the stamp shall be placed upon such
22 books; and where the change of ownership is by transfer of
23 the certificate the stamp shall be placed upon the certificate;
24 and in cases of an agreement to sell or where the transfer
25 is by delivery of the certificate assigned in blank there shall

1 be made and delivered by the seller to the buyer a bill or
2 memorandum of such sale, to which the stamp shall be
3 affixed; and every bill or memorandum of sale or agreement
4 to sell before mentioned 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. Any person liable to pay the
7 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 who in pursuance of any such sale delivers any
10 certificate or evidence of the sale of any stock, *share*, interest
11 or right, or bill or memorandum thereof, as herein required,
12 without having the proper stamps affixed thereto, with
13 intent to evade the foregoing provisions, shall be deemed
14 guilty of a misdemeanor, and upon conviction thereof shall
15 pay a fine of not exceeding \$1,000, or be imprisoned not
16 more than six months, or both."

17 *(b) The tax provided for in subsection (a) shall be*
18 *imposed on all sales, agreements to sell, and/or memoranda of*
19 *sale or delivery consummated entirely within the United*
20 *States or between citizens or residents of the United States;*
21 *and in addition, such tax shall also be imposed upon the*
22 *seller or transferor resident in or a citizen of the United*
23 *States when the buyer or transferee is not a citizen or resident*
24 *of the United States. When the seller or transferor is not a*
25 *citizen or resident of the United States and does not pay the*

1 tax imposed by subsection (a), the buyer, if a citizen or
2 resident of the United States, shall be liable for the full
3 amount of such tax subject to the provisos and penalties set
4 forth under subsection (a). A resident or citizen of the
5 United States, acting through a broker or agent abroad, shall
6 be liable for the full amount of the tax provided in subsection
7 (a) as though buying, selling, receiving, or transferring with-
8 out the intervention of such broker or agent. A broker or
9 agent resident in or a citizen of the United States shall be
10 liable for the full amount of the tax provided in subsection (a)
11 notwithstanding that his principal is or may be a resident or
12 citizen of a foreign country. In all cases where sales or
13 transfers of stock taxable under subsection (a) are consum-
14 mated through dummies or by ruse or device designed to evade
15 the tax provided in subsection (a), the parties shall be liable
16 for the full amount of the tax as though such dummies, ruse,
17 or device were not employed, provided that nothing in this
18 sentence shall be construed to relieve the parties from the
19 operation of the penalties provided under subsection (a).

20 (c) Subsection (a) shall take effect on the fifteenth day
21 after the date of the enactment of this Act.

22 (d) Effective July 1, 1934, such subdivision 3, as
23 amended by subsection (a) of this section, is amended by
24 striking out "4 cents" wherever appearing in such subdivi-
25 sion and inserting in lieu thereof "2 cents", and by strik-

1 *ing out the following: "in no case shall the tax imposed by*
2 *this subdivision be less than one-fourth of 1 per centum of the*
3 *selling price, if any, of such shares, certificates, or rights:*
4 *Provided further, That".*

5 **SEC. 724. STAMP TAX ON TRANSFER OF BONDS, ETC.**

6 *(a) Schedule A of Title VIII of the Revenue Act of*
7 *1926 is amended by adding at the end thereof a new subdivi-*
8 *vision to read as follows:*

9 *"9. Bonds, etc., sales or transfers: On all sales, or*
10 *agreements to sell, or memoranda of sales or deliveries of,*
11 *or transfers of legal title to any of the instruments mentioned*
12 *or described in subdivision 1, whether made by any assign-*
13 *ment in blank or by any delivery, or by any paper or agree-*
14 *ment or memorandum or other evidence of transfer or sale*
15 *(whether entitling the holder in any manner to the benefit of*
16 *such instrument or not), on each \$100 of face value or frac-*
17 *tion thereof, 2 cents: Provided, That in no case shall the tax*
18 *imposed by this subdivision be less than one-eighth of 1 per*
19 *centum of the selling price, if any, of such instrument:*
20 *Provided further, That it is not intended by this title to*
21 *impose a tax upon an agreement evidencing a deposit of*
22 *instruments as collateral security for money loaned thereon,*
23 *which instruments are not actually sold, nor upon the delivery*

1 or transfer for such purpose of instruments so deposited:
2 Provided further, That the tax shall not be imposed upon
3 deliveries or transfers to a broker for sale, nor upon deliver-
4 ies or transfers by a broker to a customer for whom and upon
5 whose order he has purchased same, but such deliveries or
6 transfers shall be accompanied by a certificate setting forth
7 the facts: Provided further, That where the change of own-
8 ership is by transfer of the instrument the stamp shall be
9 placed upon the instrument; and in cases of an agreement
10 to sell or where the transfer is by delivery of the instrument
11 assigned in blank there shall be made and delivered by the
12 seller to the buyer a bill or memorandum of such sale, to
13 which the stamp shall be affixed; and every bill or memo-
14 randum of sale or agreement to sell before mentioned shall
15 show the date thereof, the name of the seller, the amount of
16 the sale, and the matter or thing to which it refers. Any
17 person liable to pay the tax as herein provided, or anyone
18 who acts in the matter as agent or broker for such person,
19 who makes any such sale, or who in pursuance of any such
20 sale delivers any certificate or evidence of the sale of any
21 such instrument, or bill or memorandum thereof, as herein
22 required, without having the proper stamps affixed thereto,
23 with intent to evade the foregoing provisions, shall be deemed
24 guilty of a misdemeanor, and upon conviction thereof shall

1 pay a fine of not exceeding \$1,000, or be imprisoned not
2 more than six months, or both."

3 (b) Subsection (a) shall take effect on the 15th day
4 after the date of the enactment of this Act.

5 (c) Subdivision 9 of Schedule A of Title VIII of the
6 Revenue Act of 1926, added to such schedule by subsection
7 (a) of this section, is repealed effective July 1, 1934.

8 SEC. 725. STAMP TAX ON CONVEYANCES.

9 Schedule A of Title VIII of the Revenue Act of 1926
10 is amended by adding at the end thereof a new subdivision to
11 read as follows:

12 "8. Conveyances: Deed, instrument, or writing, deliv-
13 ered on or after the 15th day after the date of the enactment
14 of the Revenue Act of 1932 and before July 1, 1934, where-
15 by any lands, tenements, or other realty sold shall be granted,
16 assigned, transferred, or otherwise conveyed to, or vested
17 in, the purchaser or purchasers, or any other person or
18 persons, by his, her, or their direction, when the considera-
19 tion or value of the interest or property conveyed, exclusive
20 of the value of any lien or encumbrance remaining thereon
21 at the time of sale, exceeds \$100 and does not exceed \$500,
22 50 cents; and for each additional \$500 or fractional part
23 thereof, 50 cents. This subdivision shall not apply to any
24 instrument or writing given to secure a debt."

1 **SEC. 726. STAMP TAX ON SALES OF PRODUCE FOR FUTURE**
2 **DELIVERY.**

3 (a) *Subdivision 4 of Schedule A of Title VIII of the*
4 *Revenue Act of 1926 is amended by striking out "1 cent"*
5 *wherever appearing in such subdivision, and inserting in*
6 *lieu thereof "5 cents".*

7 (b) *Subsection (a) shall take effect on the fifteenth day*
8 *after the date of the enactment of this Act.*

9 (c) *Effective July 1, 1934, such subdivision 4, as*
10 *amended by subsection (a) of this section, is amended by*
11 *striking out "5 cents" wherever appearing in such sub-*
12 *division and inserting in lieu thereof "1 cent".*

13 **Part IV—Tax on Transportation of Oil by Pipe Line**

14 **SEC. 731. TAX ON TRANSPORTATION OF OIL BY PIPE LINE.**

15 (a) *There is hereby imposed upon all transportation of*
16 *oil by pipe line originating on or after the fifteenth day after*
17 *the date of the enactment of this Act and before July 1,*
18 *1934—*

19 (1) *A tax equivalent to 8 per centum of the*
20 *amount paid on or after the fifteenth day after the*
21 *date of the enactment of this Act for such transporta-*
22 *tion, to be paid by the person paying for such transporta-*
23 *tion and to be collected by the person furnishing such*
24 *transportation.*

1 (2) In case no charge for transportation is made,
2 either by reason of ownership of the commodity trans-
3 ported or for any other reason, a tax equivalent to 8
4 per centum of the fair charge for such transportation,
5 to be paid by the person furnishing such transportation.

6 (3) If (other than in the case of an arm's length
7 transaction) the payment for transportation is less than
8 the fair charge therefor, a tax equivalent to 8 per centum
9 of the difference between such fair charge and the
10 amount paid for such transportation, to be paid by the
11 person furnishing such transportation.

12 (b) For the purposes of this section, the fair charge for
13 transportation shall be computed—

14 (1) from actual bona fide rates or tariffs, or

15 (2) if no such rates or tariffs exist, then on the
16 basis of the actual bona fide rates or tariffs of other
17 pipe lines for like services, as determined by the Com-
18 missioner, or

19 (3) if no such rates or tariffs exist, then on the
20 basis of a reasonable charge for such transportation,
21 as determined by the Commissioner.

22 (c) Every person collecting the tax imposed under sub-
23 section (a) (1) and every person liable for the tax imposed
24 under subsection (a) (2) or (3) shall make monthly returns

1 under oath in duplicate and pay such taxes to the collector
2 for the district in which is located his principal place of
3 business or, if he has no principal place of business in the
4 United States, then to the collector at Baltimore, Maryland.
5 Such returns shall contain such information and be made
6 at such times and in such manner as the Commissioner, with
7 the approval of the Secretary, may by regulations prescribe.

8 (d) The tax shall, without assessment by the Com-
9 missioner or notice from the collector, be due and payable
10 to the collector at the time so fixed for filing the return. If
11 the tax is not paid when due, there shall be added as part of
12 the tax interest at the rate of 1 per centum a month from the
13 time when the tax became due until paid.

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

19 (f) The provisions (including penalties) of section
20 1114 of the Revenue Act of 1926 shall be applicable with
21 respect to the taxes imposed by this section.

22 (g) The Commissioner, with the approval of the Secre-
23 tary, shall prescribe and publish all needful rules and regula-
24 tions for the enforcement of this section.

1 *Part V—Tax on Leases of Safe Deposit Boxes*

2 *SEC. 741. TAX ON LEASES OF SAFE DEPOSIT BOXES.*

3 *(a) There is hereby imposed a tax equivalent to 10*
4 *per centum of the amount collected on or after the 15th day*
5 *after the date of the enactment of this Act and before July 1,*
6 *1934, for the use during such period of any safe deposit*
7 *box, such tax to be paid by the person collecting such amount.*

8 *(b) For the purposes of this section any vault, safe,*
9 *box, or other receptacle, of not more than 40 cubic feet capacity,*
10 *used for the safekeeping or storage of jewelry, plate, money,*
11 *specie, bullion, stocks, bonds, securities, valuable papers of*
12 *any kind, or other valuable personal property, shall be re-*
13 *garded as a safe deposit box.*

14 *(c) Every person making any collections specified in*
15 *subsection (a) shall on or before the last day of each month*
16 *make a return, under oath, for the preceding month, and*
17 *pay the tax imposed by subsection (a), to the collector for*
18 *the district in which is located his principal place of business,*
19 *or, if he has no principal place of business in the United*
20 *States, then to the collector at Baltimore, Maryland. Such*
21 *returns shall contain such information and be made in such*
22 *manner as the Commissioner, with the approval of the*
23 *Secretary, may by regulations prescribe.*

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

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

5 (e) The provisions (including penalties) of section 1114
 6 of the Revenue Act of 1926 shall be applicable with respect
 7 to the tax imposed by subsection (a).

8 TITLE VI—ESTATE TAX AMENDMENTS

9 SEC. 801. CREDIT OF GIFT TAX ON ESTATE TAX.

10 Section 301 of the Revenue Act of 1926 is amended by
 11 inserting after subdivision (a) a new subdivision to read as
 12 follows:

13 “(b) (1) If a tax has been paid under Title III of
 14 the Revenue Act of 1932 on a gift, and thereafter upon the
 15 death of the donor any amount in respect of such gift is
 16 required to be included in the value of the gross estate of
 17 the decedent for the purposes of this title, then there shall
 18 be credited against the tax imposed by subdivision (a) of
 19 this section the amount of the tax paid under such Title III
 20 with respect to so much of the property which constituted
 21 the gift as is included in the gross estate, except that the
 22 amount of such credit shall not exceed an amount which bears
 23 the same ratio to the tax imposed by subdivision (a) of this
 24 section as the value (at the time of the gift or at the time of
 25 the death, whichever is lower) of so much of the property

1 *which constituted the gift as is included in the gross estate,*
 2 *bears to the value of the entire gross estate.*

3 “(2) *For the purposes of paragraph (1), the amount*
 4 *of tax paid for any year under Title III of the Revenue*
 5 *Act of 1932 with respect to any property shall be an amount*
 6 *which bears the same ratio to the total tax paid for such year*
 7 *as the value of such property bears to the total amount of*
 8 *net gifts (computed without deduction of the specific exemp-*
 9 *tion) for such year.”*

Note.—Section 301 (a) of the Revenue Act of 1926, referred to in the above amendment, reads as follows:

SEC. 301. (a) In lieu of the tax imposed by Title III of the Revenue Act of 1924, a tax equal to the sum of the following percentages of the value of the net estate (determined as provided in section 303) is hereby imposed upon the transfer of the net estate of every decedent dying after the enactment of this act, whether a resident or nonresident of the United States;

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

2 per centum of the amount by which the net estate exceeds \$50,000 and does not exceed \$100,000;

3 per centum of the amount by which the net estate exceeds \$100,000 and does not exceed \$200,000;

4 per centum of the amount by which the net estate exceeds \$200,000 and does not exceed \$400,000;

5 per centum of the amount by which the net estate exceeds \$400,000 and does not exceed \$600,000;

6 per centum of the amount by which the net estate exceeds \$600,000 and does not exceed \$800,000;

7 per centum of the amount by which the net estate exceeds \$800,000 and does not exceed \$1,000,000;

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

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

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

11 per centum of the amount by which the net estate exceeds \$2,500,000 and does not exceed \$3,000,000;

12 per centum of the amount by which the net estate exceeds \$3,000,000 and does not exceed \$3,500,000;

13 per centum of the amount by which the net estate exceeds \$3,500,000 and does not exceed \$4,000,000;

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

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

16 per centum of the amount by which the net estate exceeds \$6,000,000 and does not exceed \$7,000,000;

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

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

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

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

1 **SEC. 802. 80 PER CENTUM CREDIT.**

2 (a) Section 301(b) of the Revenue Act of 1926 is
3 amended to read as follows:

4 ~~(b)~~ (c) The tax imposed by subdivision (a) of this
5 section shall be credited with the amount of any estate,
6 inheritance, legacy, or succession taxes actually paid to any
7 State or Territory or the District of Columbia, in respect of
8 any property included in the gross estate (*not including any*
9 *such taxes paid with respect to the estate of a person other*
10 *than the decedent*). The credit allowed by this subdivision
11 shall not exceed 80 per centum of the tax imposed by this
12 ~~section~~ subdivision (a) (*after deducting from such tax the*
13 *credits provided by subdivision (b)*), and shall include only
14 such taxes as were actually paid and credit therefor claimed
15 within ~~three~~ four years after the filing of the return required
16 by section 304, *except that—*

17 “(1) *If a petition for redetermination of a defi-*
18 *ciency has been filed with the Board of Tax Appeals*

1 *within the time prescribed in section 308, then within*
2 *such four-year period or before the expiration of 60*
3 *days after the decision of the Board becomes final.*

4 *“(2) If, under subdivision (b) of section 305 or*
5 *subdivision (i) of section 308, an extension of time*
6 *has been granted for payment of the tax shown on the*
7 *return, or of a deficiency, then within such four-year*
8 *period or before the date of the expiration of the period*
9 *of the extension.*

10 *Refund based on the credit may (despite the provisions of*
11 *section 319) be made if claim therefor is filed within the*
12 *period above provided. Any such refund shall be made*
13 *without interest, except that where the overpayment was made*
14 *prior to the enactment of the Revenue Act of 1932, then*
15 *interest shall be allowed and paid on the amount refunded*
16 *at the rate of 6 per centum per annum from the date of the*
17 *overpayment to the date of such enactment.”*

18 *(b) If any return required by section 304 of the Reve-*
19 *nue Act of 1926 was filed more than three years before the*
20 *enactment of this Act the credit for estate, inheritance, legacy,*
21 *or succession taxes shall be determined as if this section had*
22 *not been enacted.*

23 **SEC. 803. FUTURE INTERESTS.**

24 *(a) Section 302(c) of the Revenue Act of 1926, as*
25 *amended by the Joint Resolution of March 3, 1931, is*
26 *amended to read as follows:*

1 “(c) To the extent of any interest therein of which
2 the decedent has at any time made a transfer, by trust or
3 otherwise, in contemplation of or intended to take effect in
4 possession or enjoyment at or after his death, ~~including a~~
5 ~~transfer under which the transferer has retained for his life~~
6 ~~or any period not ending or of which he has at any time~~
7 ~~made a transfer, by trust or otherwise, under which he has~~
8 ~~retained for his life or for any period not ascertainable~~
9 ~~without reference to his death or for any period which does~~
10 ~~not in fact end before his death (1) the possession or~~
11 ~~enjoyment of, or the right to the income from, the property~~
12 ~~or property, or (2) the right to right, either alone or in~~
13 ~~conjunction with any person, to designate the persons who~~
14 shall possess or enjoy the property or the income there-
15 from; except in case of a bona fide sale for an adequate and
16 full consideration in money or money’s worth. Where
17 within two years prior to his death but after the enactment
18 of this Act and without such a consideration the decedent
19 has made a transfer or transfers, by trust or other-
20 wise, of any of his property, or an interest therein,
21 not admitted or shown to have been made in con-
22 templation of or intended to take effect in possession
23 or enjoyment at or after his death, and the value or
24 aggregate value, at the time of such death, of the property
25 or interest so transferred to any one person is in excess of

1 ~~\$5,000, then, to the extent of such excess, such transfer or~~
2 ~~transfers shall be deemed and held to have been made in~~
3 ~~contemplation of death within the meaning of this title.~~

4 Any transfer of a material part of his property in the nature
5 of a final disposition or distribution thereof, made by the
6 decedent within two years prior to his death ~~but prior to the~~
7 ~~enactment of this Act,~~ without such consideration, shall,
8 unless shown to the contrary, be deemed to have been made
9 in contemplation of death within the meaning of this title;

10 *(b) Section 302(f) of the Revenue Act of 1926 is*
11 *amended to read as follows:*

12 “(f) To the extent of any property passing under a
13 general power of appointment exercised by the decedent
14 (1) by will, or (2) by deed executed in contemplation
15 ~~of, or of~~ or intended to take effect in possession or enjoy-
16 ment at or ~~after, his~~ *after his death, or (3) by deed under*
17 *which he has retained for his life or any period not ascer-*
18 *tainable without reference to his death or for any period*
19 *which does not in fact end before his death (A) the possession*
20 *or enjoyment of, or the right to the income from, the property,*
21 *or (B) the right, either alone or in conjunction with any*
22 *person, to designate the persons who shall possess or enjoy*
23 *the property or the income therefrom; except in case of a*
24 *bona fide sale for an adequate and full consideration in money*
25 *or money's worth; and ”*

1 (c) *The first sentence of section 315(b) of the Revenue*
2 *Act of 1926 is amended to read as follows:*

3 “(b) If (1) *except in the case of a bona fide sale for*
4 *an adequate and full consideration in money or money’s*
5 *worth, the decedent makes a transfer, by trust or otherwise,*
6 *of any property in contemplation of or intended to take*
7 *effect in possession or enjoyment at or after his death* ~~(ex-~~
8 ~~cept in the case of a bona fide sale for an adequate and full~~
9 ~~consideration in money or money’s worth)~~ *death, or makes*
10 *a transfer, by trust or otherwise, under which he has retained*
11 *for his life or for any period not ascertainable without ref-*
12 *erence to his death or for any period which does not in fact*
13 *end before his death (A) the possession or enjoyment of, or*
14 *the right to the income from, the property, or (B) the right,*
15 *either alone or in conjunction with any person, to designate*
16 *the persons who shall possess or enjoy the property or the*
17 *income therefrom, or (2) if insurance passes under a con-*
18 *tract executed by the decedent in favor of a specific bene-*
19 *ficiary, and if in either case the tax in respect thereto is not*
20 *paid when due, then the transferee, trustee, or beneficiary*
21 *shall be personally liable for such tax, and such property,*
22 *to the extent of the decedent’s interest therein at the time*
23 *of such transfer, or to the extent of such beneficiary’s inter-*
24 *est under such contract of insurance, shall be subject to a*
25 *like lien equal to the amount of such tax.”*

Note.—The remainder of section 315(b) of the Revenue Act of 1926 reads as follows:

Any part of such property sold by such transferee or trustee to a bona fide purchaser for an adequate and full consideration in money or money's worth shall be divested of the lien and a like lien shall then attach to all the property of such transferee or trustee, except any part sold to a bona fide purchaser for an adequate and full consideration in money or money's worth.

1 SEC. 804. RELINQUISHMENT OF DOWER, ETC., AS CONSIDERA-
2 TION.

3 Section 303(d) of the Revenue Act of 1926 is amended
4 by adding at the end thereof a new sentence to read as
5 follows:

6 "For the purposes of this title, a relinquishment or
7 promised relinquishment of dower, curtesy, or of a statu-
8 tory estate created in lieu of dower or curtesy, or of other
9 marital rights in the decedent's property or estate, shall not
10 be considered to any extent a consideration 'in money or
11 money's worth'."

Note.—Section 303(d) of the Revenue Act of 1926 above referred to reads as follows:

(d) For the purpose of this title, stock in a domestic corporation owned and held by a nonresident decedent shall be deemed property within the United States, and any property of which the decedent has made a transfer, by trust or otherwise, within the meaning of subdivision (c) or (d) of section 302, shall be deemed to be situated in the United States, if so situated either at the time of the transfer, or at the time of the decedent's death.

12 SEC. 805. DEDUCTIONS.

13 Section 303(a)(1) of the Revenue Act of 1926, as
14 amended, is amended to read as follows:

1 “(1) Such amounts—

2 “(A) for funeral expenses,

3 “(B) for administration expenses,

4 “(C) for claims against the estate,

5 “(D) for unpaid mortgages upon, or any

6 indebtedness in respect to, property ~~(except, in~~

7 the case of a resident decedent, where such prop-

8 erty is not situated in the United States) where

9 the value of decedent's interest therein, undimin-

10 ished by such mortgage or indebtedness, is included

11 in the value of the gross estate, to the extent that

12 such claims, mortgages, or indebtedness were

13 incurred or contracted bona fide and for an ade-

14 quate and full consideration in money or money's

15 worth, losses incurred during the settlement of the

16 estate arising from fires, storms, shipwreck, or

17 other casualty, or from theft, when such losses

18 are not compensated for by insurance or other-

19 wise; and

20 “(E) such amounts reasonably required and

21 actually expended for the support during the set-

22 tlement of the estate of those dependent upon the

23 decedent,

24 as are allowed by the laws of the jurisdiction, whether

25 within or without the United States, under which the

1 estate is being administered, but not including any
2 income taxes upon income received after the death of
3 the decedent, or *property taxes not accrued before his*
4 *death*, or any estate, succession, legacy, or inheritance
5 taxes. *The deduction herein allowed in the case of*
6 *claims against the estate, unpaid mortgages, or any*
7 *indebtedness shall, when founded upon a promise or*
8 *agreement, be limited to the extent that they were con-*
9 *tracted bona fide and for an adequate and full consid-*
10 *eration in money or money's worth."*

11 **SEC. 806. PRIOR TAXED PROPERTY.**

12 (a) Section 303(a)(2) of the Revenue Act of 1926
13 is amended to read as follows:

14 " (2) An amount equal to the value of any prop-
15 erty (A) forming a part of the gross estate situated
16 in the United States of any person who died within
17 five years prior to the death of the decedent, or (B)
18 transferred to the decedent by gift within five years
19 prior to his death, where such property can be identi-
20 fied as having been received by the decedent from
21 ~~such~~ the donor by gift or gift, or from such prior dece-
22 dent by gift, bequest, devise, or inheritance, or which
23 can be identified as having been acquired in exchange
24 for property so received. This deduction shall be al-

1 lowed only where a gift tax imposed under the Revenue
2 Act of ~~1924~~, ~~or~~ 1932, or an estate tax imposed under
3 this or any prior Act of ~~Congress~~ *was Congress, was*
4 *finally determined and paid by or on behalf of the such*
5 *donor or donor, or the estate of such prior decedent as*
6 *decedent, as the case may be, and only in the amount*
7 *of finally determined as the value placed by the Com-*
8 *missioner or of such property in determining the value*
9 *of the gift or gift, or the gross estate of such prior dece-*
10 *dent, and only to the extent that the value of such prop-*
11 *erty is included in the decedent's gross estate and not*
12 *deducted under paragraph (1) or (3) of this subdivision.*

13 *Where a deduction was allowed of any mortgage or*
14 *other lien in determining the gift tax, or the estate tax*
15 *of the prior decedent, which was paid in whole or in*
16 *part prior to the decedent's death, then the deduction*
17 *allowable under this paragraph shall be reduced by the*
18 *amount so paid. The deduction allowable under this*
19 *paragraph shall be reduced by an amount which bears*
20 *the same ratio to the amounts allowed as deductions*
21 *under paragraphs (1), (3), and (4)" of this subdivi-*
22 *sion as the amount otherwise deductible under this para-*
23 *graph bears to the value of the decedent's gross estate.*
24 *Where the property referred to in this paragraph con-*
25 *sists of two or more items the aggregate value of such*

1 *items shall be used for the purpose of computing the*
2 *deduction."*

3 *(b) Section 303(b)(2) of the Revenue Act of 1926*
4 *is amended to read as follows:*

5 *"(2) An amount equal to the value of any prop-*
6 *erty (A) forming a part of the gross estate situated*
7 *in the United States of any person who died within*
8 *five years prior to the death of the decedent, or (B)*
9 *transferred to the decedent by gift within five years*
10 *prior to his death, where such property can be iden-*
11 *tified as having been received by the decedent from*
12 *such the donor by gift or gift, or from such prior*
13 *decedent by gift, bequest, devise, or inheritance, or*
14 *which can be identified as having been acquired in*
15 *exchange for property so received. This deduction*
16 *shall be allowed only where a gift tax imposed under*
17 *the Revenue Act of 1924, or 1932, or an estate tax*
18 *imposed under this or any prior Act of Congress was*
19 *Congress, was finally determined and paid by or on*
20 *behalf of the such donor or donor, or the estate of such*
21 *prior decedent as decedent, as the case may be, and*
22 *only in the amount of finally determined as the value*
23 *placed by the Commissioner on of such property, in*
24 *determining the value of the gift or gift, or the gross*
25 *estate of such prior decedent, and only to the extent*

1 that the value of such property is included in that part
2 of the decedent's gross estate which at the time of his
3 death is situated in the United States ~~and not deducted~~
4 ~~under paragraph (1) or (2) of this subdivision.~~

5 *Where a deduction was allowed of any mortgage or*
6 *other lien in determining the gift tax, or the estate tax*
7 *of the prior decedent, which was paid in whole or in*
8 *part prior to the decedent's death, then the deduction*
9 *allowable under this paragraph shall be reduced by*
10 *the amount so paid. The deduction allowable under*
11 *this paragraph shall be reduced by an amount which*
12 *bears the same ratio to the amounts allowed as deduc-*
13 *tions under paragraphs (1) and (3) of this subdivi-*
14 *sion as the amount otherwise deductible under this para-*
15 *graph bears to the value of that part of the decedent's*
16 *gross estate which at the time of his death is situated*
17 *in the United States. Where the property referred*
18 *to in this paragraph consists of two or more items the*
19 *aggregate value of such items shall be used for the pur-*
20 *pose of computing the deduction."*

21 **SEC. 807. DEDUCTION OF BEQUESTS, ETC., TO CHARITY.**

22 *Sections 303(a)(3) and 303(b)(3) of the Revenue*
23 *Act of 1926 are amended by inserting after the first sentence*
24 *of each a new sentence to read as follows:*

1 "If the tax imposed by section 301, or any estate, succession,
 2 legacy, or inheritance taxes, are, either by the terms of the
 3 will, by the law of the jurisdiction under which the estate is
 4 administered, or by the law of the jurisdiction imposing the
 5 particular tax, payable in whole or in part out of the
 6 bequests, legacies, or devises otherwise deductible under this
 7 paragraph, then the amount deductible under this paragraph
 8 shall be the amount of such bequests, legacies, or devises
 9 reduced by the amount of such taxes."

Note.—Sections 303(a) (3) and 303(b) (3) of the Revenue Act of 1926 will, after the above insertion, read as follows:

Sec. 303. (a) * * *

* * * * *

(3) The amount of all bequests, legacies, devises, or transfers, to or for the use of the United States, any State, Territory, any political subdivision thereof, or the District of Columbia, for exclusively public purposes, or to or for the use of any corporation organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, including the encouragement of art and the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual, or to a trustee or trustees, or a fraternal society, order, or association operating under the lodge system, but only if such contributions or gifts are to be used by such trustee or trustees, or by such fraternal society, order, or association, exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals. *If the tax imposed by section 301, or any estate, succession, legacy, or inheritance taxes, are, either by the terms of the will, by the law of the jurisdiction under which the estate is administered, or by the law of the jurisdiction imposing the particular tax, payable in whole or in part out of the bequests, legacies, or devises otherwise deductible under this paragraph, then the amount deductible under this paragraph shall be the amount of such bequests, legacies, or devises reduced by the amount of such taxes.* The amount of the deduction under this paragraph for any transfer shall not exceed the value of the transferred property required to be included in the gross estate; and

* * * * *

(b) * * *

* * * * *

(3) The amount of all bequests, legacies, devises, or transfers, to or for the use of the United States, any State, Territory, any political subdivision thereof, or the District of Columbia, for exclusively public pur-

poses, or to or for the use of any domestic corporation organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, including the encouragement of art and the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual, or to a trustee or trustees, or a fraternal society, order, or association operating under the lodge system, but only if such contributions or gifts are to be used within the United States by such trustee or trustees, or by such fraternal society, order, or association, exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals. *If the tax imposed by section 301, or any estate, succession, legacy, or inheritance taxes, are, either by the terms of the will, by the law of the jurisdiction under which the estate is administered, or by the law of the jurisdiction imposing the particular tax, payable in whole or in part out of the bequests, legacies, or devises otherwise deductible under this paragraph, then the amount deductible under this paragraph shall be the amount of such bequests, legacies, or other devises reduced by the amount of such taxes.* The amount of the deduction under this paragraph for any transfer shall not exceed the value of the transferred property required to be included in the gross estate.

1 **SEC. 808. EXTENSION OF TIME FOR PAYMENT.**

2 (a) *Section 305(b) of the Revenue Act of 1926 is*
3 *amended to read as follows:*

4 “(b) Where the Commissioner finds that the pay-
5 ment on the due date of any part of the amount determined
6 by the executor as the tax would impose undue hardship
7 upon the estate, the Commissioner may extend the time
8 for payment of any such part not to exceed ~~five~~ eight years
9 from the due date. In such case the amount in respect
10 of which the extension is granted shall be paid on or before
11 the date of the expiration of the period of the ~~extension~~
12 *extension, and, the running of the statute of limitations for*
13 *assessment and collection, as provided in sections 310(a)*
14 *and 311(b), shall be suspended for the period of any*
15 *such extension. If an extension is granted, the Commis-*

1 sioner may require the executor to furnish a bond in such
2 amount, not exceeding double the amount in respect of which
3 the extension is granted, and with such sureties as the Com-
4 missioner deems necessary, conditioned upon the payment
5 of the amount in respect of which the extension is granted
6 in accordance with the terms of the extension."

7 (b) Section 308(i) of the Revenue Act of 1926 is
8 amended to read as follows:

9 " (i) Where it is shown to the satisfaction of the Com-
10 missioner that the payment of a deficiency upon the date
11 prescribed for the payment thereof will result in undue hard-
12 ship to the estate, the Commissioner with the approval of
13 the Secretary (except where the deficiency is due to negli-
14 gence, to intentional disregard of rules and regulations, or
15 to fraud with intent to evade tax) may grant an extension
16 for the payment of such deficiency or any part thereof for
17 a period not in excess of ~~two~~ four years. If an extension
18 is granted, the Commissioner may require the executor to
19 furnish a bond in such amount, not exceeding double the
20 amount of the deficiency, and with such sureties as the
21 Commissioner deems necessary, conditioned upon the pay-
22 ment of the deficiency in accordance with the terms of the
23 extension. In such case *the running of the statute of limi-*
24 *tations for assessment and collection, as provided in sections*
25 *310(a) and 311(b), shall be suspended for the period of*

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

14 **SEC. 809. LIEN FOR TAXES.**

15 *(a) Section 315(a) of the Revenue Act of 1926, as*
16 *amended, is amended by adding at the end thereof a new*
17 *sentence to read as follows:*

18 *"If the Commissioner is satisfied that the tax liability of an*
19 *estate has been fully discharged or provided for, he may,*
20 *under regulations prescribed by him with the approval of the*
21 *Secretary, issue his certificate, releasing any or all property*
22 *of such estate from the lien herein imposed."*

Note.—Section 315(a) of the Revenue Act of 1926, above referred to, reads as follows:

SEC. 315. (a) Unless the tax is sooner paid in full, it shall be a lien for ten years upon the gross estate of the decedent, except that such part of the gross estate as is used for the payment of charges against the estate and expenses of its administration, allowed by any court having jurisdiction thereof, shall be divested of such lien.

1 ***(b) Section 613(b) of the Revenue Act of 1928 (relat-***
 2 ***ing to liens for estate taxes) is repealed.***

Note.—Section 613(b) of the Revenue Act of 1928 reads as follows:

(b) The second sentence of section 315(a) of the Revenue Act of 1926 is repealed.

3 **SEC. 810. REFUNDS.**

4 ***(a) Section 319(b) of the Revenue Act of 1926 is***
 5 ***amended to read as follows:***

6 ***“(b) All claims for the refunding of the tax imposed***
 7 ***by this title alleged to have been erroneously or illegally***
 8 ***assessed or collected must be presented to the Commissioner***
 9 ***within three years next after the payment of such tax.***
 10 ***The amount of the refund shall not exceed the portion of the***
 11 ***tax paid during the three years immediately preceding the***
 12 ***filing of the claim, or if no claim was filed, then during the***
 13 ***three years immediately preceding the allowance of the***
 14 ***refund.”***

15 ***(b) The last sentence of section 319(c) of the Revenue***
 16 ***Act of 1926 is amended to read as follows:***

17 ***“Such refund shall be made either (1) if claim therefor***
 18 ***was filed within the period of limitation provided for by law,***
 19 ***or (2) if the petition was filed with the Board within four***
 20 ***years after the tax was paid; or, in the case of a tax imposed***
 21 ***by this title, within three years after the tax was paid. No***
 22 ***such refund shall be made of any portion of the tax paid more***
 23 ***than four years (or, in the case of a tax imposed by this***

1 title, more than three years) before the filing of the claim
2 or the filing of the petition, whichever is earlier."

3 (c) Title III of the Revenue Act of 1924 is amended
4 by inserting after section 318 a new section to read as
5 follows:

6 "SEC. 318½. The amount of any refund of the tax
7 imposed by Part I of this title shall not exceed the portion
8 of the tax paid during the four years immediately preceding
9 the filing of the claim, or if no claim was filed, then during
10 the four years immediately preceding the allowance of the
11 refund."

Note.—Title III of the Revenue Act of 1924, referred to in subsection (c) above, is the estate tax law of 1924, which was repealed in 1926 and superseded by the Revenue Act of 1926. The section added by the above amendment merely relates to refunds of overpayments under the old law.

12 (d) Section 319(b) of the Revenue Act of 1926, as
13 amended by this Act, and section 318½ of the Revenue Act
14 of 1924, as added by this Act, shall not bar from allowance a
15 claim for refund filed prior to the enactment of this Act
16 which but for such enactment would have been allowable.

17 SEC. 811. REVALUATION OF DEPRECIATED ESTATES—RETRO-

18 ACTIVE.

19 Title III of the Revenue Act of 1926 is amended by
20 adding at the end thereof a new section to read as follows:

21 "SEC. 326. (a) In the case of the estate of a decedent
22 who died on or after September 1, 1928, and prior to

1 *January 1, 1932, and at the election of the executor, the value*
2 *of the gross estate and of the net estate shall be computed*
3 *based upon values as of a date eighteen months after the*
4 *decedent's death (hereinafter referred to as 'subsequent*
5 *value'), and the tax to be paid under this title shall bear*
6 *the same ratio to a tax computed without reference to this*
7 *section as the subsequent value of the net estate bears to the*
8 *value of the net estate computed as of the date of the dece-*
9 *dent's death, but in no case shall the tax be less than 60*
10 *per centum of the tax computed without reference to this*
11 *section. Such election shall be exercised by the filing of*
12 *a statement under oath which shall set forth all the neces-*
13 *sary information, and shall be filed not later than one year*
14 *after the date of the enactment of the Revenue Act of 1932.*
15 *Any amount of tax refundable by reason of this section shall*
16 *be refunded where such statement is filed within the prescribed*
17 *time, but the amount refunded shall be without interest.*
18 *The credit allowed by section 301 for estate, inheritance,*
19 *legacy, or succession taxes actually paid to any State or*
20 *Territory or the District of Columbia shall not exceed 80*
21 *per centum of the tax as computed under this section.*

22 *"(b) In the case of any property (the value of which*
23 *is required, under section 302, to be included in the value*
24 *of the gross estate) which has been distributed or sold or*
25 *otherwise disposed of, after the death of the decedent and*

1 prior to the expiration of eighteen months therefrom, then
2 the subsequent value of such property shall be its value upon
3 the date of such distribution, sale, or other disposition (in
4 lieu of its value eighteen months after the date of death);
5 and in the case of property (such as leaseholds, patents,
6 remainders, and other interests terminating upon the expira-
7 tion of a period of time), the value of which is necessarily
8 affected merely by the lapse of time or by the happening or
9 nonhappening of a contingency, then the subsequent value of
10 such property shall be determined without any allowance for
11 change of value due merely to lapse of time or to the hap-
12 pening or nonhappening of the contingency.

13 “(c) In any case in which the estate tax to be paid in
14 respect of the estate is computed under this section, then for
15 income tax purposes the basis for determining the gain or
16 loss from the sale or other disposition of personal property
17 acquired by specific bequest, or of real property acquired by
18 general or specific devise or by intestacy, and the basis for
19 determining loss from the sale or other disposition of prop-
20 erty acquired by the decedent's estate from the decedent shall
21 be the value at which such property is included in determining
22 the subsequent value of the gross estate.”

Note.—Title III of the Revenue Act of 1926, to which the above section is added, is the estate tax law of 1926. The new section is temporary in nature and does not make any change in permanent law.

1 **TITLE VII—TAX ON TRANSFERS TO AVOID INCOME**
2 **TAX**

3 **SEC. 901. IMPOSITION OF TAX.**

4 *There shall be imposed upon the transfer of stock or*
5 *securities, by a citizen or resident of the United States or*
6 *a domestic corporation, to a foreign corporation as paid-in*
7 *surplus, or to a foreign trust, an excise tax equal to 25*
8 *per centum of the excess of (1) the value of the stock or*
9 *securities so transferred over (2) its adjusted basis in the*
10 *hands of the transferor as determined under section 113 of*
11 *this Act.*

12 **SEC. 902. NONTAXABLE TRANSFERS.**

13 *The tax imposed by section 901 shall not apply—*

14 *(a) if the transfer is for an adequate and full con-*
15 *sideration in money or money's worth; or*

16 *(b) if the transferee (were it a domestic corporation*
17 *or trust) would not be subject to income tax under Title I*
18 *of this Act on the profit, if any, from a subsequent sale for*
19 *cash of the property so transferred; or*

20 *(c) if prior to the transfer it has been established to*
21 *the satisfaction of the Commissioner that such transfer is*
22 *not in pursuance of a plan having as one of its principal*
23 *purposes the avoidance of Federal income taxes.*

1 **SEC. 903. DEFINITION OF "FOREIGN TRUST".**

2 *A trust shall be considered a foreign trust within the*
3 *meaning of this title if, assuming a subsequent sale by the*
4 *trustee, outside the United States and for cash, of the property*
5 *so transferred, the profit, if any, from such sale would not*
6 *be subject to income tax under Title I of this Act.*

7 **SEC. 904. PAYMENT AND COLLECTION.**

8 *The tax imposed by section 901 shall, without assess-*
9 *ment or notice and demand, be due and payable by the*
10 *transferor at the time of the transfer, and shall be assessed,*
11 *collected, and paid under regulations prescribed by the*
12 *Commissioner with the approval of the Secretary. All*
13 *administrative, special, or stamp provisions of law, includ-*
14 *ing penalties and including the law relating to the assessment*
15 *of taxes, so far as applicable, are hereby extended to and*
16 *made a part of this title.*

17 **TITLE VIII—POSTAL RATES**

18 **SEC. 1001. POSTAL RATES.**

19 *(a) On and after the thirtieth day after the date of the*
20 *enactment of this Act and until July 1, 1934, the rate, of*
21 *postage on all mail matter of the first class (except postal*
22 *cards and private mailing or post cards, and except other*
23 *first class matter on which the rate of postage under existing*
24 *law is 1 cent for each ounce or fraction thereof) shall be 1*

1 cent for each ounce or fraction thereof in addition to the
2 rate provided by existing law.

3 (b) Only 85 per centum of the gross postal receipts
4 during the period the increased rate of postage provided in
5 subsection (a) remains in force shall be counted for the pur-
6 pose of determining the class of the post office or the com-
7 pensation or allowances of postmasters or of postal employees
8 of post offices of the first, second, and third classes. For the
9 purpose of determining the commissions (as distinguished
10 from the compensation and the allowances based thereon) of
11 postmasters of the fourth class, only 85 per centum of the
12 applicable cancellations, collections, and receipts during such
13 period shall be counted.

14 **TITLE IX—ADMINISTRATIVE AND GENERAL**
15 **PROVISIONS**

16 **SEC. 1101. REVIEW OF DECISIONS OF BOARD OF TAX APPEALS.**

17 (a) Section 1001(a) of the Revenue Act of 1926 (re-
18 lating to time for filing petition for review of decisions of the
19 Board of Tax Appeals) is amended by striking out "within
20 six months after the decision is rendered" and inserting in
21 lieu thereof "within three months after the decision is
22 rendered".

23 (b) The amendment made by subsection (a) of this
24 section shall not apply in respect of decisions of the Board
25 of Tax Appeals rendered on or before the date of the enact-
26 ment of this Act.

Note.—Section 1001(a) of the Revenue Act of 1926, after the above amendment, will read as follows:

SEC. 1001. (a) The decision of the Board rendered after the enactment of this Act (except as provided in subdivision (j) of section 288 and in subdivision (h) of section 318) may be reviewed by a Circuit Court of Appeals, or the Court of Appeals of the District of Columbia, as hereinafter provided, if a petition for such review is filed by either the Commissioner or the taxpayer ~~within six months after the decision is rendered~~ *within three months after the decision is rendered.*

1 **SEC. 1102. BOARD OF TAX APPEALS—FEES.**

2 *Section 1004(b) of the Revenue Act of 1926 is*
3 *amended to read as follows:*

4 “(b) The Board is authorized to fix a fee, not in excess
5 of the fee fixed by law to be charged and collected therefor
6 by the clerks of the district courts, for comparing, or for
7 preparing and comparing, a transcript of the ~~record~~ *record,*
8 *or for copying any record, entry, or other paper and the*
9 *comparison and certification thereof.”*

10 **SEC. 1103. SPECIAL DISBURSING AGENTS OF TREASURY.**

11 *The Secretary of the Treasury is authorized to designate*
12 *agents in charge of divisions of internal revenue agents*
13 *to act as special disbursing agents of the Treasury for the*
14 *payment of all salaries and expenses of such divisions, on*
15 *giving good and sufficient bond in such form and with such*
16 *security as the Secretary of the Treasury may approve, not-*
17 *withstanding section 3144, Revised Statutes, as amended.*

18 **SEC. 1104. REFUND OF TAXES FOR TAXABLE YEAR 1918.**

19 *Section 284(h) of the Revenue Act of 1926 is*
20 *amended to read as follows:*

1 “(h) Except as provided in subdivision (d) this sec-
 2 tion shall not (1) bar from allowance a claim for credit or
 3 refund filed prior to the enactment of this Act which but
 4 for such enactment would have been allowable, or (2) bar
 5 from allowance a claim in respect of a tax for the taxable
 6 year 1919 or 1918, 1919, or 1920 if such claim is filed
 7 before the expiration of five years after the date the return
 8 was due.”

9 SEC. 701 1105. DEFINITIONS.

10 (a) When used in this Act—

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

13 (2) The term “corporation” includes associa-
 14 tions, joint-stock companies, and insurance companies.

15 (3) The term “partnership” includes a syndicate,
 16 group, pool, joint venture, or other unincorporated
 17 organization, through or by means of which any busi-
 18 ness, financial operation, or venture is carried on,
 19 and which is not, within the meaning of this Act, a
 20 trust or estate or a corporation; and the term “part-
 21 ner” includes a member in such a syndicate, group,
 22 pool, joint venture, or organization.

23 (4) The term “domestic” when applied to a
 24 corporation or partnership means created or organized

1 in the United States or under the law of the United
2 States or of any State or Territory.

3 ~~(4)~~ (5) The term "foreign" when applied to a
4 corporation or partnership means a corporation or
5 partnership which is not domestic.

6 ~~(5)~~ (6) The term "fiduciary" means a guard-
7 ian, trustee, executor, administrator, receiver, conserv-
8 ator, or any person acting in any fiduciary capacity
9 for any person.

10 ~~(6)~~ (7) The term "withholding agent" means
11 any person required to deduct and withhold any tax
12 under the provisions of section 144 143 or 145 144.

13 ~~(7)~~ (8) The term "stock" includes the share in
14 an association, joint-stock company, or insurance
15 company.

16 ~~(8)~~ (9) The term "shareholder" includes a
17 member in an association, joint-stock company, or
18 insurance company.

19 ~~(9)~~ (10) The term "United States" when used
20 in a geographical sense includes only the States, the
21 Territories of Alaska and Hawaii, and the District of
22 Columbia.

23 ~~(10)~~ (11) The term "Secretary" means the
24 Secretary of the Treasury.

1 ~~(11)~~ (12) The term "Commissioner" means the
2 Commissioner of Internal Revenue.

3 ~~(12)~~ (13) The term "collector" means collector
4 of internal revenue.

5 ~~(13)~~ (14) The term "taxpayer" means any
6 person subject to a tax imposed by this Act.

7 ~~(14)~~ The term "~~military or naval forces of the~~
8 ~~United States~~" includes the Marine Corps, the Coast
9 Guard, the Army Nurse Corps, Female, and the Navy
10 Nurse Corps, Female.

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

15 **SEC. 1106. SEPARABILITY CLAUSE.**

16 *If any provision of this Act, or the application thereof*
17 *to any person or circumstances, is held invalid, the remainder*
18 *of the Act, and the application of such provisions to other*
19 *persons or circumstances, shall not be affected thereby.*

20 **SEC. 1107. EFFECTIVE DATE OF ACT.**

21 *Except as otherwise provided, this Act shall take effect*
22 *upon its enactment.*

[COMMITTEE PRINT NO. 1]

REVENUE ACT OF 1932

COMPARATIVE PRINT

Showing Changes from Existing Law Made by the
Bill as Passed by the House of Representatives

72^d CONGRESS }
1st Session } **H. R. 10236**

AN ACT

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

APRIL 4, 1932

Read twice and referred to the Committee on Finance
