

**[COMMITTEE PRINT NO. 3]**  
**REVENUE ACT OF 1932**

**COMPARATIVE PRINT**

Showing Changes from Existing Law Made by the Bill as Reported to the Senate

72<sup>D</sup> CONGRESS  
1<sup>st</sup> SESSION

**H. R. 10236**

---

IN THE SENATE OF THE UNITED STATES

APRIL 4, 1932

Read twice and referred to the Committee on Finance

MAY 9, 1932

Reported by Mr. SMOOT, with amendments

(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":

J. 118375—1

**BEST AVAILABLE COPY**

## TABLE OF CONTENTS

### TITLE I—INCOME TAX

#### SUBTITLE A—INTRODUCTORY PROVISIONS

- Sec. 1. Application of title.
- Sec. 2. Cross references.
- Sec. 3. Classification of provisions.
- Sec. 4. Special classes of taxpayers.

#### SUBTITLE B—GENERAL PROVISIONS

##### PART I—RATES OF TAX

- Sec. 11. Normal tax on individuals.
- Sec. 12. Surtax on individuals.
- Sec. 13. Tax on corporations.
- Sec. 14. Taxable period embracing years with different laws.

##### PART II—COMPUTATION OF NET INCOME

- Sec. 21. Net income.
- Sec. 22. Gross income.
- Sec. 23. Deductions from gross income.
- Sec. 24. Items not deductible.
- Sec. 25. Credits of individual against net income.
- Sec. 26. Credits of corporation against net income.

##### PART III—CREDITS AGAINST TAX

- Sec. 27. Earned income credit.
- Sec. 28 31. Taxes of foreign countries and possessions of United States.
- Sec. 29 32. Taxes withheld at source.
- Sec. 34 33. Erroneous payments.

##### PART IV—ACCOUNTING PERIODS AND METHODS OF ACCOUNTING

- Sec. 41. General rule.
- Sec. 42. Period in which items of gross income included.
- Sec. 43. Period for which deductions and credits taken.
- Sec. 44. Installment basis.
- Sec. 45. Allocation of income and deductions.
- Sec. 46. Change of accounting period.
- Sec. 47. Returns for a period of less than twelve months.
- Sec. 48. Definitions.

##### PART V—RETURNS AND PAYMENT OF TAX

- Sec. 51. Individual returns.
- Sec. 52. Corporation returns.
- Sec. 53. Time and place for filing returns.
- Sec. 54. Records and special returns.
- Sec. 55. Publicity of returns.
- Sec. 56. Payment of tax.
- Sec. 57. Examination of return and determination of tax.
- Sec. 58. Additions to tax and penalties.
- Sec. 59. Administrative proceedings.

##### PART VI—MISCELLANEOUS PROVISIONS

- Sec. 61. Laws made applicable.
- Sec. 62. Rules and regulations.
- Sec. 63. Taxes in lieu of taxes under 1926 1928 Act.
- Sec. 64. Short title.
- Sec. 65. Effective date of title.

## SUBTITLE C—SUPPLEMENTAL PROVISIONS

## SUPPLEMENT A—RATES OF TAX

- Sec. 101. Capital net gains and losses.
- Sec. 102. Sale of mines and oil or gas wells.
- Sec. 103. Exemptions from tax on corporations.
- Sec. 104. Accumulation of surplus to evade surtaxes.
- Sec. 105. Taxable period embracing years with different laws.

## SUPPLEMENT B—COMPUTATION OF NET INCOME

- Sec. 111. Determination of amount of gain or loss.
- Sec. 112. Recognition of gain or loss.
- Sec. 113. *Adjusted* basis for determining gain or loss.
- Sec. 114. Basis for depreciation and depletion.
- Sec. 115. Distributions by corporations.
- Sec. 116. Exclusions from gross income.
- Sec. 117. Net losses.
- Sec. 118. Loss on sale from wash sales of stock or securities.
- Sec. 119. Income from sources within United States.
- Sec. 120. Unlimited deduction for charitable and other contributions.

## SUPPLEMENT C—CREDITS AGAINST TAX

- Sec. 131. Taxes of foreign countries and possessions of United States.
- Sec. 132. Payments under 1926 1928 Act.

## SUPPLEMENT D—RETURNS AND PAYMENT OF TAX

- Sec. 141. Consolidated returns of corporations—1929 and subsequent taxable years corporations.
- Sec. 142. Consolidated returns of corporations—taxable year 1928.
- Sec. 143 142. Fiduciary returns.
- Sec. 144 143. Withholding of tax at source.
- Sec. 145 144. Payment of corporation income tax at source.
- Sec. 146 145. Penalties.
- Sec. 147 146. Closing by Commissioner of taxable year.
- Sec. 148 147. Information at source.
- Sec. 149 148. Information by corporations.
- Sec. 150 149. Returns of brokers.
- Sec. 151 150. Collection of foreign items.

## SUPPLEMENT E—ESTATES AND TRUSTS

- Sec. 161. Imposition of tax.
- Sec. 162. Net income.
- Sec. 163. Credits against net income.
- Sec. 164. Different taxable years.
- Sec. 165. Employees' trusts.
- Sec. 166. Revocable trusts.
- Sec. 167. Income for benefit of grantor.
- Sec. 168. Capital net gains and losses.
- Sec. 169. Net losses.
- Sec. 170. Taxes of foreign countries and possessions of United States.

## SUPPLEMENT F—PARTNERSHIPS

- Sec. 181. Partnership not taxable.
- Sec. 182. Tax of partners.
- Sec. 183. Computation of partnership income.
- Sec. 184. Credits against net income.
- Sec. 185. Earned income.
- Sec. 186. Capital net gains and losses.
- Sec. 187. Net losses.
- Sec. 188. Taxes of foreign countries and possessions of United States.
- Sec. 189. Partnership returns.

### SUPPLEMENT G—INSURANCE COMPANIES

- Sec. 201. Tax on life insurance companies.
- Sec. 202. Gross income of life insurance companies.
- Sec. 203. Net income of life insurance companies.
- Sec. 204. Insurance companies other than life or mutual
- Sec. 205. Net losses.
- Sec. 206. Taxes of foreign countries and possessions of United States
- Sec. 207. Computation of gross income.
- Sec. 208. Mutual insurance companies other than life.

### SUPPLEMENT H—NONRESIDENT ALIEN INDIVIDUALS

- Sec. 211. Normal tax.
- Sec. 212. Gross income.
- Sec. 213. Deductions.
- Sec. 214. Credits against net income.
- Sec. 215. Allowance of deductions and credits.
- Sec. 216. Credits against tax.
- Sec. 217. Returns.
- Sec. 218. Payment of tax.

### SUPPLEMENT I—FOREIGN CORPORATIONS

- Sec. 231. Gross income.
- Sec. 232. Deductions.
- Sec. 233. Allowance of deductions and credits.
- Sec. 234. Credits against tax.
- Sec. 235. Returns.
- Sec. 236. Payment of tax.
- Sec. 237. Foreign insurance companies.
- Sec. 238. Affiliation.

### SUPPLEMENT J—POSSESSIONS OF THE UNITED STATES

- Sec. 251. Income from sources within possessions of United States
- Sec. 252. Citizens of possessions of United States.

### SUPPLEMENT K—CHINA TRADE ACT CORPORATIONS

- Sec. 261. Credit against net income.
- Sec. 262. Credits against the tax.
- Sec. 263. Affiliation.
- Sec. 264. Income of shareholders.

### SUPPLEMENT L—ASSESSMENT AND COLLECTION OF DEFICIENCIES

- Sec. 271. Definition of deficiency.
- Sec. 272. Procedure in general.
- Sec. 273. Jeopardy assessments.
- Sec. 274. Bankruptcy and receiverships.
- Sec. 275. Period of limitation upon assessment and collection.
- Sec. 276. Same—Exceptions.
- Sec. 277. Suspension of running of statute.

### SUPPLEMENT M—INTEREST AND ADDITIONS TO TAX

- Sec. 291. Failure to file return.
- Sec. 292. Interest on deficiencies.
- Sec. 293. Additions to the tax in case of deficiency.
- Sec. 294. Additions to the tax in case of nonpayment.
- Sec. 295. Time extended for payment of tax shown on return.
- Sec. 296. Time extended for payment of deficiency.
- Sec. 297. Interest in case of jeopardy assessments.
- Sec. 298. Bankruptcy and receiverships.
- Sec. 299. Removal of property or departure from United States.

**SUPPLEMENT N—CLAIMS AGAINST TRANSFEREES AND FIDUCIARIES**

- Sec. 311. Transferred assets.*  
*Sec. 312. Notice of fiduciary relationship.*

**SUPPLEMENT O—OVERPAYMENTS**

- Sec. 321. Overpayments of installment.*  
*Sec. 322. Refunds and credits.*

**TITLE II—ADDITIONAL ESTATE TAX**

- Sec. 401. Imposition<sup>o</sup> of tax.*  
*Sec. 402. Credits against<sup>o</sup> tax.*  
*Sec. 403. Assessment, collection, and payment of tax.*

**TITLE III—GIFT TAX**

- Sec. 501. Imposition<sup>o</sup> of tax.*  
*Sec. 502. Computation of tax.*  
*Sec. 503. Transfer for less than adequate and full consideration.*  
*Sec. 504. Net gifts.*  
*Sec. 505. Deductions.*  
*Sec. 506. Gifts made in property.*  
*Sec. 507. Returns.*  
*Sec. 508. Records and special returns.*  
*Sec. 509. Payment of tax.*  
*Sec. 510. Lien for tax.*  
*Sec. 511. Examination of return and determination of tax.*  
*Sec. 512. Definition of deficiency.*  
*Sec. 513. Assessment and collection of deficiencies.*  
*Sec. 514. Jeopardy assessments.*  
*Sec. 515. Claims in abatement.*  
*Sec. 516. Bankruptcy and receiverships.*  
*Sec. 517. Period of limitation upon assessment and collection.*  
*Sec. 518. Suspension of running of statute.*  
*Sec. 519. Additions to the tax in case of failure to file return.*  
*Sec. 520. Additions to the tax in case of deficiency.*  
*Sec. 521. Interest on extended payments.*  
*Sec. 522. Interest on deficiencies.*  
*Sec. 523. Interest on jeopardy assessments.*  
*Sec. 524. Additions to the tax in case of nonpayment.*  
*Sec. 525. Penalties.*  
*Sec. 526. Transferred assets.*  
*Sec. 527. Notice of fiduciary relationship.*  
*Sec. 528. Refunds and credits.*  
*Sec. 529. Laws made applicable.*  
*Sec. 530. Rules and regulations.*  
*Sec. 531. Definitions.*  
*Sec. 532. Short title.*

**TITLE IV—MANUFACTURERS' EXCISE TAXES**

- Sec. 601. Excise taxes on certain articles.*  
*Sec. 602. Tax on automobiles, etc.*  
*Sec. 603. Tax on radio receiving sets, etc.*  
*Sec. 604. Tax on chewing gum.*  
*Sec. 605. Definition of sale.*  
*Sec. 606. Sale price.*  
*Sec. 607. Sale of articles for further manufacture.*  
*Sec. 608. Credits and refunds.*  
*Sec. 609. Use by manufacturer, producer, or importer.*  
*Sec. 610. Sales by others than manufacturer, producer, or importer.*  
*Sec. 611. Contracts prior to May 1, 1932.*

- Sec. 612. Return and payment of manufacturers' taxes.*  
*Sec. 613. Applicability of administrative provisions.*  
*Sec. 614. Rules and regulations.*  
*Sec. 615. Effective date.*

## TITLE V—MISCELLANEOUS TAXES

### PART I—TAX ON TELEGRAPH, TELEPHONE, RADIO, AND CABLE FACILITIES

- Sec. 701. Imposition.*  
*Sec. 702. Returns and payment of tax.*

### PART II—ADMISSIONS TAX

- Sec. 711. Admissions tax.*  
*Sec. 712. Admission to Olympic Games.*

### PART III—STAMP TAXES

- Sec. 721. Stamp tax on issues of bonds, etc.*  
*Sec. 722. Stamp tax on issues of stock, etc.*  
*Sec. 723. Stamp tax on transfer of stock, etc.*  
*Sec. 724. Stamp tax on transfer of bonds, etc.*  
*Sec. 725. Stamp tax on conveyances.*

### PART IV—TAX ON TRANSPORTATION OF OIL BY PIPE LINE

- Sec. 731. Tax on transportation of oil by pipe line.*

### PART V—TAX ON CHECKS, ETC

- Sec. 741. Tax on checks, etc.*

### PART VI—TAX ON CIGARETTE PAPERS

- Sec. 751. Tax on cigarette papers.*

### PART VII—ADMINISTRATIVE PROVISIONS

- Sec. 761. Payment of taxes.*  
*Sec. 762. Refunds and credits.*  
*Sec. 763. Regulations.*  
*Sec. 764. Applicability of administrative provisions.*

## TITLE VI—ESTATE TAX AMENDMENTS

- Sec. 801. Credit of gift tax on estate tax.*  
*Sec. 802. 80 per centum credit.*  
*Sec. 803. Future interests.*  
*Sec. 804. Relinquishment of dower, etc., as consideration.*  
*Sec. 805. Deductions.*  
*Sec. 806. Prior taxed property.*  
*Sec. 807. Deduction of bequests, etc., to charity.*  
*Sec. 808. Extension of time payment.*  
*Sec. 809. Lien for taxes.*  
*Sec. 810. Refunds.*  
*Sec. 811. Future interests—Extension of time for payment of tax.*

## TITLE VII—TAX ON TRANSFERS TO AVOID INCOME TAX

- Sec. 901. Imposition of tax.*  
*Sec. 902. Nontaxable transfers.*  
*Sec. 903. Definition of "Foreign Trust."*  
*Sec. 904. Payment and collection.*

## TITLE VIII—POSTAL RATES

*Sec. 1001. Postal rates.*

## TITLE IX—ADMINISTRATIVE AND GENERAL PROVISIONS

*Sec. 1101. Review of decisions of Board of Tax Appeals.*

*Sec. 1102. Board of Tax Appeals—Fees.*

*Sec. 1103. Limitations on suits by taxpayers.*

*Sec. 1104. Date of allowance of refund or credit.*

*Sec. 1105. Jeopardy assessment.*

*Sec. 1106. Refunds of miscellaneous taxes.*

*Sec. 1107. Special disbursing agents of Treasury.*

*Sec. 1108. Refund of taxes for taxable year 1918.*

*Sec. 1109. Definitions.*

*Sec. 1110. Separability clause.*

*Sec. 1111. Effective date of Act.*

## 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                  of this Act or by legislation enacted subsequent to this Act.

#### 12                  **SEC. 2. CROSS REFERENCES.**

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

1 **SEC. 3. 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) ~~4½ per centum~~ *3 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~~ *6 per centum* of the next \$4,000  
 17 of such excess amount; and

18 (c) ~~5 per centum~~ *9 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 \$11,000, 1 per centum of such excess.

4           \$10 upon net incomes of \$11,000; and upon net  
5 incomes in excess of \$11,000 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 **\$32,000**; and upon  
2 net incomes in excess of **\$32,000** and not in excess of  
3 **\$36,000**, **9** per centum in addition of such excess.

4           **\$1,400** upon net incomes of **\$36,000**; and upon  
5 net incomes in excess of **\$36,000** and not in excess of  
6 **\$40,000**, **10** per centum in addition of such excess.

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.

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           **\$6,060** 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           **\$7,860** 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           **\$11,660** 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           **\$260 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           **\$4,250** 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 and not in excess of*  
 12           *\$150,000, 40 per centum in addition of such excess.*

13           *\$40,160 upon net incomes of \$150,000; and upon*  
 14           *net incomes in excess of \$150,000 and not in excess of*  
 15           *\$250,000, 41 per centum in addition of such excess.*

16           *\$81,160 upon net incomes of \$250,000; and upon*  
 17           *net incomes in excess of \$250,000 and not in excess of*  
 18           *\$500,000, 42 per centum in addition of such excess.*

19           *\$186,160 upon net incomes of \$500,000; and*  
 20           *upon net incomes in excess of \$500,000 and not in*  
 21           *excess of \$750,000, 43 per centum in addition of such*  
 22           *excess.*

23           *\$293,660 upon net incomes of \$750,000; and*  
 24           *upon net incomes in excess of \$750,000 and not in*

1 *excess of \$1,000,000, 44 per centum in addition of such*  
 2 *excess.*

3 *\$103,660 upon net incomes of \$1,000,000; and*  
 4 *upon net incomes in excess of \$1,000,000, 45 per*  
 5 *centum in addition of such excess.*

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

9 **(c) CAPITAL NET GAINS AND LOSSES.**—For rate  
 10 and computation of tax in lieu of normal and surtax in case  
 11 of net incomes of not less than ~~\$20,000~~ \$20,000, approxi-  
 12 mately, or in case of net incomes, excluding items of capital  
 13 gain, capital loss, and capital deductions, of not less than  
 14 ~~\$20,000~~ \$20,000, approximately, see section 101.

15 **(d) EVASION OF SURTAXES BY INCORPORATION.**—  
 16 For tax on corporations which accumulate surplus to evade  
 17 surtax on stockholders, see section 104.

18 *(e) There shall be levied, collected, and paid for each*  
 19 *taxable year upon the amount by which the compensation*  
 20 *(including salaries, commissions, emoluments, and rewards)*  
 21 *of any individual for personal services exceeds compensation*  
 22 *at the rate of \$75,000 per year, a tax of 80 per centum of*  
 23 *such amount. The tax imposed by this subsection shall be*  
 24 *in lieu of all other taxes under this title in respect of such*  
 25 *amount.*

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 ~~42 per centum~~ *14 per centum* of the  
5 amount of the net income in excess of the ~~credits~~ *credit*  
6 against net income provided in section 26.

7 (b) **EXEMPT CORPORATIONS.**—For corporations ex-  
8 empt from tax, see section 108.

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. *In the case*  
 7 *of Presidents of the United States and judges of courts of*  
 8 *the United States taking office after the date of the enactment*  
 9 *of this Act, the compensation received as such shall be included*  
 10 *in gross income; and all Acts fixing the compensation of*  
 11 *such Presidents and judges are hereby amended accordingly.*

12 (b) EXCLUSIONS FROM GROSS INCOME.—The follow-  
 13 ing items shall not be included in gross income and shall be  
 14 exempt from taxation under this title:

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

21 (2) ANNUITIES, ETC.—Amounts received (other  
 22 than amounts paid by reason of the death of the  
 23 insured and interest payments on such amounts)  
 24 under a life insurance, endowment, or annuity con-  
 25 tract, but if such amounts (when added to amounts

1 received before the taxable year under such contract)  
2 exceed the aggregate premiums or consideration paid  
3 (whether or not paid during the taxable year) then  
4 the excess shall be included in gross income. In the  
5 case of a transfer for a valuable consideration, by as-  
6 signment or otherwise, of a life insurance, endowment,  
7 or annuity contract, or any interest therein, only the  
8 actual value of such consideration and the amount  
9 of the premiums and other sums subsequently paid by  
10 the transferee shall be exempt from taxation under  
11 paragraph (1) or this paragraph;

12 (3) GIFTS, BEQUESTS, AND DEVISES.—The value  
13 of property acquired by gift, bequest, devise, or in-  
14 heritance (but the income from such property shall  
15 be included in gross income) ;

16 (4) TAX-FREE INTEREST.—Interest upon (A)  
17 the obligations of a State, Territory, or any political  
18 subdivision thereof, or the District of Columbia; or  
19 (B) securities issued under the provisions of the Fed-  
20 eral Farm Loan Act, or under the provisions of such  
21 Act as amended; or (C) the obligations of the United  
22 States or its possessions. Every person owning any  
23 of the obligations or securities enumerated in clause  
24 (A), (B), or (C) shall, in the return required by this  
25 title, submit a statement showing the number and

1 amount of such obligations and securities owned by him  
2 and the income received therefrom, in such form and  
3 with such information as the Commissioner may re-  
4 quire. In the case of obligations of the United States  
5 issued after September 1, 1917 (other than postal  
6 savings certificates of deposit), the interest shall be  
7 exempt only if and to the extent provided in the re-  
8 spective Acts authorizing the issue thereof as amended  
9 and supplemented, and shall be excluded from gross  
10 income only if and to the extent it is wholly exempt  
11 to the taxpayer from ~~income taxes~~ *the taxes imposed*  
12 *by this title;*

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

19 (6) PENSIONS AND WORLD WAR COMPENSATION  
20 PAYMENTS.—Amounts received as compensation, fam-  
21 ily allotments and allowances under the provisions of  
22 the War Risk Insurance and the Vocational Rehabilita-  
23 tion Acts or the World War Veterans' Act, 1924, or as  
24 pensions from the United States for service of the bene-  
25 fiary or another in the military or naval forces of the

1 United States in time of war, or as a State pension for  
 2 services rendered by the beneficiary or another for  
 3 which the State is paying a pension;

4 ~~(7)~~ BUILDING AND LOAN ASSOCIATIONS.—The  
 5 amount received by an individual as dividends or inter-  
 6 est from domestic building and loan associations, sub-  
 7 stantially all the business of which is confined to making  
 8 loans to members, but the amount excluded from gross  
 9 income under this paragraph in any taxable year shall  
 10 not exceed \$200;

11 ~~(8)~~ (6) MINISTERS.—The rental value of a  
 12 dwelling house and appurtenances thereof furnished to  
 13 a minister of the gospel as part of his compensation;

14 ~~(9)~~ (7) MISCELLANEOUS ITEMS.—The following  
 15 items, to the extent provided in section 116:

16 . Earned income from sources without the  
 17 United States;

18 Salaries of certain Territorial employees;

19 The income of foreign governments;

20 Income of States, municipalities and other  
 21 political subdivisions;

22 Receipts of ship owners' mutual protection  
 23 and indemnity associations;

24 Dividends from China Trade Act corpora-  
 25 tions.

1           (c) **INVENTORIES.**—Whenever in the opinion of the  
 2 Commissioner the use of inventories is necessary in order  
 3 clearly to determine the income of any taxpayer, inventories  
 4 shall be taken by such taxpayer upon such basis as the Com-  
 5 missioner, with the approval of the Secretary, may prescribe  
 6 as conforming as nearly as may be to the best accounting  
 7 practice in the trade or business and as most clearly reflecting  
 8 the income.

9           (d) **DISTRIBUTIONS BY CORPORATIONS.**—Distribu-  
 10 tions by corporations shall be taxable to the shareholders as  
 11 provided in section 115.

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

15           (f) **GROSS INCOME FROM SOURCES WITHIN AND**  
 16 **WITHOUT UNITED STATES.**—For computation of gross in-  
 17 come from sources within and without the United States,  
 18 see section 119.

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

20           In computing net income there shall be allowed as  
 21 deductions:

22           (a) **EXPENSES.**—All the ordinary and necessary ex-  
 23 penses paid or incurred during the taxable year in carrying  
 24 on any trade or business, including a reasonable allowance for  
 25 salaries or other compensation for personal services actually



1 rendered; traveling expenses (including the entire amount  
 2 expended for meals and lodging) while away from home in  
 3 the pursuit of a trade or business; and rentals or other pay-  
 4 ments required to be made as a condition to the continued  
 5 use or possession, for purposes of the trade or business, of  
 6 property to which the taxpayer has not taken or is not taking  
 7 title or in which he has no equity. *The amount by which the*  
 8 *compensation (including salary) of any person for personal*  
 9 *services exceeds compensation at the rate of \$75,000 per*  
 10 *year shall not be deductible under this subsection.*

11 (b) INTEREST.—All interest paid or accrued within  
 12 the taxable year on indebtedness, except on indebtedness  
 13 incurred or continued to purchase or carry obligations or  
 14 securities (other than obligations of the United States issued  
 15 after September 24, 1917, and originally subscribed for by  
 16 the taxpayer) the interest upon which is wholly exempt  
 17 from ~~taxation under~~ *the taxes imposed by* this title.

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

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

22 (2) ~~so much of the~~ income, war-profits, and ex-  
 23 cess-profits taxes imposed by the authority of any  
 24 foreign country or possession of the United States as  
 25 is allowed as a credit against the tax under section 131

1        *States; but this deduction shall be allowed in the case*  
2        *of a taxpayer who does not signify in his return his*  
3        *desire to have to any extent the benefits of section 131*  
4        *(relating to credit for taxes of foreign countries and*  
5        *possessions of the United States); and*

6                (3) taxes assessed against local benefits of a kind  
7        tending to increase the value of the property assessed;  
8        but this paragraph shall not exclude the allowance as  
9        a deduction of so much of such taxes as is properly  
10       allocable to maintenance or interest charges.

11    For the purpose of this subsection, estate, inheritance,  
12    legacy, and succession taxes accrue on the due date thereof,  
13    except as otherwise provided by the law of the jurisdiction  
14    imposing such taxes, and shall be allowed as a deduction  
15    only to the estate.

16                (d) TAXES OF SHAREHOLDER PAID BY CORPORA-  
17    TION.—The deduction for taxes allowed by subsection (c)  
18    shall be allowed to a corporation in the case of taxes imposed  
19    upon a shareholder of the corporation upon his interest as  
20    shareholder which are paid by the corporation without re-  
21    imbursement from the shareholder, but in such cases no  
22    deduction shall be allowed the shareholder for the amount  
23    of such taxes.

24                (e) LOSSES BY INDIVIDUALS.—~~In~~ *Subject to the lim-*  
25    *itations provided in subsection (r) of this section, in the*

1 case of an individual, losses sustained during the taxable  
2 year and not compensated for by insurance or otherwise—

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

4 (2) if incurred in any transaction entered into  
5 for profit, though not connected with the trade or  
6 business; or

7 (3) of property not connected with the trade or  
8 business, if the loss arises from fires, storms, shipwreck,  
9 or other casualty, or from theft. *No loss shall be*  
10 *allowed as a deduction under this paragraph if at the*  
11 *time of the filing of the return such loss has been claimed*  
12 *as a deduction for estate tax purposes in the estate tax*  
13 *return.*

14 (f) LOSSES BY CORPORATIONS.—~~In~~ *Subject to the lim-*  
15 *itations provided in subsection (r) of this section, in the*  
16 *case of a corporation, losses sustained during the taxable*  
17 *year and not compensated for by insurance or otherwise.*

18 (g) BASIS FOR DETERMINING LOSS.—*The basis for*  
19 *determining the amount of deduction for losses sustained,*  
20 *to be allowed under subsection (e) or (f), shall be the*  
21 *same as is provided in section 113 adjusted basis provided in*  
22 *section 113(b) for determining the gain or loss from the*  
23 *sale or other disposition of property.*

24 (h) LOSS ON ~~SALE~~ *WASH SALES OF STOCK OR*  
25 *SECURITIES.*—*For disallowance of loss deduction in the case*

1 of sales of stock or securities where within thirty days before  
2 or after the date of the sale the taxpayer has acquired sub-  
3 stantially identical property, see section 118.

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

7 (j) BAD DEBTS.—Debts ascertained to be worthless  
8 and charged off within the taxable year (or, in the discre-  
9 tion of the Commissioner, a reasonable addition to a reserve  
10 for bad debts) ; and when satisfied that a debt is recoverable  
11 only in part, the Commissioner may allow such debt to be  
12 charged off in part.

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

1           (1) DEPLETION.—In the case of mines, oil and gas  
2 wells, other natural deposits, and timber, a reasonable allow-  
3 ance for depletion and for depreciation of improvements,  
4 according to the peculiar conditions in each case; such  
5 reasonable allowance in all cases to be made under rules  
6 and regulations to be prescribed by the Commissioner, with  
7 the approval of the Secretary. *In any case in which it is*  
8 *ascertained as a result of operations or of development work*  
9 *that the recoverable units are greater or less than the prior*  
10 *estimate thereof, then such prior estimate (but not the basis*  
11 *for depletion) shall be revised and the allowance under this*  
12 *subsection for subsequent taxable years shall be based upon*  
13 *such revised estimate.* In the case of leases the deduction  
14 shall be equitably apportioned between the lessor and lessee.  
15 In the case of property held by one person for life with  
16 remainder to another person, the deduction shall be com-  
17 puted as if the life tenant were the absolute owner of the  
18 property and shall be allowed to the life tenant. In  
19 the case of property held in trust the allowable deduction  
20 shall be apportioned between the income beneficiaries and  
21 the trustee in accordance with the pertinent provisions of  
22 the instrument creating the trust, or, in the absence of such  
23 provisions, on the basis of the trust income allocable to each.  
24 (For percentage depletion in case of oil and gas wells, see  
25 section 114 (b) (3) and (4).)

1           (m) BASIS FOR DEPRECIATION AND DEPLETION.—

2   The basis upon which depletion, exhaustion, wear and tear,  
3   and obsolescence are to be allowed in respect of any property  
4   shall be as provided in section 114.

5           (n) CHARITABLE AND OTHER CONTRIBUTIONS.—

6   In the case of an individual, contributions or gifts made  
7   within the taxable year to or for the use of:

8           (1) the United States, any State, Territory, or  
9           any political subdivision thereof, or the District of  
10          Columbia, for exclusively public purposes;

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

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

21          (4) posts or organizations of war veterans, or  
22          auxiliary units or societies of any such posts or organ-  
23          izations, if such posts, organizations, units, or societies  
24          are organized in the United States or any of its posses-

1 sions, and if no part of their net earnings inures to the  
2 benefit of any private shareholder or individual; or

3 (5) a fraternal society, order, or association, op-  
4 erating under the lodge system, but only if such con-  
5 tributions or gifts are to be used exclusively for  
6 religious, charitable, scientific, literary, or educational  
7 purposes, or for the prevention of cruelty to children  
8 or animals;

9 to an amount which in all the above cases combined does  
10 not exceed 15 per centum of the taxpayer's net income as  
11 computed without the benefit of this subsection. Such  
12 contributions or gifts shall be allowable as deductions only  
13 if verified under rules and regulations prescribed by the  
14 Commissioner, with the approval of the Secretary. (For  
15 unlimited deduction if contributions and gifts exceed 90 per  
16 centum of the net income, see section 120.)

17 (o) **FUTURE EXPENSES IN CASE OF CASUAL SALES**  
18 **OF REAL PROPERTY.**—In the case of a casual sale or other  
19 casual disposition of real property by an individual, a reason-  
20 able allowance for future expense liabilities, incurred under  
21 the provisions of the contract under which such sale or other  
22 disposition was made, under such regulations as the Com-  
23 missioner, with the approval of the Secretary, may prescribe,  
24 including the giving of a bond, with such sureties and in such

1 sum (not less than the estimated tax liability computed  
2 without the benefit of this subsection) as the Commissioner  
3 may require, conditioned upon the payment (notwithstand-  
4 ing any statute of limitations) of the tax, computed without  
5 the benefit of this subsection, in respect of any amounts  
6 allowed as a deduction under this subsection and not actually  
7 expended in carrying out the provisions of such contract.

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

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

12 (2) from any foreign corporation when it is  
13 shown to the satisfaction of the Commissioner that  
14 more than 50 per centum of the gross income of such  
15 foreign corporation for the three-year period ending  
16 with the close of its taxable year preceding the declara-  
17 tion of such dividends (or for such part of such period  
18 as the foreign corporation has been in existence) was  
19 derived from sources within the United States as deter-  
20 mined under section 119.

21 The deduction allowed by this subsection shall not be  
22 allowed in respect of dividends received from a corporation  
23 organized under the China Trade Act, 1922, or from a  
24 corporation which under section 251 is taxable only on its  
25 gross income from sources within the United States by



1 reason of its receiving a large percentage of its gross income  
2 from sources within a possession of the United States.

3 (q) PENSION TRUSTS.—An employer establishing or  
4 maintaining a pension trust to provide for the payment of  
5 reasonable pensions to his employees (if such trust is exempt  
6 from tax under section 165, relating to trusts created for the  
7 exclusive benefit of employees) shall be allowed as a deduc-  
8 tion (in addition to the contributions to such trust during  
9 the taxable year to cover the pension liability accruing  
10 during the year, allowed as a deduction under subsection  
11 (a) of this section) a reasonable amount transferred or paid  
12 into such trust during the taxable year in excess of such  
13 contributions, but only if such amount (1) has not thereto-  
14 fore been allowable as a deduction, and (2) is apportioned  
15 in equal parts over a period of ten consecutive years begin-  
16 ning with the year in which the transfer or payment is made.  
17 *Any deduction allowable under section 23 (q) of the Reve-*  
18 *nuce Act of 1928 which under such section was apportioned*  
19 *to any taxable year subsequent to the taxable year 1931 shall*  
20 *be allowed as a deduction in the years to which so*  
21 *apportioned to the extent allowable under such section if it*  
22 *had remained in force with respect to such year.*

23 (r) LIMITATION ON STOCK LOSSES.—

24 (1) *Losses from sales or exchanges of stocks and*  
25 *bonds (as defined in subsection (1) of this section) which*

1        *are not capital assets (as defined in section 101) shall*  
2        *be allowed only to the extent of the gains from such*  
3        *sales or exchanges.*

4            *(2) Losses disallowed as a deduction by para-*  
5        *graph (1), computed without regard to any losses sus-*  
6        *tained during the preceding taxable year, shall, to an*  
7        *amount not in excess of the taxpayer's net income for*  
8        *the taxable year, be considered for the purposes of this*  
9        *title as losses sustained in the succeeding taxable year*  
10       *from sales or exchanges of stocks or bonds which are not*  
11       *capital assets.*

12           *(3) This subsection shall not apply to a dealer in*  
13        *securities in respect of transactions in the ordinary*  
14        *course of his business with his customers, nor to a bank*  
15        *or trust company incorporated under the laws of the*  
16        *United States or of any State or Territory.*

17           *(s) SAME—SHORT SALES.—For the purposes of*  
18        *this title, gains or losses (A) from short sales of stocks and*  
19        *bonds, or (B) attributable to privileges or options to buy or*  
20        *sell such stocks and bonds, or (C) from sales or exchanges*  
21        *of such privileges or options, shall be considered as gains or*  
22        *losses from sales or exchanges of stocks or bonds which are*  
23        *not capital assets.*

24           *(t) DEFINITION OF STOCKS AND BONDS.—As used*  
25        *in subsections (r) and (s), the term "stocks and*

1 *bonds" means (1) shares of stock in any corporation, or (2)*  
 2 *rights to subscribe for or to receive such shares, or (3) bonds,*  
 3 *debentures, notes, or certificates or other evidences of indebt-*  
 4 *edness, issued by any corporation (other than a government*  
 5 *or political subdivision thereof), with interest coupons*  
 6 *or in registered form, or (4) certificates of profit, or of inter-*  
 7 *est in property or accumulations, in any investment trust or*  
 8 *similar organization holding or dealing in any of the instru-*  
 9 *ments mentioned or described in this subsection, regardless*  
 10 *of whether or not such investment trust or similar organiza-*  
 11 *tion constitutes a corporation within the meaning of this Act.*

12 **SEC. 24. ITEMS NOT DEDUCTIBLE.**

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

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

16 (2) Any amount paid out for new buildings or  
 17 for permanent improvements or betterments made to  
 18 increase the value of any property or estate;

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

22 (4) Premiums paid on any life insurance policy  
 23 covering the life of any officer or employee, or of any  
 24 person financially interested in any trade or business  
 25 carried on by the taxpayer, when the taxpayer is  
 26 directly or indirectly a beneficiary under such policy.



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

10          The credit 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 cor-  
13          poration which under section 251 is taxable only on its gross  
14          income from sources within the United States by reason of  
15          its receiving a large percentage of its gross income from  
16          sources within a possession of the United States.

17          (b) INTEREST ON UNITED STATES OBLIGATIONS.—  
18          The amount received as interest upon obligations of the  
19          United States which is included in gross income under  
20          section 22.

21          (c) PERSONAL EXEMPTION.—In the case of a single  
22          person, a personal exemption of ~~\$1,500~~ \$1,000; or in the  
23          case of the head of a family or a married person living with  
24          husband or wife, a personal exemption of ~~\$2,500~~ \$2,500.  
25          A husband and wife living together shall receive but one

1 personal exemption. The amount of such personal exemp-  
 2 tion shall be ~~\$3,500~~ \$2,500. If such husband and wife  
 3 make separate returns, the personal exemption may be taken  
 4 by either or divided between them.

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

10 (e) CHANGE OF STATUS.—

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

14 (2) The personal exemption allowed by subsec-  
 15 tion (c) of this section shall, in case the status of the  
 16 taxpayer changes during his taxable year, be the sum  
 17 of an amount which bears the same ratio to \$1,500  
 18 as the number of months during which the tax-  
 19 payer was single bears to twelve months, plus an  
 20 amount which bears the same ratio to \$2,500 as  
 21 the number of months during which the taxpayer  
 22 was a married person living with husband or wife or  
 23 was the head of a family bears to twelve months. For  
 24 the purposes of this paragraph a fractional part of a  
 25 month shall be disregarded unless it amounts to more

1 than half a month, in which case it shall be considered  
2 as a month.

3 (3) In the case of an individual who dies during  
4 the taxable year, the personal exemption and the  
5 credit for dependents shall be determined by his status  
6 at the time of his death, and in such case full credits  
7 shall be allowed to the surviving spouse, if any, accord-  
8 ing to his or her status at the close of the taxable year.

9 *If the status of the taxpayer, in so far as it affects the per-*  
10 *sonal exemption or credit for dependents, changes during*  
11 *the taxable year, the personal exemption and credit shall be*  
12 *apportioned, under rules and regulations prescribed by the*  
13 *Commissioner with the approval of the Secretary, in accord-*  
14 *ance with the number of months before and after such change.*  
15 *For the purpose of such apportionment a fractional part of*  
16 *a month shall be disregarded unless it amounts to more than*  
17 *half a month in which case it shall be considered as a month.*

18 (f) *EARNED INCOME CREDIT.*— $12\frac{1}{2}$  per centum of  
19 *the amount of the earned net income, but not in excess of*  
20  $12\frac{1}{2}$  per centum of the amount of the net income.

21 (g) *EARNED INCOME DEFINITIONS.*—*For the pur-*  
22 *poses of this section—*

23 (1) *“Earned income” means wages, salaries,*  
24 *professional fees, and other amounts received as com-*  
25 *penetration for personal services actually rendered, but*

1        *does not include that part of the compensation derived*  
2        *by the taxpayer for personal services rendered by him*  
3        *to a corporation which represents a distribution of*  
4        *earnings or profits rather than a reasonable allowance*  
5        *as compensation for the personal services actually ren-*  
6        *dered. In the case of a taxpayer engaged in a trade*  
7        *or business in which both personal services and capital*  
8        *are material income producing factors, a reasonable*  
9        *allowance as compensation for the personal services*  
10       *actually rendered by the taxpayer, not in excess of 20*  
11       *per centum of his share of the net profits of such trade*  
12       *or business, shall be considered as earned income.*

13                *(2) "Earned income deductions" means such*  
14        *deductions as are allowed by section 23 for the purpose*  
15        *of computing net income, and are properly allocable to*  
16        *or chargeable against earned income.*

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



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

2 For the purpose only of the tax imposed by section 13  
3 there shall be allowed the following credits:

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

7 (b) In the case of a domestic corporation the net  
8 income of which is \$25,000 or less, a specific credit of  
9 \$3,000; but if the net income is more than \$25,000 the  
10 tax imposed by section 13 shall not exceed the tax which  
11 would be payable if the \$3,000 credit were allowed, plus  
12 the amount of the net income in excess of \$25,000.

13 For the purpose only of the tax imposed by section 13  
14 there shall be allowed as a credit against net income the  
15 amount received as interest upon obligations of the United  
16 States which is included in gross income under section 22.

17 **Part III—Credits Against Tax**

18 **SEC. 31. EARNED INCOME CREDIT.**

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

20 (1) "Earned income" means wages, salaries,  
21 professional fees, and other amounts received as com-  
22 pensation for personal services actually rendered; but  
23 does not include that part of the compensation derived  
24 by the taxpayer for personal services rendered by him  
25 to a corporation which represents a distribution of earn-

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

10        (2) "Earned income deductions" means such  
 11        deductions as are allowed by section 213 for the purpose  
 12        of computing net income, and are properly allocable  
 13        to or chargeable against earned income.

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

23        (b) ALLOWANCE OF CREDIT.—In the case of an indi-  
 24        vidual the tax shall be credited with 25 per centum of the

1 amount of tax which would be payable if his earned net  
 2 income constituted his entire net income; but in no case  
 3 shall the credit allowed under this subsection exceed 25 per  
 4 centum of his normal tax plus 25 per centum of the surtax  
 5 which would be payable if his earned net income constituted  
 6 his entire net income. This credit shall be in addition to all  
 7 other credits against the tax.

8 **SEC. 22 31. TAXES OF FOREIGN COUNTRIES AND POSSES-**  
 9 **SIONS OF UNITED STATES.**

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

14 **SEC. 23 32. TAXES WITHHELD AT SOURCE.**

15 The amount of tax withheld at the source under section  
 16 ~~144~~ 143 shall be allowed as a credit against the tax.

17 **SEC. 24 33. ERRONEOUS PAYMENTS.**

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

21 (b) FISCAL YEAR ENDING IN ~~1928~~ 1932.—For  
 22 credit against the tax of amounts of tax paid for a fiscal year  
 23 beginning in ~~1927~~ 1931 and ending in ~~1928~~ 1932, see sec-  
 24 tion 132.

**1 Part IV—Accounting Periods and Methods of Accounting****2 SEC. 41. GENERAL RULE.**

3       The net income shall be computed upon the basis of  
4 the taxpayer's annual accounting period (fiscal year or  
5 calendar year, as the case may be) in accordance with the  
6 method of accounting regularly employed in keeping the  
7 books of such taxpayer; but if no such method of accounting  
8 has been so employed, or if the method employed does not  
9 clearly reflect the income, the computation shall be made in  
10 accordance with such method as in the opinion of the Com-  
11 missioner does clearly reflect the income. If the taxpayer's  
12 annual accounting period is other than a fiscal year as  
13 defined in section 48 or if the taxpayer has no annual  
14 accounting period or does not keep books, the net income  
15 shall be computed on the basis of the calendar year. (For  
16 use of inventories, see section 22 (c).)

**17 SEC. 42. PERIOD IN WHICH ITEMS OF GROSS INCOME  
18 INCLUDED.**

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

1 **SEC. 43. PERIOD FOR WHICH DEDUCTIONS AND CREDITS**  
2 **TAKEN.**

3 The deductions and credits provided for in this title  
4 shall be taken for the taxable year in which "paid or  
5 accrued" or "paid or incurred", dependent upon the  
6 method of accounting upon the basis of which the net income  
7 is computed, unless in order to clearly reflect the income  
8 the deductions or credits should be taken as of a different  
9 period.

10 **SEC. 44. INSTALLMENT BASIS.**

11 (a) **DEALERS IN PERSONAL PROPERTY.**—Under  
12 regulations prescribed by the Commissioner with the ap-  
13 proval of the Secretary, a person who regularly sells or  
14 otherwise disposes of personal property on the installment  
15 plan may return as income therefrom in any taxable year  
16 that proportion of the installment payments actually received  
17 in that year which the gross profit realized or to be realized  
18 when payment is completed, bears to the total contract price.

19 (b) **SALES OF REALTY AND CASUAL SALES OF PER-**  
20 **SONALTY.**—In the case (1) of a casual sale or other casual  
21 disposition of personal property (other than property of  
22 a kind which would properly be included in the inventory  
23 of the taxpayer if on hand at the close of the taxable  
24 year), for a price exceeding \$1,000, or (2) of a sale or

1 other disposition of real property, if in either case the initial  
2 payments do not exceed 40 per centum of the selling  
3 price, the income may, under regulations prescribed by the  
4 Commissioner with the approval of the Secretary, be re-  
5 turned on the basis and in the manner above prescribed  
6 in this section. As used in this section the term "initial  
7 payments" means the payments received in cash or prop-  
8 erty other than evidences of indebtedness of the purchaser  
9 during the taxable period in which the sale or other  
10 disposition is made.

11 (c) CHANGE FROM ACCRUAL TO INSTALLMENT  
12 BASIS.—If a taxpayer entitled to the benefits of subsection  
13 (a) elects for any taxable year to report his net income  
14 on the installment basis, then in computing his income  
15 for the year of change or any subsequent year, amounts  
16 actually received during any such year on account of sales  
17 or other dispositions of property made in any prior year  
18 shall not be excluded.

19 (d) GAIN OR LOSS UPON DISPOSITION OF INSTALL-  
20 MENT OBLIGATIONS.—If an installment obligation is satisfied  
21 at other than its face value or distributed, transmitted, sold,  
22 or otherwise disposed of, gain or loss shall result to the  
23 extent of the difference between the basis of the obligation  
24 and (1) in the case of satisfaction at other than face value or  
25 a sale or exchange—the amount realized, or (2) in case

1 of a distribution, transmission, or disposition otherwise than  
2 by sale or exchange—the fair market value of the obliga-  
3 tion at the time of such distribution, transmission, or dis-  
4 position. The basis of the obligation shall be the excess  
5 of the face value of the obligation over an amount equal  
6 to the income which would be returnable were the obligation  
7 satisfied in full. *This subsection shall not apply to the*  
8 *transmission at death of installment obligations if there is*  
9 *filed with the Commissioner, at such time as he may by*  
10 *regulation prescribe, a bond in such amount and with such*  
11 *sureties as he may deem necessary, conditioned upon the*  
12 *return as income, by the person receiving any payment on*  
13 *such obligations, of the same proportion of such payment as*  
14 *would be returnable as income by the decedent if he had*  
15 *lived and had received such payment.*

16 **SEC. 45. ALLOCATION OF INCOME AND DEDUCTIONS.**

17 In any case of two or more trades or businesses  
18 (whether or not incorporated, whether or not organized in  
19 the United States, and whether or not affiliated) owned or  
20 controlled directly or indirectly by the same interests, the  
21 Commissioner is authorized to distribute, apportion, or allo-  
22 cate gross income or deductions between or among such  
23 trades or businesses, if he determines that such distribution,  
24 apportionment, or allocation is necessary in order to prevent

1 evasion of taxes or clearly to reflect the income of any of  
2 such trades or businesses.

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

4 If a taxpayer changes his accounting period from fiscal  
5 year to calendar year, from calendar year to fiscal year,  
6 or from one fiscal year to another, the net income shall, with  
7 the approval of the Commissioner, be computed on the basis  
8 of such new accounting period, subject to the provisions of  
9 section 47.

10 **SEC. 47. RETURNS FOR A PERIOD OF LESS THAN TWELVE**  
11 **MONTHS.**

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



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

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

19           **(d) CAPITAL NET GAINS AND LOSSES—EARNED IN-**  
20 **COME.**—The Commissioner with the approval of the Secre-  
21 tary shall by regulations prescribe the method of applying  
22 the provisions of subsections **(b)** and **(c)** (relating to com-  
23 puting income on the basis of a short period, and placing  
24 such income on an annual basis) to cases where the tax-

1 payer makes a separate return under subsection (a) on  
 2 account of a change in the accounting period, and it appears  
 3 that for the period for which the return is so made he has  
 4 derived a capital net gain, or sustained a capital net loss,  
 5 or received earned income.

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

15       **(f) CLOSING OF TAXABLE YEAR IN CASE OF JEOP-**  
 16 **ARDY.**—For closing of taxable year in case of jeopardy, see  
 17 section 147 146.

18 **SEC. 48. DEFINITIONS.**

19       When used in this title—

20       **(a) TAXABLE YEAR.**—“Taxable year” means the  
 21 calendar year, or the fiscal year ending during such calendar  
 22 year, upon the basis of which the net income is computed  
 23 under this Part. “Taxable year” includes, in the case  
 24 of a return made for a fractional part of a year under the  
 25 provisions of this title or under regulations prescribed by

1 the Commissioner with the approval of the Secretary, the  
 2 period for which such return is made. The first taxable  
 3 year, to be called the taxable year ~~1928~~ 1932, shall be the  
 4 calendar year ~~1928~~ 1932 or any fiscal year ending during  
 5 the calendar year ~~1928~~ 1932.

6 (b) FISCAL YEAR.—“Fiscal year” means an ac-  
 7 counting period of twelve months ending on the last day  
 8 of any month other than December.

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

### 13 Part V—Returns and Payment of Tax

#### 14 SEC. 51. INDIVIDUAL RETURNS.

15 (a) REQUIREMENT.—The following individuals shall  
 16 each make under oath a return stating specifically the items  
 17 of his gross income and the deductions and credits allowed  
 18 under this title—

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

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

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

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

8           (1) Each shall make such a return, or

9           (2) The income of each shall be included in a  
10          single joint return, in which case the tax shall be com-  
11          puted on the aggregate income.

12          (c) PERSONS UNDER DISABILITY.—If the taxpayer is  
13          unable to make his own return, the return shall be made by  
14          a duly authorized agent or by the guardian or other person  
15          charged with the care of the person or property of such  
16          taxpayer.

17          (d) FIDUCIARIES.—For returns to be made by fiduci-  
18          aries, see section 143 142.

## 19   SEC. 52. CORPORATION RETURNS.

20          (a) REQUIREMENT.—Every corporation subject to  
21          taxation under this title shall make a return, stating spe-  
22          cifically the items of its gross income and the deductions and  
23          credits allowed by this title. The return shall be sworn to  
24          by the president, vice president, or other principal officer  
25          and by the treasurer or assistant treasurer. In cases where

1 receivers, trustees in bankruptcy, or assignees are operating  
2 the property or business of corporations, such receivers,  
3 trustees, or assignees shall make returns for such corpora-  
4 tions in the same manner and form as corporations are  
5 required to make returns. Any tax due on the basis of such  
6 returns made by receivers, trustees, or assignees shall be  
7 collected in the same manner as if collected from the corpora-  
8 tions of whose business or property they have custody and  
9 control.

10 (b) **CONSOLIDATED RETURNS.**—For provision as to  
11 consolidated returns of affiliated corporations, see sections  
12 ~~141 and 142~~ *section 141*.

13 **SEC. 53. TIME AND PLACE FOR FILING RETURNS.**

14 (a) **TIME FOR FILING.**—

15 (1) **GENERAL RULE.**—Returns made on the  
16 basis of the calendar year shall be made on or before  
17 the 15th day of March following the close of the  
18 calendar year. Returns made on the basis of a fiscal  
19 year shall be made on or before the 15th day of the  
20 third month following the close of the fiscal year.

21 (2) **EXTENSION OF TIME.**—The Commissioner  
22 may grant a reasonable extension of time for filing  
23 returns, under such rules and regulations as he shall  
24 prescribe with the approval of the Secretary. Except

1 in the case of taxpayers who are abroad, no such exten-  
2 sion shall be for more than six months.

3 (b) TO WHOM RETURN MADE.—

4 (1) INDIVIDUALS.—Returns (other than cor-  
5 poration returns) shall be made to the collector for the  
6 district in which is located the legal residence or prin-  
7 cipal place of business of the person making the return,  
8 or, if he has no legal residence or principal place of  
9 business in the United States, then to the collector at  
10 Baltimore, Maryland.

11 (2) CORPORATIONS.—Returns of corporations  
12 shall be made to the collector of the district in which  
13 is located the principal place of business or principal  
14 office or agency of the corporation, or, if it has no  
15 principal place of business or principal office or agency  
16 in the United States, then to the collector at Baltimore,  
17 Maryland.

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

19 (a) BY TAXPAYER.—Every person liable to any tax  
20 imposed by this title or for the collection thereof, shall keep  
21 such records, render under oath such statements, make such  
22 returns, and comply with such rules and regulations, as  
23 the Commissioner, with the approval of the Secretary, may  
24 from time to time prescribe,

1           **(b) TO DETERMINE LIABILITY TO TAX.**—Whenever  
2 in the judgment of the Commissioner necessary he may  
3 require any person, by notice served upon him, to make a  
4 return, render under oath such statements, or keep such  
5 records, as the Commissioner deems sufficient to show  
6 whether or not such person is liable to tax under this title.

7           **(c) INFORMATION AT THE SOURCE.**—For require-  
8 ment of statements and returns by one person to assist in  
9 determining the tax liability of another person, see sections  
10 ~~148 to 151~~ 147 to 150.

11 **SEC. 55. PUBLICITY OF RETURNS.**

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

16 **SEC. 56. PAYMENT OF TAX.**

17           **(a) TIME OF PAYMENT.**—The total amount of tax  
18 imposed by this title shall be paid on the fifteenth day of  
19 March following the close of the calendar year, or, if the  
20 return should be made on the basis of a fiscal year, then on  
21 the fifteenth day of the third month following the close of  
22 the fiscal year.

23           **(b) INSTALLMENT PAYMENTS.**—The taxpayer may  
24 elect to pay the tax in four equal installments, in which case  
25 the first installment shall be paid on the date prescribed for

1 the payment of the tax by the taxpayer, the second install-  
2 ment shall be paid on the fifteenth day of the third month,  
3 the third installment on the fifteenth day of the sixth month,  
4 and the fourth installment on the fifteenth day of the ninth  
5 month, after such date. If any installment is not paid on  
6 or before the date fixed for its payment, the whole amount  
7 of the tax unpaid shall be paid upon notice and demand  
8 from the collector.

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

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

22 (e) **ADVANCE PAYMENT IN CASE OF JEOPARDY.**—  
23 For advance payment in case of jeopardy, see section ~~147~~  
24 *146*.



1           (f) **TAX WITHHELD AT SOURCE.**—For requirement of  
2 withholding tax at the source in the case of nonresident  
3 aliens and foreign corporations, and in the case of so-called  
4 “tax-free covenant bonds,” see sections 144 and 145  
5 143 and 144.

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

10          (h) **RECEIPTS.**—Every collector to whom any pay-  
11 ment of any income tax is made shall upon request give to  
12 the person making such payment a full written or printed  
13 receipt, stating the amount paid and the particular account  
14 for which such payment was made; and whenever any  
15 debtor pays taxes on account of payments made or to be  
16 made by him to separate creditors the collector shall, if  
17 requested by such debtor, give a separate receipt for the  
18 tax paid on account of each creditor in such form that the  
19 debtor can conveniently produce such receipts separately  
20 to his several creditors in satisfaction of their respective  
21 demands up to the amounts stated in the receipts; and  
22 such receipt shall be sufficient evidence in favor of such  
23 debtor to justify him in withholding from his next payment  
24 to his creditor the amount therein stated; but the creditor

1 may, upon giving to his debtor a full written receipt  
2 acknowledging the payment to him of any sum actually  
3 paid and accepting the amount of tax paid as aforesaid  
4 (specifying the same) as a further satisfaction of the debt  
5 to that amount, require the surrender to him of such collec-  
6 tor's receipt.

7 **SEC. 57. EXAMINATION OF RETURN AND DETERMINATION**  
8 **OF TAX.**

9 As soon as practicable after the return is filed the  
10 Commissioner shall examine it and shall determine the  
11 correct amount of the tax.

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

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

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

18 **SEC. 59. ADMINISTRATIVE PROCEEDINGS.**

19 For administrative proceedings in respect of the non-  
20 payment or overpayment of a tax imposed by this title, see  
21 as follows:

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

24 (b) Supplement M, relating to interest and additions  
25 to tax.

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

3 (d) Supplement O, relating to overpayments.

4 **Part VI—Miscellaneous Provisions**

5 **SEC. 61. LAWS MADE APPLICABLE.**

6 All administrative, special, or stamp provisions of law,  
7 including the law relating to the assessment of taxes, so far  
8 as applicable, are hereby extended to and made a part of  
9 this title.

10 **SEC. 62. RULES AND REGULATIONS.**

11 The Commissioner, with the approval of the Secretary,  
12 shall prescribe and publish all needful rules and regulations  
13 for the enforcement of this title.

14 **SEC. 63. TAXES IN LIEU OF TAXES UNDER 1936 1928 ACT.**

15 The taxes imposed by this title shall be in lieu of the  
16 corresponding taxes imposed by Title II of the Revenue  
17 Act of 1926, in accordance with the following table: the  
18 sections of the Revenue Act of 1928 bearing the same  
19 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

1 **SEC. 64. SHORT TITLE.**

2 This title may be cited as the "Income Tax Act of  
3 ~~1928~~ 1932."

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

5 This title shall take effect as of January 1, ~~1928~~ 1932,  
6 except that sections ~~146~~ 145 and ~~151~~ 150, and this section,  
7 shall take effect on the enactment of this Act.

8 **SUBTITLE C—SUPPLEMENTAL PROVISIONS**

9 **Supplement A—Rates of Tax**

10 [Supplementary to Subtitle B, Part I]

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

12 (a) **TAX IN CASE OF CAPITAL NET GAIN.**—In the  
13 case of any taxpayer, other than a corporation, who for  
14 any taxable year derives a capital net gain (as hereinafter  
15 defined in this section), there shall, at the election of the  
16 taxpayer,<sup>o</sup> be levied, collected, and paid, in lieu of all other  
17 taxes imposed by this title, a tax determined as follows: a  
18 partial tax shall first be computed upon the basis of the  
19 ordinary net income at the rates and in the manner as if this  
20 section had not been enacted and the total tax shall be this  
21 amount plus 12½ per centum of the capital net gain.

22 (b) **TAX IN CASE OF CAPITAL NET LOSS.**—In the  
23 case of any taxpayer, other than a corporation, who for  
24 any taxable year sustains a capital net loss (as hereinafter  
25 defined in this section), there shall be levied, collected, and

1 paid, in lieu of all other taxes imposed by this title, a tax  
2 determined as follows: a partial tax shall first be com-  
3 puted upon the basis of the ordinary net income at the  
4 rates and in the manner as if this section had not been  
5 enacted, and the total tax shall be this amount minus 12½  
6 per centum of the capital net loss; but in no case shall the  
7 tax of a taxpayer who has sustained a capital net loss be  
8 less than the tax computed without regard to the provisions  
9 of this section.

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

11 (1) “Capital gain” means taxable gain from  
12 the sale or exchange of capital assets consummated after  
13 December 31, 1921.

14 (2) “Capital loss” means deductible loss re-  
15 sulting from the sale or exchange of capital assets.

16 (3) “Capital deductions” means such deductions  
17 as are allowed by section 23 for the purpose of com-  
18 puting net income, and are properly allocable to or  
19 chargeable against capital assets sold or exchanged  
20 during the taxable year.

21 (4) “Ordinary deductions” means the deductions  
22 allowed by section 23 other than capital losses and  
23 capital deductions.

24 (5) “Capital net gain” means the excess of the  
25 total amount of capital gain over the sum of (A) the

1 capital deductions and capital losses, plus (B) the  
2 amount, if any, by which the ordinary deductions ex-  
3 ceed the gross income computed without including  
4 capital gains.

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

8 (7) "Ordinary net income" means the net in-  
9 come, computed in accordance with the provisions of  
10 this title, after excluding all items of capital gain, capital  
11 loss, and capital deductions.

12 (8) "Capital assets" means property held by  
13 the taxpayer for more than two years (whether or  
14 not connected with his trade or business), but does  
15 not include stock in trade of the taxpayer or other prop-  
16 erty of a kind which would properly be included in the  
17 inventory of the taxpayer if on hand at the close of  
18 the taxable year, or property held by the taxpayer  
19 primarily for sale in the course of his trade or business.  
20 For the purposes of this definition—

21 (A) In determining the period for which  
22 the taxpayer has held property received on an ex-  
23 change there shall be included the period for  
24 which he held the property exchanged, if under  
25 the provisions of section 113, the property re-

1           ceived has, for the purpose of determining gain or  
2           loss from a sale or exchange, the same basis in  
3           whole or in part in his hands as the property  
4           exchanged.

5           (B) In determining the period for which  
6           the taxpayer has held property however acquired  
7           there shall be included the period for which such  
8           property was held by any other person, if  
9           under the provisions of section 118, such prop-  
10          erty has, for the purpose of determining gain or  
11          loss from a sale or exchange, the same basis in  
12          whole or in part in his hands as it would have  
13          in the hands of such other person.

14          (C) In determining the period for which  
15          the taxpayer has held stock or securities received  
16          upon a distribution where no gain is recognized  
17          to the distributee under the provisions of section  
18          112 (g) of this title or under the provisions of  
19          section ~~208 (e)~~ of the Revenue Act of 1924 or  
20          ~~1926~~ Act or the Revenue Act of 1928, there shall  
21          be included the period for which he held the stock  
22          or securities in the distributing corporation prior  
23          to the receipt of the stock or securities upon such  
24          distribution.

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

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

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

18          (a) In the case of a bona fide sale of mines, oil or  
19          gas wells, or any interest therein, where the principal value  
20          of the property has been demonstrated by prospecting or  
21          exploration and discovery work done by the taxpayer, the  
22          portion of the tax imposed by section 12 of this title attrib-  
23          utable to such sale shall not exceed 16 per centum of the  
24          selling price of such property or interest.



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

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

4           The following organizations shall be exempt from taxa-  
5 tion under this title—

6                   (1) Labor, agricultural, or horticultural organiza-  
7 tions;

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

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

17                   (4) Domestic building and loan associations sub-  
18 stantially all the business of which is confined to mak-  
19 ing loans to members; and cooperative banks without  
20 capital stock organized and operated for mutual pur-  
21 poses and without profit;

22                   (5) Cemetery companies owned and operated  
23 exclusively for the benefit of their members or which  
24 are not operated for profit; and any corporation char-

1       tered solely for burial purposes as a cemetery corpora-  
2       tion and not permitted by its charter to engage in any  
3       business not necessarily incident to that purpose, no  
4       part of the net earnings of which inures to the benefit  
5       of any private shareholder or individual;

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

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

16              (8) Civic leagues or organizations not organized  
17      for profit but operated exclusively for the promotion  
18      of social welfare, or local associations of employees, the  
19      membership of which is limited to the employees of a  
20      designated person or persons in a particular municipi-  
21      pality, and the net earnings of which are devoted ex-  
22      clusively to charitable, educational, or recreational pur-  
23      poses;

24              (9) Clubs organized and operated exclusively for  
25      pleasure, recreation, and other non-profitable purposes,

1 no part of the net earnings of which inures to the bene-  
2 fit of any private shareholder;

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

10 ~~(11) Farmers' or other mutual hail, cyclone,~~  
11 ~~casualty, or fire insurance companies or associations~~  
12 ~~(including interinsurers and reciprocal underwriters)~~  
13 ~~the income of which is used or held for the purpose of~~  
14 ~~paying losses or expenses;~~

15 (11) *Mutual hail, cyclone, casualty, or fire insur-*  
16 *ance companies or associations (including interinsurers*  
17 *and reciprocal underwriters) of the type commonly*  
18 *known as "farmers", "county", "town", or "local"*  
19 *mutuals, the income of which is used or held for the*  
20 *purpose of paying losses or expenses;*

21 (12) Farmers', fruit growers', or like associations  
22 organized and operated on a cooperative basis (a) for  
23 the purpose of marketing the products of members or  
24 other producers, and turning back to them the proceeds  
25 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 SUR-**  
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 ~~118, and adjusted basis provided in section 118(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 ~~(e)~~ (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 Febru-  
23 ary 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



1 assets are transferred, or (C) a recapitalization, or (D)  
2 a mere change in identity, form, or place of organiza-  
3 tion, however effected.

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

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

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

1 *that such exchange or distribution is not in pursuance of a*  
 2 *plan having as one of its principal purposes the avoidance of*  
 3 *Federal income taxes.*

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

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

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

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

1 at which, according to the best information that the  
2 Commissioner is able to obtain, such property was  
3 acquired by such donor or last preceding owner.

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

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

24 (5) **PROPERTY TRANSMITTED AT DEATH.**—If  
25 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 or as a contribution*  
 21 *to capital,*

22 *then* the basis shall be the same as it would be in the  
 23 hands of the transferor, increased in the amount of  
 24 gain or decreased in the amount of loss recognized to

1 the transferor upon such transfer under the law appli-  
2 cable to the year in which the transfer was made.

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

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

1           (11) WASH SALES OF STOCK.—If substantially  
2 identical *the* property was acquired after December 31,  
3 1920, in place of stock or securities which were sold  
4 or disposed of and in respect of which loss was not  
5 allowed as a deduction under section 118 of this Act,  
6 or under section ~~214(a)(5)~~ or ~~234(a)(4)~~ of the  
7 Revenue Act of 1921, the Revenue Act of 1924, or  
8 the Revenue Act of 1926, the basis in the case of the  
9 property so acquired shall be the basis in the case of  
10 the stock or securities so sold or disposed of, except  
11 that if the repurchase price was in excess of the sale  
12 price such basis shall be increased in the amount of  
13 the difference, or if the repurchase price was less than  
14 the sale price such basis shall be decreased in the  
15 amount of the difference *consists of stock or securities*  
16 *the acquisition of which (or the contract or option to*  
17 *acquire which) resulted in the nondeductibility (under*  
18 *section 118 of this Act or corresponding provisions*  
19 *of prior income tax laws, relating to wash sales) of*  
20 *the loss from the sale or other disposition of substantially*  
21 *identical stock or securities, then the basis shall be the*  
22 *basis of the stock or securities so sold or disposed of,*  
23 *increased or decreased, as the case may be, by the*  
24 *difference, if any, between the price at which the prop-*  
25 *erty was acquired and the price at which such substan-*



1 *tially identical stock or securities were sold or otherwise*  
2 *disposed of.*

3 (12) PROPERTY ACQUIRED DURING AFFILIA-  
4 TION.—In the case of property acquired by a corpora-  
5 tion, during a period of affiliation, from a corporation  
6 with which it was affiliated, the basis of such property,  
7 after such period of affiliation, shall be determined, in  
8 accordance with regulations prescribed by the Com-  
9 missioner with the approval of the Secretary, without  
10 regard to inter-company transactions in respect of  
11 which gain or loss was not recognized. For the pur-  
12 poses of this paragraph, the term “period of affilia-  
13 tion” means the period during which such corporations  
14 were affiliated (determined in accordance with the law  
15 applicable thereto) but does not include any taxable  
16 year beginning on or after January 1, 1922, unless a  
17 consolidated return was made, nor any taxable year  
18 after the taxable year 1928. The basis in case of  
19 property acquired by a corporation during any period,  
20 in the taxable year 1929 or any subsequent taxable  
21 year, in respect of which a consolidated return is made  
22 by such corporation under section 141 of this Act *or*  
23 *the Revenue Act of 1928*, shall be determined *and*  
24 *adjusted* in accordance with regulations prescribed

1 under section 141 (b) of this Act or the Revenue Act of  
2 1928.

3 ~~(b)~~ (13) PROPERTY ACQUIRED BEFORE MARCH 1,  
4 1913.—The basis for determining the gain or loss from the  
5 sale or other disposition of property acquired before March  
6 1, 1913, shall be:

7 ~~(1)~~ the cost of such property ~~(or, in the case of~~  
8 such property as is described in subsection ~~(a)~~ ~~(1)~~,  
9 ~~(4)~~, ~~(5)~~, or ~~(12)~~ of this section, the basis as therein  
10 provided), or

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

13 whichever is greater. In the case of property acquired  
14 before March 1, 1913, if the basis otherwise determined under  
15 this subsection, adjusted as provided in subsection (b), is  
16 less than the fair market value of the property as of March  
17 1, 1913, then the basis shall be such fair market value. In  
18 determining the fair market value of stock in a corporation  
19 as of March 1, 1913, due regard shall be given to the fair  
20 market value of the assets of the corporation as of that date.

21 (b) ADJUSTED BASIS.—The adjusted basis for deter-  
22 mining the gain or loss from the sale or other disposition of  
23 property, whenever acquired, shall be the basis determined  
24 under subsection (a), adjusted as hereinafter provided.

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

3           (A) *for expenditures, receipts, losses, or other*  
4 *items, properly chargeable to capital account;*

5           (B) *in respect of any period since Feb-*  
6 *ruary 28, 1913, for exhaustion, wear and tear,*  
7 *obsolescence, amortization, and depletion, to the*  
8 *extent allowed (but not less than the amount*  
9 *allowable) under this Act or prior income tax*  
10 *laws. Where for any taxable year prior to the*  
11 *taxable year 1932 the depletion allowance was based*  
12 *on discovery value or a percentage of income, then*  
13 *the adjustment for depletion for such year shall be*  
14 *based on the depletion which would have been*  
15 *allowable for such year if computed without refer-*  
16 *ence to discovery value or a percentage of income;*

17           (C) *in respect of any period prior to March*  
18 *1, 1913, for exhaustion, wear and tear, obsoles-*  
19 *cence, amortization, and depletion, to the extent*  
20 *sustained;*

21           (D) *in the case of stock (to the extent not*  
22 *provided for in the foregoing subparagraphs) for*  
23 *the amount of distributions previously made which,*  
24 *under the law applicable to the year in which the*  
25 *distribution was made, either were tax-free or were*

1           *applicable in reduction of basis (not including dis-*  
2           *tributions made by a corporation, which was classi-*  
3           *fied as a personal service corporation under the*  
4           *provisions of the Revenue Act of 1918 or 1921,*  
5           *out of its earnings or profits which were taxable*  
6           *in accordance with the provisions of section 218*  
7           *of the Revenue Act of 1918 or 1921).*

8           (2) *SUBSTITUTED BASIS.*—*The term “substi-*  
9           *tuted basis” as used in this subsection means a basis*  
10          *determined under any provision of subsection (a) of*  
11          *this section or under any corresponding provision of*  
12          *a prior income tax law, providing that the basis shall*  
13          *be determined—*

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

16                   *(B) by reference to other property held at*  
17                   *any time by the person for whom the basis is to*  
18                   *be determined.*

19          *Whenever it appears that the basis of property in the*  
20          *hands of the taxpayer is a substituted basis, then the*  
21          *adjustments provided in paragraph (1) of this sub-*  
22          *section shall be made after first making in respect of*  
23          *such substituted basis proper adjustments of a similar*  
24          *nature in respect of the period during which the prop-*  
25          *erty was held by the transferor, donor, or grantor, or*

1        *during which the other property was held by the person*  
 2        *for whom the basis is to be determined. A similar rule*  
 3        *shall be applied in the case of a series of substituted*  
 4        *bases.*

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

6        (a) **BASIS FOR DEPRECIATION.**—The basis upon  
 7        which exhaustion, wear and tear, and obsolescence are to be  
 8        allowed in respect of any property shall be the same as is  
 9        provided in ~~section 113~~ *adjusted basis provided in section*  
 10       *113(b)* for the purpose of determining the gain or loss upon  
 11       the sale or other disposition of such property.

12       (b) **BASIS FOR DEPLETION.**—

13            (1) **GENERAL RULE.**—The basis upon which de-  
 14        pletion is to be allowed in respect of any property  
 15        shall be the same as is provided in ~~section 113~~ *adjusted*  
 16        *basis provided in section 113(b)* for the purpose of  
 17        determining the gain or loss upon the sale or other  
 18        disposition of such property, except as provided in  
 19        paragraphs ~~(2) and (3)~~ (2), (3), and (4) of this  
 20        subsection.

21            (2) **DISCOVERY VALUE IN CASE OF MINES.**—In  
 22        the case of mines (*other than metal or sul-*  
 23        *phur mines*) discovered by the taxpayer after  
 24        February 28, 1913, the basis for depletion shall be the  
 25        fair market value of the property at the date of dis-

1       covery or within thirty days thereafter, if such mines  
2       were not acquired as the result of purchase of a proven  
3       tract or lease, and if the fair market value of the prop-  
4       erty is materially disproportionate to the cost. The  
5       depletion allowance based on discovery value provided  
6       in this paragraph shall not exceed 50 per centum of  
7       the net income of the taxpayer (computed without  
8       allowance for depletion) from the property upon which  
9       the discovery was made, except that in no case shall  
10      the depletion allowance be less than it would be if  
11      computed without reference to discovery value. Dis-  
12      coveries shall include minerals in commercial quanti-  
13      ties contained within a vein or deposit discovered in  
14      an existing mine or mining tract by the taxpayer after  
15      February 28, 1913, if the vein or deposit thus discov-  
16      ered was not merely the uninterrupted extension of a  
17      continuing commercial vein or deposit already known  
18      to exist, and if the discovered minerals are of sufficient  
19      value and quantity that they could be separately mined  
20      and marketed at a profit.

21           (3) PERCENTAGE DEPLETION FOR OIL AND  
22      GAS WELLS.—In the case of oil and gas wells  
23      the allowance for depletion shall be  $27\frac{1}{2}$  per centum  
24      of the gross income from the property during  
25      the taxable year. Such allowance shall not exceed 50

1 per centum of the net income of the taxpayer (com-  
2 puted without allowance for depletion) from the prop-  
3 erty, except that in no case shall the depletion allowance  
4 be less than it would be if computed without reference  
5 to this paragraph.

6 (4) *PERCENTAGE DEPLETION FOR METAL MINES*  
7 *AND SULPHUR.*—*The allowance for depletion shall be,*  
8 *in the case of metal mines, 15 per centum, and, in the*  
9 *case of sulphur mines or deposits, 23 per centum, of*  
10 *the gross income from the property during the taxable*  
11 *year. Such allowance shall not exceed 50 per centum*  
12 *of the net income of the taxpayer (computed without*  
13 *allowance for depletion) from the property, except that*  
14 *in no case shall the depletion allowance for the taxable*  
15 *year 1932 or 1933 be less than it would be if computed*  
16 *without reference to this paragraph. A taxpayer mak-*  
17 *ing return for the taxable year 1933 shall state in such*  
18 *return, as to each property (or, if he first makes return*  
19 *in respect of a property for any taxable year after*  
20 *the taxable year 1933, then in such first return), whether*  
21 *he elects to have the depletion allowance for such prop-*  
22 *erty for succeeding taxable years computed with or*  
23 *without reference to percentage depletion. The deple-*  
24 *tion allowance in respect of such property for all suc-*  
25 *ceeding taxable years shall be computed according to*

1        *the election thus made. If the taxpayer fails to make*  
2        *such statement in the return the depletion allowance for*  
3        *such property for succeeding taxable years shall be*  
4        *computed without reference to percentage depletion.*

5        **SEC. 115. DISTRIBUTIONS BY CORPORATIONS.**

6        (a) **DEFINITION OF DIVIDEND.**—The term “divi-  
7        dend” when used in this title (except in section 203 (a) (4)  
8        and section 208 (c) (1), relating to insurance companies)  
9        means any distribution made by a corporation to its share-  
10       holders, whether in money or in other property, out of its  
11       earnings or profits accumulated after February 28, 1913.

12       (b) **SOURCE OF DISTRIBUTIONS.**—For the purposes  
13       of this Act every distribution is made out of earnings or prof-  
14       its to the extent thereof, and from the most recently accumu-  
15       lated earnings or profits. Any earnings or profits accumu-  
16       lated, or increase in value of property accrued, before  
17       March 1, 1913, may be distributed exempt from tax, after  
18       the earnings and profits accumulated after February 28,  
19       1913, have been distributed, but any such tax-free distribu-  
20       tion shall be applied against and reduce the basis of the  
21       stock provided in section 113.

22       (c) **DISTRIBUTIONS IN LIQUIDATION.**—Amounts dis-  
23       tributed in complete liquidation of a corporation shall be  
24       treated as in full payment in exchange for the stock, and  
25       amounts distributed in partial liquidation of a corporation



1 shall be treated as in part or full payment in exchange for  
2 the stock. The gain or loss to the distributee resulting from  
3 such exchange shall be determined under section 111, but  
4 shall be recognized only to the extent provided in section  
5 112. In the case of amounts distributed in partial liquida-  
6 tion (other than a distribution within the provisions of  
7 section 112 (h) of stock or securities in connection with a  
8 reorganization) the part of such distribution which is  
9 properly chargeable to capital account shall not be consid-  
10 ered a distribution of earnings or profits within the meaning  
11 of subsection (b) of this section for the purpose of deter-  
12 mining the taxability of subsequent distributions by the  
13 corporation.

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

1           (e) DISTRIBUTIONS BY PERSONAL SERVICE CORPO-  
2 RATIONS.—Any distribution made by a corporation, which  
3 was classified as a personal service corporation under the  
4 provisions of the Revenue Act of 1918 or the Revenue Act  
5 of 1921, out of its earnings or profits which were taxable in  
6 accordance with the provisions of section 218 of the Revenue  
7 Act of 1918 or section 218 of the Revenue Act of 1921, shall  
8 be exempt from tax to the distributees.

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

11           (g) REDEMPTION OF STOCK.—If a corporation can-  
12 cels or redeems its stock (whether or not such stock was  
13 issued as a stock dividend) at such time and in such manner  
14 as to make the distribution and cancellation or redemption  
15 in whole or in part essentially equivalent to the distribution  
16 of a taxable dividend, the amount so distributed in redemp-  
17 tion or cancellation of the stock, to the extent that it repre-  
18 sents a distribution of earnings or profits accumulated after  
19 February 28, 1913, shall be treated as a taxable dividend.  
20 In the case of the cancellation or redemption of stock not  
21 issued as a stock dividend this subsection shall apply only  
22 if the cancellation or redemption is made after January 1,  
23 1926.

24           (h) DEFINITION OF PARTIAL LIQUIDATION.—As  
25 used in this section the term “amounts distributed in partial

1 liquidation " means a distribution by a corporation in com-  
2 plete cancellation or redemption of a part of its stock, or  
3 one of a series of distributions in complete cancellation or  
4 redemption of all or a portion of its stock.

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

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

9 ~~(a)~~ **EARNED INCOME FROM SOURCES WITHOUT**  
10 **UNITED STATES.**—In the case of an individual citizen of  
11 the United States, a bona fide nonresident of the United  
12 States for more than six months during the taxable year,  
13 amounts received from sources without the United States  
14 if such amounts constitute earned income as defined in sec-  
15 tion 31; but such individual shall not be allowed  
16 as a deduction from his gross income any deductions properly  
17 allocable to or chargeable against amounts excluded from  
18 gross income under this subsection.

19 ~~(b)~~ **(a) TEACHERS IN ALASKA AND HAWAII.**—In the  
20 case of an individual employed by Alaska or Hawaii or any  
21 political subdivision thereof as a teacher in any educational  
22 institution, the compensation received as such. This sub-  
23 section shall not exempt compensation paid directly or  
24 indirectly by the Government of the United States. *Sub-*  
25 *section (b) of section 5 of the Act entitled "An Act to pro-*

1 *vide a government for the Territory of Hawaii*", approved  
 2 *April 30, 1900, as amended by the Act entitled "An Act*  
 3 *to amend section 5 of the Act entitled 'An Act to provide*  
 4 *a government for the Territory of Hawaii', approved April*  
 5 *30, 1900", approved April 12, 1930 [U. S. C., Sup. V,*  
 6 *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.

7 ~~(a)~~ (b) **INCOME OF FOREIGN GOVERNMENTS.**—The in-  
 8 come of foreign governments received from investments in  
 9 the United States in stocks, bonds, or other domestic securi-  
 10 ties, owned by such foreign governments, or from interest  
 11 on deposits in banks in the United States of moneys belong-  
 12 ing to such foreign governments, or from any other source  
 13 within the United States.

14 ~~(d)~~ (c) **INCOME OF STATES, MUNICIPALITIES, ETC.**—  
 15 Income derived from any public utility or the exercise of  
 16 any essential governmental function and accruing to any  
 17 State, Territory, or the District of Columbia, or any political  
 18 subdivision of a State or Territory, or income accruing to  
 19 the Government of any possession of the United States, or  
 20 any political subdivision thereof.

21 Whenever any State, Territory, or the District of  
 22 Columbia, or any political subdivision of a State or Terri-

1 tory, prior to September 8, 1916, entered in good faith into  
2 a contract with any person, the object and purpose of which  
3 is to acquire, construct, operate, or maintain a public  
4 utility—

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

1 District of Columbia, bears to the amount of the net  
2 income from the operation of such public utility for  
3 such taxable year.

4 (2) If by the terms of such contract no part of  
5 the proceeds from the operation of the public utility for  
6 the taxable year would, irrespective of the tax imposed  
7 by this title, accrue directly to or for the use of such  
8 State, Territory, political subdivision, or the District  
9 of Columbia, then the tax upon the net income of  
10 such person from the operation of such public utility  
11 shall be levied, assessed, collected, and paid in the  
12 manner and at the rates prescribed in this title.

13 ~~(e)~~ (d) BRIDGES TO BE ACQUIRED BY STATE OR  
14 POLITICAL SUBDIVISION.—Whenever any State or political  
15 subdivision thereof, in pursuance of a contract to which it is  
16 not a party entered into before the enactment of ~~this Act~~ *the*  
17 *Revenue Act of 1928*, is to acquire a bridge—

18 (1) If by the terms of such contract the tax  
19 imposed by this title is to be paid out of the proceeds  
20 from the operation of such bridge prior to any division  
21 of such proceeds, and if, but for the imposition of the  
22 tax imposed by this title, a part of such proceeds for  
23 the taxable year would accrue directly to or for the use  
24 of or would be applied for the benefit of such State  
25 or political subdivision, then a tax upon the net in-

1        come from the operation of such bridge shall be levied,  
2        assessed, collected, and paid in the manner and at the  
3        rates prescribed in this title, but there shall be re-  
4        funded to such State or political subdivision (under  
5        rules and regulations to be prescribed by the Commis-  
6        sioner with the approval of the Secretary) an amount  
7        which bears the same relation to the amount of the  
8        tax as the amount which (but for the imposition of the  
9        tax imposed by this title) would have accrued directly  
10       to or for the use of or would be applied for the benefit  
11       of such State or political subdivision, bears to the  
12       amount of the net income from the operation of such  
13       bridge for such taxable year. No such refund shall  
14       be made unless the entire amount of the refund is to be  
15       applied in part payment for the acquisition of such  
16       bridge.

17            (2) If by the terms of such contract no part of  
18       the proceeds from the operation of the bridge for the  
19       taxable year would, irrespective of the tax imposed by  
20       this title, accrue directly to or for the use of or be  
21       applied for the benefit of such State or political subdi-  
22       vision, then the tax upon the net income from the  
23       operation of such bridge shall be levied, assessed, col-  
24       lected, and paid in the manner and at the rates pre-  
25       scribed in this title.

1        ~~(f)~~ (c) DIVIDENDS FROM " CHINA TRADE ACT " COR-  
2        PORATION.—In the case of a person, amounts distributed  
3        as dividends to or for his benefit by a corporation organized  
4        under the China Trade Act, 1922, if, at the time of such  
5        distribution, he is a resident of China, and the equitable  
6        right to the income of the shares of stock of the corporation  
7        is in good faith vested in him.

8        ~~(g)~~ (f) SHIPOWNERS' PROTECTION AND INDEMNITY  
9        ASSOCIATIONS.—The receipts of shipowners' mutual protec-  
10       tion and indemnity associations not organized for profit, and  
11       no part of the net earnings of which inures to the benefit  
12       of any private shareholder; but such corporations shall be  
13       subject as other persons to the tax upon their net income  
14       from interest, dividends, and rents.

15       SEC. 117. NET LOSSES.

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

20       (1) NON-BUSINESS DEDUCTIONS.—Deductions  
21       otherwise allowed by law not attributable to the opera-  
22       tion of a trade or business regularly carried on by the  
23       taxpayer shall be allowed only to the extent of the  
24       amount of the gross income not derived from such  
25       trade or business;



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

5           (3) **DEPLETION.**—The deduction for depletion  
6 shall not exceed the amount which would be allowable  
7 if computed without reference to discovery value, or  
8 to percentage depletion under section 114 (b) (3) or  
9 (4);

10           (4) **DIVIDENDS.**—The deduction provided for in  
11 section 23 (p) of amounts received as dividends shall  
12 not be allowed;

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

18           (6) **NET LOSS NOT TO PRODUCE NET LOSS.**—In  
19 computing the net loss for any taxable year a net loss  
20 for a prior year shall not be allowed as a deduction.

21           (b) **NET LOSS AS A DEDUCTION.**—If, for any taxable  
22 year, it appears upon the production of evidence satisfactory  
23 to the Commissioner that any taxpayer has sustained a net  
24 loss, the amount thereof shall be allowed as a deduction in  
25 computing the net income of the taxpayer for the succeeding

1 taxable year (hereinafter in this section called "second  
 2 year") and if such net loss is in excess of such net income  
 3 (computed without such deductions), the amount of such  
 4 excess shall be allowed as a deduction in computing the net  
 5 income for the next succeeding taxable year (hereinafter in  
 6 this section called "third year"); the deduction in all  
 7 cases to be made under regulations prescribed by the Com-  
 8 missioner with the approval of the Secretary.

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

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

19 (2) CAPITAL NET GAIN.—If in the second year  
 20 the taxpayer (other than a corporation) has a capital  
 21 net gain, the deduction allowed by subsection (b) of  
 22 this section shall first be applied as a deduction in com-  
 23 puting the ordinary net income for such year. If the  
 24 deduction is in excess of the ordinary net income (com-  
 25 puted without such deduction) the amount of such

1 excess shall next ~~then~~ be applied against the capital net  
 2 gain for such year,—and if in excess of the capital net  
 3 gain the amount of that excess shall be allowed as a  
 4 deduction in computing net income for the third year.

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

6 If any portion of a net loss is allowed as a deduction in com-  
 7 puting net income for the third year, under the provisions  
 8 of either subsection ~~(b)~~ or ~~(c)~~ of this section and the tax-  
 9 payer ~~(other than a corporation)~~ has in such year a capital  
 10 net gain or a capital net loss, then the method of allowing  
 11 such deduction in such third year shall be the same as pro-  
 12 vided in subsection ~~(c)~~.

13 ~~(e) (d) NET LOSS LOSSES FOR 1926 OR 1927 1930 OR~~  
 14 ~~1931.—~~If for the taxable year ~~1926 or 1927 1930~~ a  
 15 taxpayer sustained a net loss within the provisions of the  
 16 Revenue Act of ~~1926~~, the ~~1928~~, the amount of such net  
 17 loss shall ~~not~~ be allowed as a deduction in computing net  
 18 income for the two succeeding taxable years to the same  
 19 extent and in the same manner as a net loss sustained for  
 20 one taxable year is, under this Act, allowed as a deduction  
 21 for the two succeeding taxable years under this title. If  
 22 for the taxable year 1931 a taxpayer sustained a net loss  
 23 within the provisions of the Revenue Act of 1928, the  
 24 amount of such net loss shall be allowed as a deduction in  
 25 computing net income for the taxable year 1932 to the same

1 *extent and in the same manner as a net loss sustained for*  
 2 *one taxable year is, under this Act, allowed as a deduction*  
 3 *for the succeeding taxable year.*

4 **(f) (e) FISCAL YEAR RETURNS.**—If a taxpayer makes  
 5 return for a period beginning in one calendar year (hereinafter  
 6 in this subsection called “ first calendar year ”) and ending  
 7 in the following calendar year (hereinafter in this subsection  
 8 called “ second calendar year ”) and the law applicable to  
 9 the second calendar year is different from the law applicable  
 10 to the first calendar year, then his net loss for the period end-  
 11 ing during the second calendar year shall be the sum of: (1)  
 12 the same proportion of a net loss for the entire period, deter-  
 13 mined under the law applicable to the first calendar year,  
 14 which the portion of such period falling within such calendar  
 15 year is of the entire period; and (2) the same proportion of  
 16 a net loss for the entire period, determined under the law  
 17 applicable to the second calendar year, which the portion of  
 18 such period falling within such calendar year is of the entire  
 19 period.

20 **SEC. 118. LOSS ON SALE FROM WASH SALES OF STOCK OR**  
 21 **SECURITIES.**

22 **(a)** In the case of any loss claimed to have been  
 23 sustained ~~in~~ *from* any sale or other disposition of shares of  
 24 stock or securities where it appears ~~that within thirty days~~  
 25 ~~before or after the date of such sale or other disposition the~~

1 *that, within a period beginning 30 days before the date of such*  
2 *sale or disposition and ending 30 days after such date, the*  
3 *taxpayer has acquired (otherwise than by bequest or*  
4 *inheritance) or has entered into a contract or option to*  
5 *acquire substantially identical property, and the property*  
6 *so acquired is held by the taxpayer for any period after such*  
7 *sale or other disposition, has acquired (by purchase or by*  
8 *an exchange upon which the entire amount of gain or loss*  
9 *was recognized by law), or has entered into a contract or*  
10 *option so to acquire, substantially identical stock or securities,*  
11 *then no deduction for the loss shall be allowed under section*  
12 *23 (e) (2) of this title; nor shall such deduction be allowed*  
13 *under section 23 (f) unless the claim is made by a corpora-*  
14 *tion, a dealer in stocks or securities, and with respect to a*  
15 *transaction made in the ordinary course of its business.*  
16 *If such acquisition or the contract or option to acquire is to*  
17 *the extent of part only of substantially identical property,*  
18 *then only a proportionate part of the loss shall be disallowed.*

19 *(b) If the amount of stock or securities acquired (or*  
20 *covered by the contract or option to acquire) is less*  
21 *than the amount of stock or securities sold or otherwise*  
22 *disposed of, then the particular shares of stock or securities*  
23 *the loss from the sale or other disposition of which is not*  
24 *deductible shall be determined under rules and regulations*

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

3       *(c) If the amount of stock or securities acquired (or*  
4 *covered by the contract or option to acquire) is not less than*  
5 *the amount of stock or securities sold or otherwise disposed*  
6 *of, then the particular shares of stock or securities the*  
7 *acquisition of which (or the contract or option to acquire*  
8 *which) resulted in the nondeductibility of the loss shall be*  
9 *determined under rules and regulations prescribed by the*  
10 *Commissioner with the approval of the Secretary.*

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

12       **(a) GROSS INCOME FROM SOURCES IN UNITED**  
13 **STATES.**—The following items of gross income shall be  
14 treated as income from sources within the United States:

15       **(1) INTEREST.**—Interest on bonds, notes, or  
16 other interest-bearing obligations of residents, corpo-  
17 rate or otherwise, not including—

18               **(A)** interest on deposits with persons car-  
19 rying on the banking business paid to persons  
20 not engaged in business within the United States  
21 and not having an office or place of business  
22 therein, or

23               **(B)** interest received from a resident alien  
24 individual, a resident foreign corporation, or a  
25 domestic corporation, when it is shown to the satis-

1           faction of the Commissioner that less than 20 per  
2           centum of the gross income of such resident payor  
3           or domestic corporation has been derived from  
4           sources within the United States, as determined  
5           under the provisions of this section, for the three-  
6           year period ending with the close of the taxable  
7           year of such payor preceding the payment of such  
8           interest, or for such part of such period as may be  
9           applicable, or

10                   (O) income derived by a foreign central  
11           bank of issue from bankers' acceptances;

12           (2) DIVIDENDS.—The amount received as divi-  
13           dends—

14                   (A) from a domestic corporation other  
15           than a corporation entitled to the benefits of  
16           section 251, and other than a corporation less  
17           than 20 per centum of whose gross income is  
18           shown to the satisfaction of the Commissioner to  
19           have been derived from sources within the United  
20           States, as determined under the provisions of this  
21           section, for the three-year period ending with  
22           the close of the taxable year of such corporation  
23           preceding the declaration of such dividends (or  
24           for such part of such period as the corporation  
25           has been in existence), or

1 (B) from a foreign corporation unless less  
2 than 50 per centum of the gross income of such  
3 foreign corporation for the three-year period end-  
4 ing with the close of its taxable year preceding  
5 the declaration of such dividends (or for such  
6 part of such period as the corporation has been  
7 in existence) was derived from sources within the  
8 United States as determined under the provisions  
9 of this section;

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

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

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

23 (b) **NET INCOME FROM SOURCES IN UNITED**  
24 **STATES.**—From the items of gross income specified in sub-  
25 section (a) of this section there shall be deducted the ex-



1   penses, losses, and other deductions properly apportioned or  
2   allocated thereto and a ratable part of any expenses, losses, or  
3   other deductions which can not definitely be allocated to  
4   some item or class of gross income. The remainder, if  
5   any, shall be included in full as net income from sources  
6   within the United States.

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

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

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

16       (3) Compensation for labor or personal services  
17       performed without the United States;

18       (4) Rentals or royalties from property located  
19       without the United States or from any interest in such  
20       property, including rentals or royalties for the use of  
21       or for the privilege of using without the United States,  
22       patents, copyrights, secret processes and formulas, good  
23       will, trade-marks, trade brands, franchises, and other  
24       like properties; and

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

3           (d) NET INCOME FROM SOURCES WITHOUT UNITED  
4 STATES.—From the items of gross income specified in sub-  
5 section (c) of this section there shall be deducted the ex-  
6 penses, losses, and other deductions properly apportioned  
7 or allocated thereto, and a ratable part of any expenses,  
8 losses, or other deductions which can not definitely be allo-  
9 cated to some item or class of gross income. The remainder,  
10 if any, shall be treated in full as net income from sources  
11 without the United States.

12           (e) INCOME FROM SOURCES PARTLY WITHIN AND  
13 PARTLY WITHOUT UNITED STATES.—Items of gross in-  
14 come, expenses, losses, and deductions, other than those  
15 specified in subsections (a) and (c) of this section, shall be  
16 allocated or apportioned to sources within or without the  
17 United States, under rules and regulations prescribed by  
18 the Commissioner with the approval of the Secretary.  
19 Where items of gross income are separately allocated to  
20 sources within the United States, there shall be deducted  
21 (for the purpose of computing the net income therefrom)  
22 the expenses, losses, and other deductions properly appor-  
23 tioned or allocated thereto and a ratable part of other ex-  
24 penses, losses, or other deductions which can not definitely  
25 be allocated to some item or class of gross income. The

1 remainder, if any, shall be included in full as net income  
2 from sources within the United States. In the case of gross  
3 income derived from sources partly within and partly with-  
4 out the United States, the net income may first be computed  
5 by deducting the expenses, losses, or other deductions appor-  
6 tioned or allocated thereto and a ratable part of any expenses,  
7 losses, or other deductions which can not definitely be allo-  
8 cated to some items or class of gross income; and the portion  
9 of such net income attributable to sources within the United  
10 States may be determined by processes or formulas of  
11 general apportionment prescribed by the Commissioner with  
12 the approval of the Secretary. Gains, profits, and income  
13 from—

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

16 (2) from the sale of personal property produced  
17 (in whole or in part) by the taxpayer within and sold  
18 without the United States, or produced (in whole or  
19 in part) by the taxpayer without and sold within the  
20 United States,

21 shall be treated as derived partly from sources within and  
22 partly from sources without the United States. Gains, profits  
23 and income derived from the purchase of personal property  
24 within and its sale without the United States or from the  
25 purchase of personal property without and its sale within

1 the United States, shall be treated as derived entirely from  
2 sources within the country in which sold, except that gains,  
3 profits, and income derived from the purchase of personal  
4 property within the United States and its sale within a pos-  
5 session of the United States or from the purchase of personal  
6 property within a possession of the United States and its  
7 sale within the United States shall be treated as derived  
8 partly from sources within and partly from sources without  
9 the United States.

10 (f) DEFINITIONS.—As used in this section the words  
11 “sale” or “sold” include “exchange” or “exchanged”;  
12 and the word “produced” includes “created,” “fabricated,”  
13 “manufactured,” “extracted,” “processed,” “cured,” or  
14 “aged.”

15 **SEC. 120. UNLIMITED DEDUCTION FOR CHARITABLE AND**  
16 **OTHER CONTRIBUTIONS.**

17 In the case of an individual if in the taxable year and  
18 in each of the ten preceding taxable years the amount of  
19 the contributions or gifts described in section 23 (n) plus  
20 the amount of income, war-profits, or excess-profits taxes  
21 paid during such year in respect of preceding taxable years,  
22 exceeds 90 per centum of the taxpayer's net income for  
23 each such year, as computed without the benefit of section  
24 23 (n), then the 15 per centum limit imposed by such section  
25 shall not be applicable.

**Supplement C—Credits Against Tax****[Supplementary to Subtitle B, Part III]****SEC. 181. TAXES OF FOREIGN COUNTRIES AND POSSESSIONS OF UNITED STATES.**

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

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

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

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

1           **(4) PARTNERSHIPS AND ESTATES.**—In the case  
2           of any such individual who is a member of a partner-  
3           ship or a beneficiary of an estate or trust, his propor-  
4           tionate share of such taxes of the partnership or the  
5           estate or trust paid or accrued during the taxable year  
6           to a foreign country or to any possession of the United  
7           States, as the case may be.

8           **(b) LIMIT ON CREDIT.**—In no case shall the amount  
9           of credit taken under this section exceed the same propor-  
10          tion of the tax ~~(computed on the basis of the taxpayer's net~~  
11          ~~income without the deduction of any income, war-profits, or~~  
12          ~~excess-profits tax any part of which may be allowed to him~~  
13          ~~as a credit by this section)~~, against which such credit is  
14          taken, which the taxpayer's net income ~~(computed without~~  
15          ~~the deduction of any such income, war-profits, or excess-~~  
16          ~~profits tax)~~ from sources without the United States bears  
17          to his entire net income ~~(computed without such deduc-~~  
18          ~~ion)~~ for the same taxable year.

19          **(c) ADJUSTMENTS ON PAYMENT OF ACCRUED**  
20          **TAXES.**—If accrued taxes when paid differ from the amounts  
21          claimed as credits by the taxpayer, or if any tax paid is  
22          refunded in whole or in part, the taxpayer shall notify the  
23          Commissioner, who shall redetermine the amount of the tax  
24          for the year or years affected, and the amount of tax due  
25          upon such redetermination, if any, shall be paid by the

1 taxpayer upon notice and demand by the collector, or  
2 the amount of tax overpaid, if any, shall be credited or re-  
3 funded to the taxpayer in accordance with the provisions of  
4 section 322. In the case of such a tax accrued but not paid,  
5 the Commissioner as a condition precedent to the allowance  
6 of this credit may require the taxpayer to give a bond with  
7 sureties satisfactory to and to be approved by the Com-  
8 missioner in such sum as the Commissioner may require,  
9 conditioned upon the payment by the taxpayer of any amount  
10 of tax found due upon any such redetermination; and the  
11 bond herein prescribed shall contain such further conditions  
12 as the Commissioner may require.

13 (d) YEAR IN WHICH CREDIT TAKEN.—The credits  
14 provided for in this section may, at the option of the tax-  
15 payer and irrespective of the method of accounting employed  
16 in keeping his books, be taken in the year in which the taxes  
17 of the foreign country or the possession of the United States  
18 accrued, subject, however, to the conditions prescribed in  
19 subsection (c) of this section. If the taxpayer elects to take  
20 such credits in the year in which the taxes of the foreign  
21 country or the possession of the United States accrued, the  
22 credits for all subsequent years shall be taken upon the  
23 same basis basis, and no portion of any such taxes shall be  
24 allowed as a deduction in the same or any succeeding year.

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

17           **(f) TAXES OF FOREIGN SUBSIDIARY.**—For the pur-  
18 poses of this section a domestic corporation which owns a  
19 majority of the voting stock of a foreign corporation from  
20 which it receives dividends (not deductible under section  
21 23 (p)) in any taxable year shall be deemed to have paid  
22 the same proportion of any income, war-profits, or excess-  
23 profits taxes paid by such foreign corporation to any foreign  
24 country or to any possession of the United States, upon or  
25 with respect to the accumulated profits of such foreign cor-  
26 poration from which such dividends were paid, which the



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

1 (g) CORPORATIONS TREATED AS FOREIGN.—For the  
2 purposes of this section the following corporations shall be  
3 treated as foreign corporations:

4 (1) A corporation entitled to the benefits of  
5 section 251, by reason of receiving a large percentage  
6 of its gross income from sources within a possession of  
7 the United States;

8 (2) A corporation organized under the China  
9 Trade Act, 1922, and entitled to the credit provided  
10 for in section 261.

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

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

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

21 [Supplementary to Subtitle B, Part V]

22 **SEC. 141. CONSOLIDATED RETURNS OF CORPORATIONS—**  
23 **~~1929~~ AND SUBSEQUENT TAXABLE YEARS COR-**  
24 **PORATIONS.**

25 (a) PRIVILEGE TO FILE CONSOLIDATED RETURNS.—  
26 An affiliated group of corporations shall, subject to the pro-

1 visions of this section, have the privilege of making a  
2 consolidated return for the taxable year 1929 or any subse-  
3 quent taxable year, in lieu of separate returns. The making  
4 of a consolidated return shall be upon the condition that all  
5 the corporations which have been members of the affiliated  
6 group at any time during the taxable year for which the  
7 return is made consent to all the regulations under subsection  
8 (b) (or, in case such regulations are not prescribed prior  
9 to the making of the return, then the regulations prescribed  
10 under section 141(b) of the Revenue Act of 1928 in so far as  
11 not inconsistent with this Act) prescribed prior to the making  
12 of such return; and the making of a consolidated return shall  
13 be considered as such consent. In the case of a corporation  
14 which is a member of the affiliated group for a fractional part  
15 of the year the consolidated return shall include the income of  
16 such corporation for such part of the year as it is a member of  
17 the affiliated group.

18 (b) REGULATIONS.—The Commissioner, with the  
19 approval of the Secretary, shall prescribe such regulations as  
20 he may deem necessary in order that the tax liability of an  
21 affiliated group of corporations making a consolidated return  
22 and of each corporation in the group, both during and after  
23 the period of affiliation, may be determined, computed,  
24 assessed, collected, and adjusted in such manner as clearly  
25 to reflect the income and to prevent avoidance of tax liability.

1           **(c) COMPUTATION AND PAYMENT OF TAX.**—In any  
2 case in which a consolidated return is made the tax shall be  
3 determined, computed, assessed, collected, and adjusted in  
4 accordance with the regulations under subsection (b) (or, in  
5 case such regulations are not prescribed prior to the making  
6 of the return, then the regulations prescribed under section  
7 141(b) of the Revenue Act of 1928 in so far as not incon-  
8 sistent with this Act) prescribed prior to the date on which  
9 such return is made. Only one specific credit, computed as  
10 provided in section 26(b), shall be allowed in computing the  
11 tax.

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

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

20           (2) The common parent corporation owns directly  
21 at least 95 per centum of the stock of at least one of the  
22 other corporations.

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

1           (e) A consolidated return shall be made only for the  
2 domestic corporations within the affiliated group. An insur-  
3 ance company subject to the tax imposed by section 201  
4 or 204 shall not be included in the same consolidated return  
5 with a corporation subject to the tax imposed by section 48  
6 13, and an insurance company subject to the tax imposed by  
7 section 201 shall not be included in the same consolidated  
8 return with an insurance company subject to the tax imposed  
9 by section 204.

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

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

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

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

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

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

16 **SEG. 142. CONSOLIDATED RETURNS OF CORPORATIONS—**  
17 **TAXABLE YEAR 1928.**

18 ~~(a) CONSOLIDATED RETURNS PERMITTED.~~—Corpora-  
19 tions which are affiliated within the meaning of this section  
20 may, for the taxable year 1928, make separate returns or,  
21 under regulations prescribed by the Commissioner with the  
22 approval of the Secretary, make a consolidated return of net  
23 income for the purpose of this title, in which case the taxes  
24 thereunder shall be computed and determined upon the basis  
25 of such return. If return for the taxable year 1927 was

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

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

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

22 **(d) CHINA TRADE ACT CORPORATIONS.**—A corpora-  
23 tion organized under the China Trade Act, 1922, shall not  
24 be deemed to be affiliated with any other corporation within  
25 the meaning of this section.

1        ~~(e) CORPORATIONS DERIVING INCOME FROM POS-~~  
 2 ~~SESSIONS OF UNITED STATES.~~—For the purposes of this  
 3 section a corporation entitled to the benefits of section 251,  
 4 by reason of receiving a large percentage of its income from  
 5 possessions of the United States, shall be treated as a foreign  
 6 corporation.

7        ~~(f) SUSPENSION OF RUNNING OF STATUTE OF LIM-~~  
 8 ~~TATIONS.~~—If a notice under section 272(a) in respect of a  
 9 deficiency for the taxable year 1928 is mailed to a corpora-  
 10 tion, the suspension of the running of the statute of limita-  
 11 tions, provided in section 277, shall apply in the case of  
 12 corporations with which such corporation made a consoli-  
 13 dated return for such taxable year.

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

17 **SEC. 143 142. FIDUCIARY RETURNS.**

18        (a) REQUIREMENT OF RETURN.—Every fiduciary  
 19 (except a receiver appointed by authority of law in posses-  
 20 sion of part only of the property of an individual) shall make  
 21 under oath a return for any of the following individuals,  
 22 estates, or trusts for which he acts, stating specifically the  
 23 items of gross income thereof and the deductions and credits  
 24 allowed under this title—



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

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

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

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

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

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

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

1 to enable him to make the return, and (2) that the return  
2 is, to the best of his knowledge and belief, true and correct.

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

6 **SEC. 144 143. WITHHOLDING OF TAX AT SOURCE.**

7 (a) **TAX-FREE COVENANT BONDS.**—

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

1 obligor does not exceed 2 per centum of the interest,  
2 then the deduction and withholding shall, after the date  
3 of the enactment of this Act, be at the following rates:

4 (A) ~~5 per centum~~ 9 per centum in the case of a non-  
5 resident alien individual, or of any partnership not  
6 engaged in trade or business within the United States  
7 and not having any office or place of business therein  
8 and composed in whole or in part of nonresident aliens,

9 (B) ~~12 per centum~~ 14 per centum in the case of such  
10 a foreign corporation, and (C) 2 per centum in the case  
11 of other individuals and partnerships: *Provided fur-*  
12 *ther,* That if the owners of such obligations are not  
13 known to the withholding agent the Commissioner  
14 may authorize such deduction and withholding to be at  
15 the rate of 2 per centum, or, if the liability assumed by  
16 the obligor does not exceed 2 per centum of the interest,  
17 then at the rate of ~~5 per centum~~ 9 per centum.

18 (2) BENEFIT OF CREDITS AGAINST NET IN-  
19 COME.—Such deduction and withholding shall not be  
20 required in the case of a citizen or resident entitled to  
21 receive such interest, if he files with the withholding  
22 agent on or before February 1 a signed notice in  
23 writing claiming the benefit of the credits provided in  
24 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  $\frac{1}{2}$   
 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~~ *9 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.*

17 (c) RETURN AND PAYMENT.—Every person required  
18 to deduct and withhold any tax under this section shall  
19 make return thereof on or before March 15 of each year  
20 and shall on or before June 15, in lieu of the time prescribed  
21 in section 56, pay the tax to the official of the United States  
22 Government authorized to receive it. Every such person  
23 is hereby made liable for such tax and is hereby indemnified  
24 against the claims and demands of any person for the

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

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

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

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

21 (g) *Notwithstanding the provisions of subsections (a)*  
22 *and (b), the deduction and withholding for any period prior*  
23 *to the date of the enactment of this Act shall be at the rates*  
24 *of 12 per centum and 5 per centum in lieu of the rates of 14*  
25 *per centum and 9 per centum prescribed in such subsections.*

1 **SEC. 145 144. PAYMENT OF CORPORATION INCOME TAX AT**  
2 **SOURCE.**

3 In the case of foreign corporations subject to taxation  
4 under this title not engaged in trade or business within the  
5 United States and not having any office or place of business  
6 therein, there shall be deducted and withheld at the source  
7 in the same manner and upon the same items of income as  
8 is provided in section ~~144~~ 143 a tax equal to ~~13~~ $\frac{1}{2}$  per centum  
9 *12 per centum* thereof in respect of all payments of income  
10 made before the enactment of this Act, and equal to ~~12~~ per  
11 ~~centum~~ *14 per centum* thereof in respect of all payments of  
12 income made after the enactment of this Act, and such tax  
13 shall be returned and paid in the same manner and subject  
14 to the same conditions as provided in that section: *Provided,*  
15 *That in the case of interest described in subsection (a) of*  
16 *that section (relating to tax-free covenant bonds) the deduc-*  
17 *tion and withholding shall be at the rate specified in*  
18 *such subsection.*

19 **SEC. 146 145. PENALTIES.**

20 (a) Any person required under this title to pay any  
21 tax, or required by law or regulations made under authority  
22 thereof to make a return, keep any records, or supply any  
23 information, for the purposes of the computation, assessment,  
24 or collection of any tax imposed by this title, who willfully  
25 fails to pay such tax, make such return, keep such records,

1 or supply such information, at the time or times required by  
2 law or regulations, shall, in addition to other penalties pro-  
3 vided by law, be guilty of a misdemeanor and, upon convic-  
4 tion thereof, be fined not more than \$10,000, or imprisoned  
5 for not more than one year, or both, together with the costs  
6 of prosecution.

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

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

22 **SEC. 147 146. CLOSING BY COMMISSIONER OF TAXABLE**  
23 **YEAR.**

24 (4) **TAX IN JEOPARDY.**—If the Commissioner finds  
25 that a taxpayer designs quickly to depart from the United



1 States or to remove his property therefrom, or to conceal  
2 himself or his property therein, or to do any other act tending  
3 to prejudice or to render wholly or partly ineffectual pro-  
4 ceedings to collect the tax for the taxable year then last past  
5 or the taxable year then current unless such proceedings be  
6 brought without delay, the Commissioner shall declare the  
7 taxable period for such taxpayer immediately terminated and  
8 shall cause notice of such finding and declaration to be given  
9 the taxpayer, together with a demand for immediate pay-  
10 ment of the tax for the taxable period so declared terminated  
11 and of the tax for the preceding taxable year or so much of  
12 such tax as is unpaid, whether or not the time otherwise  
13 allowed by law for filing return and paying the tax has  
14 expired; and such taxes shall thereupon become immediately  
15 due and payable. In any proceeding in court brought to  
16 enforce payment of taxes made due and payable by virtue of  
17 the provisions of this section the finding of the Commissioner,  
18 made as herein provided, whether made after notice to the  
19 taxpayer or not, shall be for all purposes presumptive evi-  
20 dence of the taxpayer's design.

21 (b) SECURITY FOR PAYMENT.—A taxpayer who is  
22 not in default in making any return or paying income, war-  
23 profits, or excess-profits tax under any Act of Congress may  
24 furnish to the United States, under regulations to be pre-  
25 scribed by the Commissioner, with the approval of the Secre-

1 tary, security approved by the Commissioner that he will  
2 duly make the return next thereafter required to be filed and  
3 pay the tax next thereafter required, to be paid. The Com-  
4 missioner may approve and accept in like manner security  
5 for return and payment of taxes made due and payable by  
6 virtue of the provisions of this section, provided the taxpayer  
7 has paid in full all other income, war-profits, or excess-profits  
8 taxes due from him under any Act of Congress.

9 (c) SAME—EXEMPTION FROM SECTION.—If security  
10 is approved and accepted pursuant to the provisions of this  
11 section and such further or other security with respect to  
12 the tax or taxes covered thereby is given as the Commis-  
13 sioner shall from time to time find necessary and require,  
14 payment of such taxes shall not be enforced by any pro-  
15 ceedings under the provisions of this section prior to the  
16 expiration of the time otherwise allowed for paying such  
17 respective taxes.

18 (d) CITIZENS.—In the case of a citizen of the United  
19 States or of a possession of the United States about to depart  
20 from the United States the Commissioner may, at his dis-  
21 cretion, waive any or all of the requirements placed on the  
22 taxpayer by this section.

23 (e) DEPARTURE OF ALIEN.—No alien shall depart  
24 from the United States unless he first procures from the  
25 collector or agent in charge a certificate that he has complied

1 with all the obligations imposed upon him by the income.  
2 war-profits, and excess-profits tax laws.

3 (f) ADDITION TO TAX.—If a taxpayer violates or  
4 attempts to violate this section there shall, in addition to all  
5 other penalties, be added as part of the tax 25 per centum  
6 of the total amount of the tax or deficiency in the tax,  
7 together with interest at the rate of 1 per centum a month  
8 from the time the tax became due.

9 **SEC. 148 147. INFORMATION AT SOURCE.**

10 (a) PAYMENTS OF ~~\$1,500~~ \$1,000 OR MORE.—All per-  
11 sons, in whatever capacity acting, including lessees or  
12 mortgagors of real or personal property, fiduciaries, and  
13 employers, making payment to another person, of interest,  
14 rent, salaries, wages, premiums, annuities, compensations,  
15 remunerations, emoluments, or other fixed or determinable  
16 gains, profits, and income (other than payments described  
17 in section ~~140 (a)~~ 148(a) or ~~150~~ 149), of ~~\$1,500~~ \$1,000  
18 or more in any taxable year, or, in the case of such  
19 payments made by the United States, the officers or  
20 employees of the United States having information as  
21 to such payments and required to make returns in re-  
22 gard thereto by the regulations hereinafter provided for,  
23 shall render a true and accurate return to the Commis-  
24 sioner, under such regulations and in such form and manner  
25 and to such extent as may be prescribed by him with the

1 approval of the Secretary, setting forth the amount of such  
2 gains, profits, and income, and the name and address of the  
3 recipient of such payment.

4 (b) RETURNS REGARDLESS OF AMOUNT OF PAY-  
5 MENT.—Such returns may be required, regardless of  
6 amounts, (1) in the case of payments of interest upon bonds,  
7 mortgages, deeds of trust, or other similar obligations of cor-  
8 porations, and (2) in the case of collections of items (not  
9 payable in the United States) of interest upon the bonds of  
10 foreign countries and interest upon the bonds of and divi-  
11 dends from foreign corporations by persons undertaking as a  
12 matter of business or for profit the collection of foreign pay-  
13 ments of such interest or dividends by means of coupons,  
14 checks, or bills of exchange.

15 (c) RECIPIENT TO FURNISH NAME AND ADDRESS.—  
16 When necessary to make effective the provisions of this sec-  
17 tion the name and address of the recipient of income shall  
18 be furnished upon demand of the person paying the income.

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

22 **SEC. 140 148. INFORMATION BY CORPORATIONS.**

23 (a) DIVIDEND PAYMENTS.—Every corporation sub-  
24 ject to the tax imposed by this title shall, when required by  
25 the Commissioner, render a correct return, duly verified

1 under oath, of its payments of dividends, stating the name  
2 and address of each shareholder, the number of shares owned  
3 by him, and the amount of dividends paid to him.

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

13 (c) ACCUMULATED GAINS AND PROFITS.—When  
14 requested by the Commissioner, or any collector, every  
15 corporation shall forward to him a correct statement of  
16 accumulated gains and profits and the names and addresses  
17 of the individuals or shareholders who would be entitled to  
18 the same if divided or distributed, and of the amounts that  
19 would be payable to each.

20 **SEC. 149. RETURNS OF BROKERS.**

21 Every person doing business as a broker shall, when  
22 required by the Commissioner, render a correct return duly  
23 verified under oath, under such rules and regulations as the  
24 Commissioner, with the approval of the Secretary, may  
25 prescribe, showing the names of customers for whom such

1 person has transacted any business, with such details as to  
2 the profits, losses, or other information which the Com-  
3 missioner may require, as to each of such customers, as will  
4 enable the Commissioner to determine whether all income  
5 tax due on profits or gains of such customers has been paid.

6 **SEC. 154 150. COLLECTION OF FOREIGN ITEMS.**

7 All persons undertaking as a matter of business or for  
8 profit the collection of foreign payments of interest or divi-  
9 dends by means of coupons, checks, or bills of exchange  
10 shall obtain a license from the Commissioner and shall be  
11 subject to such regulations enabling the Government to  
12 obtain the information required under this title as the Com-  
13 missioner, with the approval of the Secretary, shall pre-  
14 scribe; and whoever knowingly undertakes to collect such  
15 payments without having obtained a license therefor, or  
16 without complying with such regulations, shall be guilty  
17 of a misdemeanor and shall be fined not more than \$5,000  
18 or imprisoned for not more than one year, or both.

19 **Supplement E—Estates and Trusts**

20 **SEC. 161. IMPOSITION OF TAX.**

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

24 (1) Income accumulated in trust for the benefit  
25 of unborn or unascertained persons or persons with con-

1       tingent interests, and income accumulated or held for  
 ;       future distribution under the terms of the will or trust;

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

7               (3) Income received by estates of deceased per-  
 8       sons during the period of administration or settlement  
 9       of the estate; and

10              (4) Income which, in the discretion of the fidu-  
 11       ciary, may be either distributed to the beneficiaries or  
 12       accumulated.

13              (b) **COMPUTATION AND PAYMENT.**—The tax shall  
 14       be computed upon the net income of the estate or trust, and  
 15       shall be paid by the fiduciary, except as provided in sec-  
 16       tion 166 (relating to revocable trusts) and section 167  
 17       (relating to income for benefit of the grantor). For return  
 18       made by beneficiary, see section 148 142.

19       **SEC. 162. NET INCOME.**

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

23              (a) There shall be allowed as a deduction (in lieu of  
 24       the deduction for charitable, etc., contributions authorized by  
 25       section 23 (n)) any part of the gross income, without limita-

1 tion, which pursuant to the terms of the will or deed creating  
2 the trust, is during the taxable year paid or permanently  
3 set aside for the purposes and in the manner specified in  
4 section 23 (n), or is to be used exclusively for religious,  
5 charitable, scientific, literary, or educational purposes, or  
6 for the prevention of cruelty to children or animals, or for  
7 the establishment, acquisition, maintenance, or operation of  
8 a public cemetery not operated for profit;

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

21 (c) In the case of income received by estates of deceased  
22 persons during the period of administration or settlement of  
23 the estate, and in the case of income which, in the discre-  
24 tion of the fiduciary, may be either distributed to the bene-  
25 ficiary or accumulated, there shall be allowed as an addi-



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

7 **SEC. 162. CREDITS AGAINST NET INCOME.**

8 (a) **CREDITS OF ESTATE OR TRUST.**—For the pur-  
9 pose of the normal tax the estate or trust shall be allowed  
10 the same personal exemption as is allowed to a single person  
11 under section 25 (c), and, if no part of the income of the  
12 estate or trust is included in computing the net income of  
13 any legatee, heir, or beneficiary, then in addition the same  
14 credits against net income for dividends and interest as are  
15 allowed by section 25 (a) and (b).

16 (b) **CREDITS OF BENEFICIARY.**—If any part of the  
17 income of an estate or trust is included in computing the  
18 net income of any legatee, heir, or beneficiary, such legatee,  
19 heir, or beneficiary shall, for the purpose of the normal tax,  
20 be allowed as credits against net income, in addition to the  
21 credits allowed to him under section 25, his proportionate  
22 share of such amounts of dividends and interest specified in  
23 section 25 (a) and (b) as are, under this Supplement,  
24 required to be included in computing his net income. Any

1 remaining portion of such amounts specified in section 25 (a)  
2 and (b) shall, for the purpose of the normal tax, be allowed  
3 as credits to the estate or trust.

4 **SEC. 164. DIFFERENT TAXABLE YEARS.**

5 If the taxable year of a beneficiary is different from  
6 that of the estate or trust, the amount which he is required,  
7 under section 162 (b), to include in computing his net  
8 income, shall be based upon the income of the estate or trust  
9 for any taxable year of the estate or trust ending within his  
10 taxable year.

11 **SEC. 165. EMPLOYEES' TRUSTS.**

12 A trust created by an employer as a part of a stock  
13 bonus, pension, or profit-sharing plan for the exclusive  
14 benefit of some or all of his employees, to which contribu-  
15 tions are made by such employer, or employees, or both,  
16 for the purpose of distributing to such employees the earn-  
17 ings and principal of the fund accumulated by the trust in  
18 accordance with such plan, shall not be taxable under section  
19 161, but the amount contributed to such fund by the  
20 employer and all earnings of such fund shall be taxed to the  
21 distributee in the year in which distributed or made available  
22 to him but the amount actually distributed or made available  
23 to any distributee shall be taxable to him in the year in which  
24 so distributed or made available to the extent that it exceeds the

1 *amounts paid in by him. Such distributees shall for the*  
 2 *purpose of the normal tax be allowed as credits against net*  
 3 *income such part of the amount so distributed or made*  
 4 *available as represents the items of dividends and interest*  
 5 *specified in section 25 (a) and (b).*

6 **SEC. 166. REVOCABLE TRUSTS.**

7 *Where the grantor of a trust has, at any time during*  
 8 *the taxable year, either alone or in conjunction with any*  
 9 *person not a beneficiary of the trust, the power to revert in*  
 10 *himself title to any part of the corpus of the trust, then the*  
 11 *income of such part of the trust for such taxable year shall*  
 12 *be included in computing the net income of the grantor.*

13 *Where at any time during the taxable year the power to*  
 14 *revert in the grantor title to any part of the corpus of the*  
 15 *trust is vested—*

16 *(1) in the grantor, either alone or in conjunction*  
 17 *with any person not having a substantial adverse interest*  
 18 *in the disposition of such part of the corpus or the*  
 19 *income therefrom, or*

20 *(2) in any person not having a substantial adverse*  
 21 *interest in the disposition of such part of the corpus or*  
 22 *the income therefrom,*

23 *then the income of such part of the trust for such taxable year*  
 24 *shall 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 26 (a), 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 or of*  
 16 *any person not having a substantial adverse interest*  
 17 *in the disposition of such part of the income may be,*  
 18 *held or accumulated for future distribution to the*  
 19 *grantor; or*

20           (2) *may, in the discretion of the grantor or of*  
 21 *any person not having a substantial adverse interest*  
 22 *in the disposition of such part of the income, be dis-*  
 23 *tributed to the grantor; or*

24           (3) *is, or in the discretion of the grantor or of*  
 25 *any person not having a substantial adverse interest*

1        *in the disposition of such part of the income may be,*  
 2        *applied to the payment of premiums upon policies of*  
 3        *insurance on the life of the grantor (except policies of*  
 4        *insurance irrevocably payable for the purposes and in*  
 5        *the manner specified in section 23 (n), relating to the*  
 6        *so-called "charitable contribution" deduction);*

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

9        *(b) As used in this section, the term "in the discretion*  
 10       *of the grantor" means "in the discretion of the grantor,*  
 11       *either alone or in conjunction with any person not having*  
 12       *a substantial adverse interest in the disposition of the part*  
 13       *of the income in question".*

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

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

1 **SEC. 169. NET LOSSES.**

2       The benefit of the special deduction for net losses  
3 allowed by section 117 shall be allowed to an estate or trust  
4 under regulations prescribed by the Commissioner with the  
5 approval of the Secretary.

6 **SEC. 179. TAXES OF FOREIGN COUNTRIES AND POSSES-**  
7 **SIONS OF UNITED STATES.**

8       The amount of income, war-profits, and excess-profits  
9 taxes imposed by foreign countries or possessions of the  
10 United States shall be allowed as credit against the tax of  
11 the beneficiary of an estate or trust to the extent provided  
12 in section 181.

13 **Supplement F—Partnerships**

14 **SEC. 181. PARTNERSHIP NOT TAXABLE.**

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

17 **SEC. 182. TAX OF PARTNERS.**

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

1           **(b) PARTNERSHIP YEAR EMBRACING CALENDAR**  
2 **YEARS WITH DIFFERENT LAWS.**—If a fiscal year of a part-  
3 nership begins in one calendar year and ends in another  
4 calendar year, and the law applicable to the second calendar  
5 year is different from the law applicable to the first calendar  
6 year, then

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

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

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

1 of such income subject to the rates in effect for the next  
2 preceding calendar year shall be placed in the next higher  
3 brackets of the rate schedule applicable to such year.

4 **SEC. 183. COMPUTATION OF PARTNERSHIP INCOME.**

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

10 **SEC. 184. CREDITS AGAINST NET INCOME.**

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

17 **SEC. 185. EARNED INCOME.**

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



**1 SEC. 186. CAPITAL NET GAINS AND LOSSES.**

**2** In the case of the members of a partnership the proper  
**3** part of each share of the net income which consists, respec-  
**4** tively, of ordinary net income, capital net gain, or capital  
**5** net loss, shall be determined under rules and regulations to  
**6** be prescribed by the Commissioner with the approval of the  
**7** Secretary, and shall be separately shown in the return of the  
**8** partnership and shall be taxed to the member as provided in  
**9** this Supplement, but at the rates and in the manner provided  
**10** in section 101 (a) and (b), relating to capital net gains and  
**11** losses.

**12 SEC. 187. NET LOSSES.**

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

**17 SEC. 188. TAXES OF FOREIGN COUNTRIES AND POSSES-**  
**18 SIONS OF UNITED STATES.**

**19** The amount of income, war-profits, and excess-profits  
**20** taxes imposed by foreign countries or possessions of the  
**21** United States shall be allowed as a credit against the tax of  
**22** the member of a partnership to the extent provided in sec-  
**23** tion 181.

1 **SEC. 189. PARTNERSHIP RETURNS.**

2 Every partnership shall make a return for each taxable  
 3 year, stating specifically the items of its gross income and  
 4 the deductions allowed by this title, and shall include in the  
 5 return the names and addresses of the individuals who would  
 6 be entitled to share in the net income if distributed and the  
 7 amount of the distributive share of each individual. The  
 8 return shall be sworn to by any one of the partners.

9 **Supplement G—Insurance Companies.**10 **SEC. 201. TAX ON LIFE INSURANCE COMPANIES.**

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

18 (b) **RATE OF TAX.**—In lieu of the tax imposed by sec-  
 19 tion 18, there shall be levied, collected, and paid for each  
 20 taxable year upon the net income of every life insurance com-  
 21 pany a tax as follows:

22 (1) In the case of a domestic life insurance com-  
 23 pany, ~~12 per centum~~ 14 per centum of its net income;

24 (2) In the case of a foreign life insurance com-  
 25 pany, ~~12 per centum~~ 14 per centum of its net income  
 26 from sources within the United States.

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

2 (a) In the case of a life insurance company the term  
3 "gross income" means the gross amount of income received  
4 during the taxable year from interest, dividends, and rents.

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

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

15 (a) GENERAL RULE.—In the case of a life insurance  
16 company the term "net income" means the gross income  
17 less—

18 (1) TAX-FREE INTEREST.—The amount of in-  
19 terest received during the taxable year which under  
20 section 22 (b) is exempt from taxation under the taxes  
21 imposed by this title;

22 (2) RESERVE FUNDS.—An amount equal to the  
23 excess, if any, over the deduction specified in paragraph  
24 (1) of this subsection, of 4 per centum of the mean  
25 of the reserve funds required by law and held at the

beginning and end of the taxable year, plus (in case of life insurance companies issuing policies covering life, health, and accident insurance combined in one policy issued on the weekly premium payment plan, continuing for life and not subject to cancellation) 4 per centum of the mean of such reserve funds (not required by law) held at the beginning and end of the taxable year, as the Commissioner finds to be necessary for the protection of the holders of such policies only;

(2) *RESERVE FUNDS*.—An amount equal to 4 per centum of the mean of the reserve funds required by law and held at the beginning and end of the taxable year, except that in the case of any such reserve fund which is computed at a lower interest assumption rate, such lower rate shall be substituted for 4 per centum. Life insurance companies issuing policies covering life, health, and accident insurance combined in one policy issued on the weekly premium payment plan, continuing for life and not subject to cancellation, shall be allowed, in addition to the above, a deduction of  $3\frac{1}{2}$  per centum of the mean of such reserve funds (not required by law) held at the beginning and end of the taxable year, as the Commissioner finds to be necessary for the protection of the holders of such policies only;

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

15          (4) **RESERVE FOR DIVIDENDS.**—An amount  
 16          equal to 2 per centum of any sums held at the end of  
 17          the taxable year as a reserve for dividends (other than  
 18          dividends payable during the year following the taxable  
 19          year) the payment of which is deferred for a period  
 20          of not less than five years from the date of the policy  
 21          contract;

22          (5) **INVESTMENT EXPENSES.**—Investment ex-  
 23          penses paid during the taxable year: *Provided, That*  
 24          if any general expenses are in part assigned to or  
 25          included in the investment expenses, the total deduc-

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

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

20          (7) **DEPRECIATION.**—A reasonable allowance  
21          for the exhaustion, wear and tear of property, including  
22          a reasonable allowance for obsolescence; and

23          (8) **INTEREST.**—All interest paid or accrued  
24          within the taxable year on its indebtedness, except on  
25          indebtedness incurred or continued to purchase or carry

1 obligations or securities (other than obligations of the  
 2 United States issued after September 24, 1917, and  
 3 originally subscribed for by the taxpayer) the interest  
 4 upon which is wholly exempt from taxation under this  
 5 title; and

6 ~~(f) SPECIFIC EXEMPTION.~~—In the case of a do-  
 7 mestic life insurance company, the net income of which  
 8 ~~(computed without the benefit of this paragraph)~~ is  
 9 \$25,000 or less, the sum of \$3,000; but if the net  
 10 income is more than \$25,000 the tax imposed by sec-  
 11 tion 201 shall not exceed the tax which would be pay-  
 12 able if the \$3,000 credit were allowed, plus the amount  
 13 of the net income in excess of \$25,000.

14 ~~(b) RENTAL VALUE OF REAL ESTATE.~~—No deduc-  
 15 tion shall be made under subsection ~~(a) (6) and (7)~~ of  
 16 this section on account of any real estate owned and occupied  
 17 in whole or in part by a life insurance company unless there  
 18 is included in the return of gross income the rental value  
 19 of the space so occupied. Such rental value shall be not  
 20 less than a sum which in addition to any rents received from  
 21 other tenants shall provide a net income (after deducting  
 22 taxes, depreciation, and all other expenses) at the rate of  
 23 4 per centum per annum of the book value at the end of the  
 24 taxable year of the real estate so owned or occupied.

1       **(b) RENTAL VALUE OF REAL ESTATE.**—The deduc-  
2       tion under subsection (a) (6) or (7) of this section on  
3       account of any real estate owned and occupied in whole or  
4       in part by a life insurance company, shall be limited to an  
5       amount which bears the same ratio to such deduction (com-  
6       puted without regard to this subsection) as the rental value  
7       of the space so occupied bears to the rental value of the entire  
8       property.

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

19      **SEC. 294. INSURANCE COMPANIES OTHER THAN LIFE OR**  
20                **MUTUAL.**

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



1           (1) In the case of such a domestic insurance com-  
2           pany, ~~12 per centum~~ *14 per centum* of its net income;

3           (2) In the case of such a foreign insurance com-  
4           pany, ~~12 per centum~~ *14 per centum* of its net income  
5           from sources within the United States.

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

9           (1) GROSS INCOME.—“Gross income” means  
10           the sum of (A) the combined gross amount earned  
11           during the taxable year, from investment income and  
12           from underwriting income as provided in this subsec-  
13           tion, computed on the basis of the underwriting and  
14           investment exhibit of the annual statement approved  
15           by the National Convention of Insurance Commis-  
16           sioners, and (B) gain during the taxable year from  
17           the sale or other disposition of ~~property~~ *property*, and  
18           (C) *all other items constituting gross income under*  
19           *section 22;*

20           (2) NET INCOME.—“Net income” means the  
21           gross income as defined in paragraph (1) of this sub-  
22           section less the deductions allowed by subsection (c)  
23           of this section;

24           (3) INVESTMENT INCOME.—“Investment in-  
25           come” means the gross amount of income earned dur-

1 ing the taxable year from interest, dividends, and  
2 rents, computed as follows:

3 To all interest, dividends and rents received dur-  
4 ing the taxable year, add interest, dividends and rents  
5 due and accrued at the end of the taxable year, and  
6 deduct all interest, dividends and rents due and accrued  
7 at the end of the preceding taxable year;

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

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

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

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

1           To losses paid during the taxable year, add salvage  
2           and reinsurance recoverable outstanding at the end of  
3           the preceding taxable year, and deduct salvage and  
4           reinsurance recoverable outstanding at the end of the  
5           taxable year. To the result so obtained add all unpaid  
6           losses outstanding at the end of the taxable year and  
7           deduct unpaid losses outstanding at the end of the  
8           preceding taxable year;

9           (7) **EXPENSES INCURRED.**—"Expenses in-  
10          curred" means all expenses shown on the annual state-  
11          ment approved by the National Convention of Insur-  
12          ance Commissioners, and shall be computed as follows:

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

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

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

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

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

3 (4) Losses incurred as defined in subsection  
4 (b) (6) of this section ;

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

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

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

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

17 (9) A reasonable allowance for the exhaustion,  
18 wear and tear of property, as provided in section  
19 28 (k) ;

20 (10) In the case of such a domestic insurance  
21 company, the net income of which (computed without  
22 the benefit of this paragraph) is \$25,000 or less, the  
23 sum of \$3,000; but if the net income is more than  
24 \$25,000 the tax imposed by this section shall not exceed  
25 the tax which would be payable if the \$3,000 credit

1        were allowed, plus the amount of the net income in  
2        excess of \$25,000.

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

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

10        SEC. 205. NET LOSSES.

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

16        SEC. 206. TAXES OF FOREIGN COUNTRIES AND POSSES-  
17        SIONS OF UNITED STATES.

18        The amount of income, war-profits, and excess-profits  
19        taxes imposed by foreign countries or possessions of the  
20        United States shall be allowed as a credit against the tax  
21        of a domestic insurance company subject to the tax imposed  
22        by section 201 or 204, to the extent provided in the case  
23        of a domestic corporation in section 131, and in such cases  
24        "net income" as used in that section means the net income  
25        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 *(other than dividends) paid or incurred* within  
 6 the taxable year on policy and annuity 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 *policyholders, and,*

1        *unless otherwise allowed, a reasonable net addition to*  
 2        *reinsurance reserves.*

3            **Supplement H—Nonresident Alien Individuals**

4        **SEC. 211. NORMAL TAX.**

5            (a) **GENERAL RULE.**—In the case of a nonresident  
 6        alien individual who is not a resident of a contiguous country,  
 7        the normal tax shall be ~~5 per centum~~ *9 per centum* of the  
 8        amount of the net income in excess of the credits against  
 9        net income allowed to such individual.

10          (b) **ALIENS RESIDENT IN CONTIGUOUS COUN-**  
 11        **TRIES.**—In the case of an alien individual resident in a con-  
 12        tiguous country, the normal tax shall be an amount equal to  
 13        the sum of the following:

14            (1) ~~1½ per centum~~ *3 per centum* of the amount  
 15        by which the part of the net income attributable to  
 16        wages, salaries, professional fees, or other amounts  
 17        received as compensation for personal services actually  
 18        performed in the United States, exceeds the personal  
 19        exemption and credit for dependents; but the amount  
 20        taxable at such ~~1½ per centum~~ *3 per centum* rate shall  
 21        not exceed \$4,000;

22            (2) ~~3 per centum~~ *6 per centum* of the amount  
 23        by which such part of the net income exceeds the sum  
 24        of (A) the personal exemption and credit for depend-



1       ents, plus (B) \$4,000; but the amount taxable at such  
2       8 per centum 6 per centum rate shall not exceed  
3       \$4,000; and

4               (3) 5 per centum 9 per centum of the amount of  
5       the net income in excess of the sum of (A) the amount  
6       taxed under paragraphs (1) and (2) of this subsection  
7       plus (B) the total credits against net income  
8       allowed to such individual.

9       (c) **IN LIEU OF NORMAL TAX UNDER SECTION 11.**—  
10      The tax imposed by this section shall be in lieu of the normal  
11      tax imposed by section 11.

12      **SEC. 212. GROSS INCOME.**

13       (a) **(GENERAL RULE.**—In the case of a nonresident  
14      alien individual gross income includes only the gross income  
15      from sources within the United States.

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

1 **SEC. 212. DEDUCTIONS.**

2 (a) **GENERAL RULE.**—In the case of a nonresident  
3 alien individual the deductions shall be allowed only if  
4 and to the extent that they are connected with income from  
5 sources within the United States; and the proper apportion-  
6 ment and allocation of the deductions with respect to sources  
7 of income within and without the United States shall be  
8 determined as provided in section 119, under rules and  
9 regulations prescribed by the Commissioner with the  
10 approval of the Secretary.

11 (b) **LOSSES.**—

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

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

1 (c) CHARITABLE, ETC., CONTRIBUTIONS.—The  
 2 so-called "charitable contribution" deduction allowed by  
 3 section 23 (n) shall be allowed whether or not connected  
 4 with income from sources within the United States, but only  
 5 as to contributions or gifts made to domestic corporations,  
 6 or to community chests, funds, or foundations, created in the  
 7 United States; or to the vocational rehabilitation fund.

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

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

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

19 (a) RETURN TO CONTAIN INFORMATION.—A non-  
 20 resident alien individual shall receive the benefit of the de-  
 21 ductions and credits allowed to him in this title only by filing  
 22 or causing to be filed with the collector a true and accurate  
 23 return of his total income received from all sources in the  
 24 United States, in the manner prescribed in this title; includ-

1 ing therein all the information which the Commissioner may  
2 deem necessary for the calculation of such deductions and  
3 credits.

4 (b) **TAX WITHHELD AT SOURCE.**—The benefit of  
5 the personal exemption and credit for dependents, and of  
6 the reduced rate of tax provided for in section 211 (b),  
7 may, in the discretion of the Commissioner and under regu-  
8 lations prescribed by him with the approval of the Secretary,  
9 be received by a nonresident alien individual entitled  
10 thereto, by filing a claim therefor with the withholding  
11 agent.

12 **SEC. 216. CREDITS AGAINST TAX.**

13 A nonresident alien individual shall not be allowed the  
14 credits against the tax for taxes of foreign countries and  
15 possessions of the United States allowed by section 151.

16 **SEC. 217. RETURNS.**

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

23 **SEC. 218. PAYMENT OF TAX.**

24 (a) **TIME OF PAYMENT.**—In the case of a nonresi-  
25 dent alien individual the total amount of tax imposed by

1 this title shall be paid, in lieu of the time prescribed in  
 2 section 56 (a), on the 15th day of June following the  
 3 close of the calendar year, or, if the return should be made  
 4 on the basis of a fiscal year, then on the 15th day of  
 5 the sixth month following the close of the fiscal year.

6 (b) WITHHOLDING AT SOURCE.—For withholding  
 7 at source of tax on income of nonresident aliens, see sec-  
 8 tion 144 143.

9 **Supplement I—Foreign Corporations**

10 **SEC. 231. GROSS INCOME.**

11 (a) GENERAL RULE.—In the case of a foreign corpo-  
 12 ration gross income includes only the gross income from  
 13 sources within the United States.

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

22 **SEC. 232. DEDUCTIONS.**

23 In the case of a foreign corporation the deductions  
 24 shall be allowed only if and to the extent that they are  
 25 connected with income from sources within the United

1 States; and the proper apportionment and allocation of the  
2 deductions with respect to sources within and without the  
3 United States shall be determined as provided in section  
4 119, under rules and regulations prescribed by the Com-  
5 missioner with the approval of the Secretary.

6 **SEC. 233. ALLOWANCE OF DEDUCTIONS AND CREDITS.**

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

15 **SEC. 234. CREDITS AGAINST TAX.**

16 Foreign corporations shall not be allowed the credits  
17 against the tax for taxes of foreign countries and possessions  
18 of the United States allowed by section 131.

19 **SEC. 235. RETURNS.**

20 In the case of a foreign corporation not having any  
21 office or place of business in the United States the return,  
22 in lieu of the time prescribed in section 53(a)(1), shall  
23 be made on or before the fifteenth day of the sixth month  
24 following the close of the fiscal year, or, if the return is

1 made on the basis of the calendar year then on or before  
2 the fifteenth day of June. If any foreign corporation has  
3 no office or place of business in the United States but has  
4 an agent in the United States, the return shall be made by  
5 the agent.

6 **SEC. 236. PAYMENT OF TAX.**

7 (a) **TIME OF PAYMENT.**—In the case of a foreign  
8 corporation *not having any office or place of business in the*  
9 *United States* the total amount of tax imposed by this title  
10 shall be paid, in lieu of the time prescribed in section 56 (a),  
11 on the fifteenth day of June following the close of the  
12 calendar year, or, if the return should be made on the basis  
13 of a fiscal year, then on the fifteenth day of the sixth month  
14 following the close of the fiscal year.

15 (b) **WITHHOLDING AT SOURCE.**—For withholding at  
16 source of tax on income of foreign corporations, see section  
17 ~~144~~ 143.

18 **SEC. 237. FOREIGN INSURANCE COMPANIES.**

19 For special provisions relating to foreign insurance  
20 companies, see Supplement G.

21 **SEC. 238. AFFILIATION.**

22 A foreign corporation shall not be deemed to be affli-  
23 ated with any other corporation within the meaning of  
24 section 141 or 142.

**Supplement J—Possessions of the United States****SEC. 251. INCOME FROM SOURCES WITHIN POSSESSIONS  
OF UNITED STATES.**

(a) **GENERAL RULE.**—In the case of citizens of the United States or domestic corporations, satisfying the following conditions, gross income means only gross income from sources within the United States—

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

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

(3) If, in case of such citizen, 50 per centum or more of his gross income (computed without the benefit of this section) for such period or such part thereof was derived from the active conduct of a trade or busi-



1       ness within a possession of the United States either  
2       on his own account or as an employee or agent of  
3       another.

4       (b) AMOUNTS RECEIVED IN UNITED STATES.—Not-  
5       withstanding the provisions of subsection (a) there shall be  
6       included in gross income all amounts received by such citi-  
7       zens or corporations within the United States, whether  
8       derived from sources within or without the United States.

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

12      (d) DEDUCTIONS.—

13      (1) Citizens of the United States entitled to the  
14      benefits of this section shall have the same deductions  
15      as are allowed by Supplement H in the case of a non-  
16      resident alien individual.

17      (2) Domestic corporations entitled to the benefits  
18      of this section shall have the same deductions as are  
19      allowed by Supplement I in the case of a foreign  
20      corporation.

21      (e) CREDITS AGAINST NET INCOME.—

22      (1) CITIZENS.—A citizen of the United States  
23      entitled to the benefits of this section shall be allowed  
24      a personal exemption of only ~~\$1,500~~ \$1,000 and shall

1 not be allowed the credit for dependents provided in  
2 section 25 (d). The personal exemption shall be  
3 determined by the status of the taxpayer on the last day  
4 of the taxable year, except that in case of death the  
5 rule provided in section 25(e)(2) shall be applied.

6 ~~(2) A domestic corporation entitled to the bene-~~  
7 ~~fits of this section shall not be allowed the specific~~  
8 ~~credit of \$3,000 provided in section 26.~~

9 (f) ALLOWANCE OF DEDUCTIONS AND CREDITS.—

10 Citizens of the United States and domestic corporations  
11 entitled to the benefits of this section shall receive the benefit  
12 of the deductions and credits allowed to them in this title only  
13 by filing or causing to be filed with the collector a true and  
14 accurate return of their total income received from all sources  
15 in the United States, in the manner prescribed in this title;  
16 including therein all the information which the Commis-  
17 sioner may deem necessary for the calculation of such deduc-  
18 tions and credits.

19 (g) CREDITS AGAINST TAX.—Persons entitled to the  
20 benefits of this section shall not be allowed the credits  
21 against the tax for taxes of foreign countries and possessions  
22 of the United States allowed by section 131.

23 (h) AFFILIATION.—A corporation entitled to the  
24 benefits of this section shall not be deemed to be affiliated

1 with any other corporation within the meaning of section  
2 141 or 142.

3 **SEC. 252. CITIZENS OF POSSESSIONS OF UNITED STATES.**

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

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

19 **Supplement K—China Trade Act Corporations**

20 **SEC. 261. CREDIT AGAINST NET INCOME.**

21 (a) **ALLOWANCE OF CREDIT.**—For the purpose only  
22 of the tax imposed by section 13 there shall be allowed, in  
23 the case of a corporation organized under the China Trade  
24 Act, 1922, in addition to the ~~credits~~ credit provided in section

1 26, a credit against the net income of an amount equal to the  
2 proportion of the net income derived from sources within  
3 China (determined in a similar manner to that provided in  
4 section 119) which the par value of the shares of stock of  
5 the corporation owned on the last day of the taxable year  
6 by (1) persons resident in China, the United States, or  
7 possessions of the United States, and (2) individual citizens  
8 of the United States or China wherever resident, bears to  
9 the par value of the whole number of shares of stock of the  
10 corporation outstanding on such date: *Provided*, That in no  
11 case shall the amount by which the tax imposed by section  
12 13 is diminished by reason of such credit exceed the amount  
13 of the special dividend certified under subsection (b) of this  
14 section.

15 (b) SPECIAL DIVIDEND.—Such credit shall not be  
16 allowed unless the Secretary of Commerce has certified to  
17 the Commissioner—

18 (1) The amount which, during the year ending  
19 on the date fixed by law for filing the return, the cor-  
20 poration has distributed as a special dividend to or for  
21 the benefit of such persons as on the last day of the  
22 taxable year were resident in China, the United States,  
23 or possessions of the United States, or were individual  
24 citizens of the United States or China, and owned shares  
25 of stock of the corporation;

1           (2) That such special dividend was in addition  
2           to all other amounts, payable or to be payable to such  
3           persons or for their benefit, by reason of their interest  
4           in the corporation; and

5           (3) That such distribution has been made to or  
6           for the benefit of such persons in proportion to the par  
7           value of the shares of stock of the corporation owned  
8           by each; except that if the corporation has more than  
9           one class of stock, the certificates shall contain a state-  
10          ment that the articles of incorporation provide a method  
11          for the apportionment of such special dividend among  
12          such persons, and that the amount certified has been  
13          distributed in accordance with the method so provided.

14          (c) **OWNERSHIP OF STOCK.**—For the purposes of this  
15          section shares of stock of a corporation shall be considered  
16          to be owned by the person in whom the equitable right to  
17          the income from such shares is in good faith vested.

18          (d) **DEFINITION OF CHINA.**—As used in this section,  
19          the term “China” shall have the same meaning as when  
20          used in the China Trade Act, 1922.

21          **SEC. 202. CREDITS AGAINST THE TAX.**

22          A corporation organized under the China Trade Act,  
23          1922; shall not be allowed the credits against the tax for  
24          taxes of foreign countries and possessions of the United  
25          States allowed by section 131.

1 **SEC. 263. AFFILIATION.**

2 A corporation organized under the China Trade Act,  
3 1922, shall not be deemed to be affiliated with any other  
4 corporation within the meaning of section 141 or 142.

5 **SEC. 264. INCOME OF SHAREHOLDERS.**

6 For exclusion of dividends from gross income, see sec-  
7 tion 116.

8 **Supplement L—Assessment and Collection of Deficiencies**

9 **SEC. 271. DEFINITION OF DEFICIENCY.**

10 As used in this title in respect of a tax imposed by  
11 this title "deficiency" means—

12 (a) The amount by which the tax imposed by this title  
13 exceeds the amount shown as the tax by the taxpayer upon  
14 his return; but the amount so shown on the return shall first  
15 be increased by the amounts previously assessed (or col-  
16 lected without assessment) as a deficiency, and decreased  
17 by the amounts previously abated, credited, refunded, or  
18 otherwise repaid in respect of such tax; or

19 (b) If no amount is shown as the tax by the taxpayer  
20 upon his return, or if no return is made by the taxpayer,  
21 then the amount by which the tax exceeds the amounts pre-  
22 viously assessed (or collected without assessment) as a  
23 deficiency; but such amounts previously assessed, or col-  
24 lected without assessment, shall first be decreased by the

1 amounts previously abated, credited, refunded, or otherwise  
2 repaid in respect of such tax.

3 **SEC. 272. PROCEDURE IN GENERAL.**

4 (a) **PETITION TO BOARD OF TAX APPEALS.**—If in  
5 the case of any taxpayer, the Commissioner determines that  
6 there is a deficiency in respect of the tax imposed by this  
7 title, the Commissioner is authorized to send notice of such  
8 deficiency to the taxpayer by registered mail. Within 60  
9 days after such notice is mailed (not counting Sunday as the  
10 sixtieth day), the taxpayer may file a petition with the Board  
11 of Tax Appeals for a redetermination of the deficiency. No  
12 assessment of a deficiency in respect of the tax imposed by  
13 this title and no distraint or proceeding in court for its collec-  
14 tion shall be made, begun, or prosecuted until such notice  
15 has been mailed to the taxpayer, nor until the expiration of  
16 such 60-day period, nor, if a petition has been filed with  
17 the Board, until the decision of the Board has become final.  
18 Notwithstanding the provisions of section 3224 of the Re-  
19 vised Statutes the making of such assessment or the begin-  
20 ning of such proceeding or distraint during the time such  
21 prohibition is in force may be enjoined by a proceeding in  
22 the proper court.

23 For exceptions to the restrictions imposed by this sub-  
24 section, see—

1           (1) Subsection (d) of this section, relating to  
2           waivers by the taxpayer;

3           (2) Subsection (f) of this section, relating to  
4           notifications of mathematical errors appearing upon the  
5           face of the return;

6           (3) Section 273, relating to jeopardy assess-  
7           ments;

8           (4) Section 274, relating to bankruptcy and  
9           receiverships; and

10          (5) Section 1001 of the Revenue Act of 1926, as  
11          amended, relating to assessment or collection of the  
12          amount of the deficiency determined by the Board  
13          pending court review.

14          (b) COLLECTION OF DEFICIENCY FOUND BY BOARD.—

15          If the taxpayer files a petition with the Board, the entire  
16          amount redetermined as the deficiency by the decision of  
17          the Board which has become final shall be assessed and  
18          shall be paid upon notice and demand from the collector.

19          No part of the amount determined as a deficiency by  
20          the Commissioner but disallowed as such by the decision  
21          of the Board which has become final shall be assessed or  
22          be collected by distraint or by proceeding in court with or  
23          without assessment.

24          (c) FAILURE TO FILE PETITION.—If the taxpayer  
25          does not file a petition with the Board within the time pre-



1 scribed in subsection (a) of this section, the deficiency,  
2 notice of which has been mailed to the taxpayer, shall be  
3 assessed, and shall be paid upon notice and demand from  
4 the collector.

5 (d) WAIVER OF RESTRICTIONS.—The taxpayer shall  
6 at any time have the right, by a signed notice in writing  
7 filed with the Commissioner, to waive the restrictions pro-  
8 vided in subsection (a) of this section on the assessment  
9 and collection of the whole or any part of the deficiency.

10 (e) INCREASE OF DEFICIENCY AFTER NOTICE  
11 MAILED.—The Board shall have jurisdiction to redetermine  
12 the correct amount of the deficiency even if the amount so  
13 redetermined is greater than the amount of the deficiency,  
14 notice of which has been mailed to the taxpayer, and to  
15 determine whether any penalty, additional amount or addi-  
16 tion to the tax should be assessed—if claim therefor is  
17 asserted by the Commissioner at or before the hearing or  
18 a rehearing.

19 (f) FURTHER DEFICIENCY LETTERS RESTRICTED.—  
20 If the Commissioner has mailed to the taxpayer notice of a  
21 deficiency as provided in subsection (a) of this section, and  
22 the taxpayer files a petition with the Board within the time  
23 prescribed in such subsection, the Commissioner shall have  
24 no right to determine any additional deficiency in respect  
25 of the same taxable year, except in the case of fraud, and

1 except as provided in subsection (e) of this section, relating  
2 to assertion of greater deficiencies before the Board, or in  
3 section 273 (c), relating to the making of jeopardy assess-  
4 ments. If the taxpayer is notified that, on account of a  
5 mathematical error appearing upon the face of the return,  
6 an amount of tax in excess of that shown upon the return  
7 is due, and that an assessment of the tax has been or will  
8 be made on the basis of what would have been the correct  
9 amount of tax but for the mathematical error, such notice  
10 shall not be considered (for the purposes of this subsection,  
11 or of subsection (a) of this section, prohibiting assessment  
12 and collection until notice of deficiency has been mailed,  
13 or of section 322 (c), prohibiting credits or refunds after  
14 petition to the Board of Tax Appeals) as a notice of a  
15 deficiency, and the taxpayer shall have no right to file a  
16 petition with the Board based on such notice, nor shall such  
17 assessment or collection be prohibited by the provisions of  
18 subsection (a) of this section.

19 (g) JURISDICTION OVER OTHER TAXABLE YEARS.—  
20 The Board in redetermining a deficiency in respect of any  
21 taxable year shall consider such facts with relation to the  
22 taxes for other taxable years as may be necessary correctly  
23 to redetermine the amount of such deficiency, but in so doing  
24 shall have no jurisdiction to determine whether or not the

1 tax for any other taxable year has been overpaid or  
2 underpaid.

3 (h) FINAL DECISIONS OF BOARD.—For the purposes  
4 of this title the date on which a decision of the Board  
5 becomes final shall be determined according to the provisions  
6 of section 1005 of the Revenue Act of 1926.

7 (i) PRORATING OF DEFICIENCY TO INSTALLMENTS.—

8 If the taxpayer has elected to pay the tax in installments and  
9 a deficiency has been assessed, the deficiency shall be pro-  
10 rated to the four installments. Except as provided in sec-  
11 tion 278 (relating to jeopardy assessments), that part of  
12 the deficiency so prorated to any installment the date for  
13 payment of which has not arrived, shall be collected at the  
14 same time as and as part of such installment. That part  
15 of the deficiency so prorated to any installment the date for  
16 payment of which has arrived, shall be paid upon notice and  
17 demand from the collector.

18 (j) EXTENSION OF TIME FOR PAYMENT OF DEFICI-  
19 CIENCIES.—Where it is shown to the satisfaction of the  
20 Commissioner that the payment of a deficiency upon the  
21 date prescribed for the payment thereof will result in undue  
22 hardship to the taxpayer the Commissioner, with the ap-  
23 proval of the Secretary (except where the deficiency is due  
24 to negligence, to intentional disregard of rules and regu-

1 lations, or to fraud with intent to evade tax), may grant  
2 an extension for the payment of such deficiency or any part  
3 thereof for a period not in excess of eighteen months, and,  
4 in exceptional cases, for a further period not in excess of  
5 twelve months. If an extension is granted, the Commis-  
6 sioner may require the taxpayer to furnish a bond in such  
7 amount, not exceeding double the amount of the deficiency,  
8 and with such sureties, as the Commissioner deems neces-  
9 sary, conditioned upon the payment of the deficiency in  
10 accordance with the terms of the extension.

11 (k) ADDRESS FOR NOTICE OF DEFICIENCY.—In the  
12 absence of notice to the Commissioner under section 312 (a)  
13 of the existence of a fiduciary relationship, notice of a defi-  
14 ciency in respect of a tax imposed by this title, if mailed to  
15 the taxpayer at his last known address, shall be sufficient for  
16 the purposes of this title even if such taxpayer is deceased,  
17 or is under a legal disability, or, in the case of a corporation,  
18 has terminated its existence.

19 **SEC. 273. JEOPARDY ASSESSMENTS.**

20 (a) AUTHORITY FOR MAKING.—If the Commissioner  
21 believes that the assessment or collection of a deficiency will  
22 be jeopardized by delay, he shall immediately assess such  
23 deficiency (together with all interest, additional amounts,  
24 or additions to the tax provided for by law) and notice and

1 demand shall be made by the collector for the payment  
2 thereof.

3 (b) DEFICIENCY LETTERS.—If the jeopardy assess-  
4 ment is made before any notice in respect of the tax to which  
5 the jeopardy assessment relater has been mailed under section  
6 272 (a), then the Commissioner shall mail a notice under  
7 such subsection within 60 days after the making of the  
8 assessment.

9 (c) AMOUNT ASSESSABLE BEFORE DECISION OF  
10 BOARD.—The jeopardy assessment may be made in respect  
11 of a deficiency greater or less than that notice of which has  
12 been mailed to the taxpayer, despite the provisions of section  
13 272 (f) prohibiting the determination of additional deficien-  
14 cies, and whether or not the taxpayer has theretofore filed  
15 a petition with the Board of Tax Appeals. The Commis-  
16 sioner shall notify the Board of the amount of such assess-  
17 ment, if the petition is filed with the Board before the making  
18 of the assessment or is subsequently filed, and the Board shall  
19 have jurisdiction to redetermine the entire amount of the  
20 deficiency and of all amounts assessed at the same time in  
21 connection therewith.

22 (d) AMOUNT ASSESSABLE AFTER DECISION OF  
23 BOARD.—If the jeopardy assessment is made after the deci-  
24 sion of the Board is rendered such assessment may be made

1 only in respect of the deficiency determined by the Board  
2 in its decision.

3 (e) EXPIRATION OF RIGHT TO ASSESS.—A jeopardy  
4 assessment may not be made after the decision of the Board  
5 has become final or after the taxpayer has filed a petition  
6 for review of the decision of the Board.

7 (f) BOND TO STAY COLLECTION.—When a jeopardy  
8 assessment has been made the taxpayer, within 10 days after  
9 notice and demand from the collector for the payment of  
10 the amount of the assessment, may obtain a stay of collection  
11 of the whole or any part of the amount of the assessment by  
12 filing with the collector a bond in such amount, not exceed-  
13 ing double the amount as to which the stay is desired, and  
14 with such sureties, as the collector deems necessary, condi-  
15 tioned upon the payment of so much of the amount, the  
16 collection of which is stayed by the bond, as is not abated  
17 by a decision of the Board which has become final, together  
18 with interest thereon as provided in section 297.

19 (g) SAME—FURTHER CONDITIONS.—If the bond is  
20 given before the taxpayer has filed his petition with the  
21 Board under section 272 (a), the bond shall contain a  
22 further condition that if a petition is not filed within the  
23 period provided in such subsection, then the amount the  
24 collection of which is stayed by the bond will be paid on  
25 notice and demand at any time after the expiration of such

1 period, together with interest thereon at the rate of 6 per  
2 centum per annum from the date of the jeopardy notice and  
3 demand to the date of notice and demand under this sub-  
4 section.

5 (b) WAIVER OF STAY.—Upon the filing of the bond  
6 the collection of so much of the amount assessed as is cov-  
7 ered by the bond shall be stayed. The taxpayer shall have  
8 the right to waive such stay at any time in respect of the  
9 whole or any part of the amount covered by the bond, and  
10 if as a result of such waiver any part of the amount covered  
11 by the bond is paid, then the bond shall, at the request of  
12 the taxpayer, be proportionately reduced. If the Board  
13 determines that the amount assessed is greater than the  
14 amount which should have been assessed, then when the  
15 decision of the Board is rendered the bond shall, at the  
16 request of the taxpayer, be proportionately reduced.

17 (i) COLLECTION OF UNPAID AMOUNTS.—When the  
18 petition has been filed with the Board and when the amount  
19 which should have been assessed has been determined by a  
20 decision of the Board which has become final, then any  
21 unpaid portion, the collection of which has been stayed by  
22 the bond, shall be collected as part of the tax upon notice  
23 and demand from the collector, and any remaining portion  
24 of the assessment shall be abated. If the amount already  
25 collected exceeds the amount determined, as the amount

1 which should have been assessed, such excess shall be  
 2 credited or refunded to the taxpayer as provided in section  
 3 822, without the filing of claim therefor. If the amount  
 4 determined as the amount which should have been assessed  
 5 is greater than the amount actually assessed, then the differ-  
 6 ence shall be assessed and shall be collected as part of the  
 7 tax upon notice and demand from the collector.

8 (j) CLAIMS IN ABATEMENT.—No claim in abatement  
 9 shall be filed in respect of any assessment in respect of any  
 10 tax imposed by this title.

#### 11 SEC. 274 BANKRUPTCY AND RECEIVERSHIPS.

12 (a) IMMEDIATE ASSESSMENT.—Upon the adjudica-  
 13 tion of bankruptcy of any taxpayer in any bankruptcy pro-  
 14 ceeding or the appointment of a receiver for any taxpayer  
 15 in any receivership proceeding before any court of the  
 16 United States or of any State or Territory or of the District  
 17 of Columbia, any deficiency (together with all interest,  
 18 additional amounts, or additions to the tax provided for by  
 19 law) determined by the Commissioner in respect of a tax  
 20 imposed by this title upon such taxpayer shall, despite the  
 21 restrictions imposed by section 272 (a) upon assessments be  
 22 immediately assessed if such deficiency has not theretofore  
 23 been assessed in accordance with law. Claims for the  
 24 deficiency and such interest, additional amounts and addi-  
 25 tions to the tax may be presented for adjudication in



1 accordance with law, to the court before which the bank-  
2 ruptcy or receivership proceeding is pending, despite the  
3 pendency of proceedings for the redetermination of the  
4 deficiency in pursuance of a petition to the Board; but no  
5 petition for any such redetermination shall be filed with the  
6 Board after the adjudication of bankruptcy or the appoint-  
7 ment of the receiver.

8 (b) UNPAID CLAIMS.—Any portion of the claim  
9 allowed in such bankruptcy or receivership proceeding  
10 which is unpaid shall be paid by the taxpayer upon notice  
11 and demand from the collector after the termination of  
12 such proceeding, and may be collected by distraint or pro-  
13 ceeding in court within six years after termination of such  
14 proceeding. Extensions of time for such payment may be  
15 had in the same manner and subject to the same provisions  
16 and limitations as are provided in section 272 (j) and  
17 section 296 in the case of a deficiency in a tax imposed by  
18 this title.

19 **SEC. 275. PERIOD OF LIMITATION UPON ASSESSMENT**  
20 **AND COLLECTION.**

21 Except as provided in section 276—

22 (a) GENERAL RULE.—The amount of income taxes im-  
23 posed by this title shall be assessed within two years after  
24 the return was filed, and no proceeding in court without

1 assessment for the collection of such taxes shall be begun  
2 after the expiration of such period.

3 (b) REQUEST FOR PROMPT ASSESSMENT.—In the  
4 case of income received during the lifetime of a decedent, or  
5 by his estate during the period of administration, or by a  
6 corporation, the tax shall be assessed, and any proceeding  
7 in court without assessment for the collection of such tax  
8 shall be begun, within one year after written request therefor  
9 (filed after the return is made) by the executor, administra-  
10 tor, or other fiduciary representing the estate of such dece-  
11 dent, or by the corporation, but not after the expiration of  
12 two years after the return was filed. This subsection shall  
13 not apply in the case of a corporation unless—

14 (1) Such written request notifies the Commis-  
15 sioner that the corporation contemplates dissolution at  
16 or before the expiration of such year; and

17 (2) The dissolution is in good faith begun before  
18 the expiration of such year; and

19 (3) The dissolution is completed.

20 (c) CORPORATION AND SHAREHOLDER.—If a corpora-  
21 tion makes no return of the tax imposed by this title, but  
22 each of the shareholders includes in his return his distribu-  
23 tive share of the net income of the corporation, then the  
24 tax of the corporation shall be assessed within four years  
25 after the last date on which any such shareholder's return  
26 was filed.

**1 SEC. 276. SAME—EXCEPTIONS.**

2 (a) **FALSE RETURN OR NO RETURN.**—In the case of  
3 a false or fraudulent return with intent to evade tax or of a  
4 failure to file a return the tax may be assessed, or a pro-  
5 ceeding in court for the collection of such tax may be begun  
6 without assessment, at any time.

7 (b) **WAIVERS.**—Where before the expiration of the  
8 time prescribed in section 275 for the assessment of the  
9 tax, both the Commissioner and the taxpayer have con-  
10 sented in writing to its assessment after such time, the tax  
11 may be assessed at any time prior to the expiration of the  
12 period agreed upon. The period so agreed upon may be  
13 extended by subsequent agreements in writing made before  
14 the expiration of the period previously agreed upon.

15 (c) **COLLECTION AFTER ASSESSMENT.**—Where the  
16 assessment of any income tax imposed by this title has been  
17 made within the period of limitation properly applicable  
18 thereto, such tax may be collected by distraint or by a  
19 proceeding in court, but only if begun (1) within six years  
20 after the assessment of the tax, or (2) prior to the expira-  
21 tion of any period for collection agreed upon in writing by  
22 the Commissioner and the taxpayer before the expiration  
23 of such six-year period. The period so agreed upon may  
24 be extended by subsequent agreements in writing made  
25 before the expiration of the period previously agreed upon.

**1 SEC. 277. SUSPENSION OF RUNNING OF STATUTE.**

**2** The running of the statute of limitations provided in  
**3** section 275 or 276 on the making of assessments and the  
**4** beginning of distraint or a proceeding in court for collection,  
**5** in respect of any deficiency, shall (after the mailing of a  
**6** notice under section 272 (a) ) be suspended for the period  
**7** during which the Commissioner is prohibited from making  
**8** the assessment or beginning distraint or a proceeding in  
**9** court (and in any event, if a proceeding in respect of the  
**10** deficiency is placed on the docket of the Board, until the  
**11** decision of the Board becomes final), and for 60 days  
**12** thereafter.

**13** Supplement M—Interest and Additions to the Tax

**14 SEC. 291. FAILURE TO FILE RETURN.**

**15** In case of any failure to make and file a return required  
**16** by this title, within the time prescribed by law or proscribed  
**17** by the Commissioner in pursuance of law, 25 per centum of  
**18** the tax shall be added to the tax, except that when a return  
**19** is filed after such time and it is shown that the failure to  
**20** file it was due to reasonable cause and not due to willful  
**21** neglect no such addition shall be made to the tax. The  
**22** amount so added to any tax shall be collected at the same  
**23** time and in the same manner and as a part of the tax unless  
**24** the tax has been paid before the discovery of the neglect, in  
**25** which case the amount so added shall be collected in the

1 same manner as the tax. The amount added to the tax  
2 under this section shall be in lieu of the 25 per centum addi-  
3 tion to the tax provided in section 3176 of the Revised  
4 Statutes, as amended.

5 **SEC. 292. INTEREST ON DEFICIENCIES.**

6 Interest upon the amount determined as a deficiency  
7 shall be assessed at the same time as the deficiency, shall  
8 be paid upon notice and demand from the collector, and shall  
9 be collected as a part of the tax, at the rate of 6 per centum  
10 per annum from the date prescribed for the payment of the  
11 tax (or, if the tax is paid in installments, from the date  
12 prescribed for the payment of the first installment) to the  
13 date the deficiency is assessed, or, in the case of a waiver  
14 under section 272 (d), to the thirtieth day after the filing of  
15 such waiver or to the date the deficiency is assessed which-  
16 ever is the earlier.

17 **SEC. 293. ADDITIONS TO THE TAX IN CASE OF DEFICI-  
18 CIENCY.**

19 (a) **NEGLIGENCE.**—If any part of any deficiency is  
20 due to negligence, or intentional disregard of rules and regu-  
21 lations but without intent to defraud, 5 per centum of the  
22 total amount of the deficiency (in addition to such defi-  
23 ciency) shall be assessed, collected, and paid in the same  
24 manner as if it were a deficiency, except that the provisions  
25 of section 272 (i), relating to the prorating of a deficiency,

1 aud of section 292, relating to interest on deficiencies, shall  
2 not be applicable.

3 (b) FRAUD.—If any part of any deficiency is due to  
4 fraud with intent to evade tax, then 50 per centum of the  
5 total amount of the deficiency (in addition to such defi-  
6 ciency) shall be so assessed, collected, and paid, in lieu of the  
7 50 per centum addition to the tax provided in section 3176  
8 of the Revised Statutes, as amended.

9 **SEC. 294. ADDITIONS TO THE TAX IN CASE OF NONPAY-**

10 **MENT.**

11 (a) TAX SHOWN ON RETURN.—

12 (1) GENERAL RULE.—Where the amount de-  
13 termined by the taxpayer as the tax imposed by this  
14 title, or any installment thereof, or any part of such  
15 amount or installment, is not paid on or before the date  
16 prescribed for its payment, there shall be collected as  
17 a part of the tax, interest upon such unpaid amount at  
18 the rate of 1 per centum a month from the date pre-  
19 scribed for its payment until it is paid.

20 (2) IF EXTENSION GRANTED.—Where an exten-  
21 sion of time for payment of the amount so determined  
22 as the tax by the taxpayer, or any installment thereof,  
23 has been granted, and the amount the time for payment  
24 of which has been extended, and the interest thereon  
25 determined under section 295, is not paid in full prior

1 to the expiration of the period of the extension, then,  
2 in lieu of the interest provided for in paragraph (1) of  
3 this subsection, interest at the rate of 1 per centum a  
4 month shall be collected on such unpaid amount from  
5 the date of the expiration of the period of the extension  
6 until it is paid.

7 (b) DEFICIENCY.—Where a deficiency, or any inter-  
8 est or additional amounts assessed in connection therewith  
9 under section 292, or under section 298, or any addition  
10 to the tax in case of delinquency provided for in section 291,  
11 is not paid in full within ten days from the date of notice  
12 and demand from the collector, there shall be collected as  
13 part of the tax, interest upon the unpaid amount at the rate  
14 of 1 per centum a month from the date of such notice and  
15 demand until it is paid. If any part of a deficiency prorated  
16 to any unpaid installment under section 272 (i) is not paid  
17 in full on or before the date prescribed for the payment  
18 of such installment, there shall be collected as part of the  
19 tax interest upon the unpaid amount at the rate of 1 per  
20 centum a month from such date until it is paid.

21 (c) FIDUCIARIES.—For any period an estate is held  
22 by a fiduciary appointed by order of any court of competent  
23 jurisdiction or by will, there shall be collected interest at the  
24 rate of 6 per centum per annum in lieu of the interest pro-  
25 vided in subsections (a) and (b) of this section.

1           (d) **FILING OF JEOPARDY BOND.**—If a bond is filed,  
2 as provided in section 273, the provisions of subsections  
3 (b) and (c) of this section shall not apply to the amount  
4 covered by the bond.

5 **SEC. 295. TIME EXTENDED FOR PAYMENT OF TAX SHOWN**  
6                               **ON RETURN.**

7           If the time for payment of the amount determined, as  
8 the tax by the taxpayer, or any installment thereof, is ex-  
9 tended under the authority of section 56 (c), there shall be  
10 collected as a part of such amount, interest thereon at the  
11 rate of 6 per centum per annum from the date when such  
12 payment should have been made if no extension had been  
13 granted, until the expiration of the period of the extension.

14 **SEC. 296. TIME EXTENDED FOR PAYMENT OF DEFICIENCY.**

15           If the time for the payment of any part of a deficiency  
16 is extended, there shall be collected, as a part of the tax,  
17 interest on the part of the deficiency the time for payment  
18 of which is so extended, at the rate of 6 per centum per  
19 annum for the period of the extension, and no other interest  
20 shall be collected on such part of the deficiency for such  
21 period. If the part of the deficiency the time for payment  
22 of which is so extended is not paid in accordance with the  
23 terms of the extension, there shall be collected, as a part  
24 of the tax, interest on such unpaid amount at the rate of  
25 1 per centum a month for the period from the time fixed



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

4 **SEC. 297. INTEREST IN CASE OF JEOPARDY ASSESSMENTS.**

5 In the case of the amount collected under section  
6 278 (i) there shall be collected at the same time as such  
7 amount, and as a part of the tax, interest at the rate of 6  
8 per centum per annum upon such amount from the date of  
9 the jeopardy notice and demand to the date of notice and  
10 demand under section 278 (i), or, in the case of the amount  
11 collected in excess of the amount of the jeopardy assessment,  
12 interest as provided in section 292. If the amount included  
13 in the notice and demand from the collector under section.  
14 278 (i) is not paid in full within ten days after such notice  
15 and demand, then there shall be collected, as part of the tax,  
16 interest upon the unpaid amount at the rate of 1 per centum  
17 a month (or, for any period the estate of the taxpayer is  
18 held by a fiduciary appointed by any court of competent  
19 jurisdiction or by will, at the rate of 6 per centum per  
20 annum) from the date of such notice and demand until it  
21 is paid.

22 **SEC. 298. BANKRUPTCY AND RECEIVERSHIPS.**

23 If the unpaid portion of the claim allowed in a bank-  
24 ruptcy or receivership proceeding, as provided in section  
25 274, is not paid in full within 10 days from the date of

1 notice and demand from the collector, then there shall be  
 2 collected as a part of such amount interest upon the unpaid  
 3 portion thereof at the rate of 1 per centum a month from  
 4 the date of such notice and demand until payment.

5 **SEC. 299. REMOVAL OF PROPERTY OR DEPARTURE FROM**  
 6 **UNITED STATES.**

7 For additions to tax in case of leaving the United States  
 8 or concealing property in such manner as to hinder collec-  
 9 tion of the tax, see section 147 146.

10 **Supplement N—Claims against Transferees and Fidu-**  
 11 **ciaries**

12 **SEC. 311. TRANSFERRED ASSETS.**

13 (a) **METHOD OF COLLECTION.**—The amounts of the  
 14 following liabilities shall, except as hereinafter in this sec-  
 15 tion provided, be assessed, collected, and paid in the same  
 16 manner and subject to the same provisions and limitations  
 17 as in the case of a deficiency in a tax imposed by this title  
 18 (including the provisions in case of delinquency in payment  
 19 after notice and demand, the provisions authorizing distraint  
 20 and proceedings in court for collection, and the provisions  
 21 prohibiting claims and suits for refunds) :

22 (1) **TRANSFEREES.**—The liability, at law or in  
 23 equity, of a transferee of property of a taxpayer, in  
 24 respect of the tax (including interest, additional

1 amounts, and additions to the tax provided by law)  
2 imposed upon the taxpayer by this title.

3 (2) FIDUCIARIES.—The liability of a fiduciary  
4 under section 8467 of the Revised Statutes in respect  
5 of the payment of any such tax from the estate of the  
6 taxpayer.

7 Any such liability may be either as to the amount of  
8 tax shown on the return or as to any deficiency in tax.

9 (b) PERIOD OF LIMITATION.—The period of limita-  
10 tion for assessment of any such liability of a transferee or  
11 fiduciary shall be as follows:

12 (1) In the case of the liability of an initial trans-  
13 feree of the property of the taxpayer,—within one year  
14 after the expiration of the period of limitation for assess-  
15 ment against the taxpayer;

16 (2) In the case of the liability of a transferee of a  
17 transferee of the property of the taxpayer,—within one  
18 year after the expiration of the period of limitation for  
19 assessment against the preceding transferee, but only if  
20 within three years after the expiration of the period of  
21 limitation for assessment against the taxpayer;—

22 except that if before the expiration of the period of limitation  
23 for the assessment of the liability of the transferee, a court  
24 proceeding for the collection of the tax or liability in respect

1 thereof has been begun against the taxpayer or last preced-  
2 ing transferee, respectively,—then the period of limitation  
3 for assessment of the liability of the transferee shall expire  
4 one year after the return of execution in the court pro-  
5 ceeding.

6 (8) In the case of the liability of a fiduciary,—  
7 not later than one year after the liability arises or not  
8 later than the expiration of the period for collection of  
9 the tax in respect of which such liability arises, which-  
10 ever is the later.

11 (c) PERIOD FOR ASSESSMENT AGAINST TAXPAYER.—  
12 For the purposes of this section, if the taxpayer is deceased,  
13 or in the case of a corporation, has terminated its existence,  
14 the period of limitation for assessment against the taxpayer  
15 shall be the period that would be in effect had the death or  
16 termination of existence not occurred.

17 (d) SUSPENSION OF RUNNING OF STATUTE OF LIMIT-  
18 TATIONS.—The running of the statute of limitations upon the  
19 assessment of the liability of a transferee or fiduciary shall,  
20 after the mailing to the transferee or fiduciary of the notice  
21 provided for in section 272 (a), be suspended for the period  
22 during which the Commissioner is prohibited from making  
23 the assessment in respect of the liability of the transferee or  
24 fiduciary (and in any event, if a proceeding in respect of  
25 the liability is placed on the docket of the Board, until the

1 decision of the Board becomes final), and for 60 days there-  
2 after.

3 (e) ADDRESS FOR NOTICE OF LIABILITY.—In the ab-  
4 sence of notice to the Commissioner under section 312 (b)  
5 of the existence of a fiduciary relationship, notice of liability  
6 enforceable under this section in respect of a tax imposed  
7 by this title, if mailed to the person subject to the liability at  
8 his last known address, shall be sufficient for the purposes of  
9 this title even if such person is deceased, or is under a legal  
10 disability, or, in the case of a corporation, has terminated its  
11 existence.

12 (f) DEFINITION OF "TRANSFeree".—As used in this  
13 section, the term "transferee" includes heir, legatee, dev-  
14 isee, and distributee.

15 **SEC. 312. NOTICE OF FIDUCIARY RELATIONSHIP.**

16 (a) FIDUCIARY OF TAXPAYER.—Upon notice to the  
17 Commissioner that any person is acting in a fiduciary capac-  
18 ity such fiduciary shall assume the powers, rights, duties,  
19 and privileges of the taxpayer in respect of a tax imposed  
20 by this title (except as otherwise specifically provided and  
21 except that the tax shall be collected from the estate of the  
22 taxpayer), until notice is given that the fiduciary capacity  
23 has terminated.

24 (b) FIDUCIARY OF TRANSFeree.—Upon notice to the  
25 Commissioner that any person is acting in a fiduciary capac-

1 ity for a person subject to the liability specified in section  
2 311, the fiduciary shall assume, on behalf of such person,  
3 the powers, rights, duties, and privileges of such person  
4 under such section (except that the liability shall be col-  
5 lected from the estate of such person), until notice is given  
6 that the fiduciary capacity has terminated.

7 (c) **MANNER OF NOTICE.**—Notice under subsection  
8 (a) or (b) shall be given in accordance with regulations  
9 prescribed by the Commissioner with the approval of the  
10 Secretary.

#### 11 **Supplement O—Overpayments**

#### 12 **SEC. 321. OVERPAYMENT OF INSTALLMENT.**

13 If the taxpayer has paid as an installment of the tax  
14 more than the amount determined to be the correct amount  
15 of such installment, the overpayment shall be credited  
16 against the unpaid installments, if any. If the amount  
17 already paid, whether or not on the basis of installments,  
18 exceeds the amount determined to be the correct amount  
19 of the tax, the overpayment shall be credited or refunded  
20 as provided in section 322.

#### 21 **SEC. 322. REFUNDS AND CREDITS.**

22 (a) **AUTHORIZATION.**—Where there has been an  
23 overpayment of any tax imposed by this title, the amount  
24 of such overpayment shall be credited against any income,  
25 war-profits, or excess-profits tax or installment thereof then

1 due from the taxpayer, and any balance shall be refunded  
2 immediately to the taxpayer.

3 (b) **LIMITATION ON ALLOWANCE.—**

4 (1) **PERIOD OF LIMITATION.—**No such credit or  
5 refund shall be allowed or made after two years from  
6 the time the tax was paid, unless before the expiration  
7 of such period a claim therefor is filed by the taxpayer.

8 (2) **LIMIT ON AMOUNT OF CREDIT OR RE-**  
9 **FUND.—**The amount of the credit or refund shall not  
10 exceed the portion of the tax paid during the two  
11 years immediately preceding the filing of the claim,  
12 or if no claim was filed, then during the two years  
13 immediately preceding the allowance of the credit or  
14 refund.

15 (c) **EFFECT OF PETITION TO BOARD.—**If the Com-  
16 missioner has mailed to the taxpayer a notice of deficiency  
17 under section 272 (a) and if the taxpayer files a petition  
18 with the Board of Tax Appeals within the time prescribed  
19 in such subsection, no credit or refund in respect of the tax  
20 for the taxable year in respect of which the Commissioner  
21 has determined the deficiency shall be allowed or made  
22 and no suit by the taxpayer for the recovery of any part  
23 of such tax shall be instituted in any court except—

24 (1) As to overpayments determined by a de-  
25 cision of the Board which has become final; and

1           (2) As to any amount collected in excess of  
2           an amount computed in accordance with the decision  
3           of the Board which has become final; and

4           (3) As to any amount collected after the period  
5           of limitation upon the beginning of distraint or a pro-  
6           ceeding in court for collection has expired; but in any  
7           such claim for credit or refund or in any such suit for  
8           refund the decision of the Board which has become  
9           final, as to whether such period has expired before the  
10          notice of deficiency was mailed, shall be conclusive.

11          (d) **OVERPAYMENT FOUND BY BOARD.**—If the Board  
12          finds that there is no deficiency and further finds that the  
13          taxpayer has made an overpayment of tax in respect of the  
14          taxable year in respect of which the Commissioner deter-  
15          mined the deficiency, the Board shall have jurisdiction to  
16          determine the amount of such overpayment, and such  
17          amount shall, when the decision of the Board has become  
18          final, be credited or refunded to the taxpayer. No such  
19          credit or refund shall be made of any portion of the tax paid  
20          more than two years before the filing of the claim or the  
21          filing of the petition, whichever is earlier.

22          (e) **TAX WITHHELD AT SOURCE.**—For refund or  
23          credit in case of excessive withholding at the source, see  
24          section ~~144(f)~~ 148(f).



**TITLE II—ADDITIONAL ESTATE TAX**

**SEC. 401. IMPOSITION OF TAX.**

(a) In addition to the estate tax imposed by section 301(a) of the Revenue Act of 1926, there is hereby imposed upon the transfer of the net estate of every decedent dying after the enactment of this Act, whether a resident or non-resident of the United States, a tax equal to the excess of—

(1) the amount of a tentative tax computed under subsection (b) of this section, over

(2) the amount of the tax imposed by section 301(a) of the Revenue Act of 1926, computed without regard to the provisions of this title.

(b) The tentative tax referred to in subsection (a) (1) of this section shall equal the sum of the following percentages of the value of the net estate:

Upon net estates not in excess of \$10,000, 1 per centum.

\$100 upon net estates of \$10,000; and upon net estates in excess of \$10,000 and not in excess of \$20,000, 2 per centum in addition of such excess.

\$300 upon net estates of \$20,000; and upon net estates in excess of \$20,000 and not in excess of \$30,000, 3 per centum in addition of such excess.

\$600 upon net estates of \$30,000; and upon net estates in excess of \$30,000 and not in excess of \$40,000, 4 per centum in addition of such excess.

1       **\$1,000 upon net estates of \$40,000; and upon net estates**  
 2 **in excess of \$40,000 and not in excess of \$50,000, 5 per**  
 3 **centum in addition of such excess.**

4       **\$1,500 upon net estates of \$50,000; and upon net estates**  
 5 **in excess of \$50,000 and not in excess of \$100,000, 7 per.**  
 6 **centum in addition of such excess.**

7       **\$5,000 upon net estates of \$100,000; and upon net**  
 8 **estates in excess of \$100,000 and not in excess of \$200,000,**  
 9 **9 per centum in addition of such excess.**

10       **\$14,000 upon net estates of \$200,000; and upon net**  
 11 **estates in excess of \$200,000 and not in excess of \$400,000,**  
 12 **11 per centum in addition of such excess.**

13       **\$36,000 upon net estates of \$400,000; and upon net**  
 14 **estates in excess of \$400,000 and not in excess of \$600,000,**  
 15 **13 per centum in addition of such excess.**

16       **\$62,000 upon net estates of \$600,000; and upon net**  
 17 **estates in excess of \$600,000 and not in excess of \$800,000,**  
 18 **15 per centum in addition of such excess.**

19       **\$92,000 upon net estates of \$800,000; and upon net**  
 20 **estates in excess of \$800,000 and not in excess of \$1,000,000;**  
 21 **17 per centum in addition of such excess.**

22       **\$126,000 upon net estates of \$1,000,000; and upon net**  
 23 **estates in excess of \$1,000,000 and not in excess of \$1,500,000;**  
 24 **19 per centum in addition of such excess.**

1       **\$221,000** upon net estates of **\$1,500,000**; and upon  
 2 net estates in excess of **\$1,500,000** and not in excess of  
 3 **\$2,000,000**, **21** per centum in addition of such excess.

4       **\$226,000** upon net estates of **\$2,000,000**; and upon  
 5 net estates in excess of **\$2,000,000** and not in excess of  
 6 **\$2,500,000**, **23** per centum in addition of such excess.

7       **\$441,000** upon net estates of **\$2,500,000**; and upon net  
 8 estates in excess of **\$2,500,000** and not in excess of  
 9 **\$3,000,000**, **25** per centum in addition of such excess.

10       **\$566,000** upon net estates of **\$3,000,000**; and upon  
 11 net estates in excess of **\$3,000,000** and not in excess of  
 12 **\$3,500,000**, **27** per centum in addition of such excess.

13       **\$701,000** upon net estates of **\$3,500,000**; and upon net  
 14 estates in excess of **\$3,500,000** and not in excess of  
 15 **\$4,000,000**, **29** per centum in addition of such excess.

16       **\$846,000** upon net estates of **\$4,000,000**; and upon net  
 17 estates in excess of **\$4,000,000** and not in excess of  
 18 **\$4,500,000**, **31** per centum in addition of such excess.

19       **\$1,001,000** upon net estates of **\$4,500,000**; and upon  
 20 net estates in excess of **\$4,500,000** and not in excess of  
 21 **\$5,000,000**, **33** per centum in addition of such excess.

22       **\$1,166,000** upon net estates of **\$5,000,000**; and upon  
 23 net estates in excess of **\$5,000,000** and not in excess of  
 24 **\$6,000,000**, **35** per centum in addition of such excess.

1     **\$1,516,000 upon net estates of \$6,000,000; and upon**  
 2     **net estates in excess of \$6,000,000 and not in excess of**  
 3     **\$7,000,000, 37 per centum in addition of such excess.**

4     **\$1,886,000 upon net estates of \$7,000,000; and upon**  
 5     **net estates in excess of \$7,000,000 and not in excess of**  
 6     **\$8,000,000, 39 per centum in addition of such excess.**

7     **\$2,276,000 upon net estates of \$8,000,000; and upon**  
 8     **net estates in excess of \$8,000,000 and not in excess of**  
 9     **\$9,000,000, 41 per centum in addition of such excess.**

10     **\$2,686,000 upon net estates of \$9,000,000; and upon**  
 11     **net estates in excess of \$9,000,000 and not in excess of**  
 12     **\$10,000,000, 43 per centum in addition of such excess.**

13     **\$3,116,000 upon net estates of \$10,000,000; and upon**  
 14     **net estates in excess of \$10,000,000, 45 per centum in addi-**  
 15     **tion of such excess.**

16     **(c) For the purposes of this section, the value of the net**  
 17     **estate shall be determined as provided in Title III of the**  
 18     **Revenue Act of 1926, as amended, except that in lieu of the**  
 19     **exemption of \$100,000 provided in section 303(a)(4) of**  
 20     **such Act, the exemption shall be \$50,000.**

21     **SEC. 402. CREDITS AGAINST TAX.**

22     **(a) The credit provided in section 301(c) of the Rev-**  
 23     **enue Act of 1926, as amended (80 per centum credit),**  
 24     **shall not be allowed in respect of such additional tax.**

1 (b) (1) If a tax has been paid under Title III of this  
2 Act on a gift, and thereafter upon the death of the donor  
3 any amount in respect of such gift is required to be included  
4 in the value of the gross estate of the decedent for the pur-  
5 poses of this title, then there shall be credited against the  
6 tax imposed by section 401 of this Act the amount of the  
7 tax paid under such Title III with respect to so much of the  
8 property which constituted the gift as is included in the gross  
9 estate, except that the amount of such credit (A) shall not  
10 exceed an amount which bears the same ratio to the tax  
11 imposed by section 401 of this Act as the value (at the  
12 time of the gift or at the time of the death, whichever is  
13 lower) of so much of the property which constituted the  
14 gift as is included in the gross estate, bears to the value of  
15 the entire gross estate, and (B) shall not exceed the amount  
16 by which the gift tax paid under Title III of this Act with  
17 respect to so much of the property as constituted the gift as  
18 is included in the gross estate, exceeds the amount of the  
19 credit under section 301(b) of the Revenue Act of 1926,  
20 as amended by this Act.

21 (2) For the purposes of paragraph (1), the amount  
22 of tax paid for any year under Title III of this Act with  
23 respect to any property shall be an amount which bears the  
24 same ratio to the total tax paid for such year as the value of

1 such property bears to the total amount of net gifts (com  
2 puted without deduction of the specific exemption) for such  
3 year.

4 **SEC. 403. ASSESSMENT, COLLECTION, AND PAYMENT OF TAX.**

5 Except as provided in section 402, the tax imposed by  
6 section 401 of this Act shall be assessed, collected, and paid,  
7 in the same manner, and shall be subject to the same pro-  
8 visions of law (including penalties), as the tax imposed by  
9 section 301(a) of the Revenue Act of 1926, except that in  
10 the case of a resident decedent a return shall be required  
11 if the value of the gross estate at the time of the decedent's  
12 death exceeds \$50,000.

13 **TITLE III—GIFT TAX**

14 **SEC. 501. IMPOSITION OF TAX.**

15 (a) For the calendar year 1932 and each calendar  
16 year thereafter a tax, computed as provided in section 502,  
17 shall be imposed upon the transfer during such calendar  
18 year by any individual, resident or nonresident, of property  
19 by gift.

20 (b) The tax shall apply whether the transfer is in  
21 trust or otherwise, whether the gift is direct or indirect, and  
22 whether the property is real or personal, tangible or intan-  
23 gible; but, in the case of a nonresident not a citizen of the  
24 United States, shall apply to a transfer only if the property  
25 is situated within the United States. The tax shall not

1 apply to a transfer made on or before the date of the enactment  
2 of this Act.

3 **SEC. 562. COMPUTATION OF TAX.**

4 The tax for each calendar year shall be an amount  
5 equal to the excess of—

6 (1) a tax, computed in accordance with the Rate  
7 Schedule hereinafter set forth, on the aggregate sum  
8 of the net gifts for such calendar year and for each of  
9 the preceding calendar years, over

10 (2) a tax, computed in accordance with the Rate  
11 Schedule, on the aggregate sum of the net gifts for each  
12 of the preceding calendar years.

13 **GIFT TAX RATE SCHEDULE**

14 Upon net gifts not in excess of \$10,000, three-fourths  
15 of 1 per centum.

16 \$75 upon net gifts of \$10,000; and upon net gifts  
17 in excess of \$10,000 and not in excess of \$20,000, 1½ per  
18 centum in addition of such excess.

19 \$225 upon net gifts of \$20,000; and upon net gifts in  
20 excess of \$20,000 and not in excess of \$30,000, 2½ per  
21 centum in addition of such excess.

22 \$450 upon net gifts of \$30,000; and upon net gifts in  
23 excess of \$30,000 and not in excess of \$40,000, 3 per centum  
24 in addition of such excess.

1        **\$750 upon net gifts of \$40,000; and upon net gifts**  
 2        **in excess of \$40,000 and not in excess of \$50,000, 3½**  
 3        **per centum in addition of such excess.**

4        **\$1,125 upon net gifts of \$50,000; and upon net gifts**  
 5        **in excess of \$50,000 and not in excess of \$100,000, 5 per**  
 6        **centum in addition of such excess.**

7        **\$3,625 upon net gifts of \$100,000; and upon net gifts**  
 8        **in excess of \$100,000 and not in excess of \$200,000, 6½**  
 9        **per centum in addition of such excess.**

10       **\$10,125 upon net gifts of \$200,000; and upon net gifts**  
 11       **in excess of \$200,000 and not in excess of \$400,000, 8 per**  
 12       **centum in addition of such excess.**

13       **\$26,125 upon net gifts of \$400,000; and upon net**  
 14       **gifts in excess of \$400,000 and not in excess of \$600,000,**  
 15       **9½ per centum in addition of such excess.**

16       **\$45,125 upon net gifts of \$600,000; and upon net gifts**  
 17       **in excess of \$600,000 and not in excess of \$800,000, 11**  
 18       **per centum in addition of such excess.**

19       **\$67,125 upon net gifts of \$800,000; and upon net gifts**  
 20       **in excess of \$800,000 and not in excess of \$1,000,000, 13½**  
 21       **per centum in addition of such excess.**

22       **\$92,125 upon net gifts of \$1,000,000; and upon net**  
 23       **gifts in excess of \$1,000,000 and not in excess of \$1,500,000,**  
 24       **14 per centum in addition of such excess.**



1        **\$162,125** upon net gifts of **\$1,500,000**; and upon net  
 2        gifts in excess of **\$1,500,000** and not in excess of **\$2,000,000**,  
 3        **15½ per centum** in addition of such excess.

4        **\$239,625** upon net gifts of **\$2,000,000**; and upon net  
 5        gifts in excess of **\$2,000,000** and not in excess of **\$2,500,000**,  
 6        **17 per centum** in addition of such excess.

7        **\$324,625** upon net gifts of **\$2,500,000**; and upon net  
 8        gifts in excess of **\$2,500,000** and not in excess of **\$3,000,000**,  
 9        **18½ per centum** in addition of such excess.

10       **\$417,125** upon net gifts of **\$3,000,000**; and upon net  
 11       gifts in excess of **\$3,000,000** and not in excess of **\$3,500,000**,  
 12       **20 per centum** in addition of such excess.

13       **\$517,125** upon net gifts of **\$3,500,000**; and upon net  
 14       gifts in excess of **\$3,500,000** and not in excess of **\$4,000,000**,  
 15       **21½ per centum** in addition of such excess.

16       **\$624,625** upon net gifts of **\$4,000,000**; and upon net  
 17       gifts in excess of **\$4,000,000** and not in excess of **\$4,500,000**,  
 18       **23 per centum** in addition of such excess.

19       **\$739,625** upon net gifts of **\$4,500,000**; and upon net  
 20       gifts in excess of **\$4,500,000** and not in excess of **\$5,000,000**,  
 21       **24½ per centum** in addition of such excess.

22       **\$862,125** upon net gifts of **\$5,000,000**; and upon net  
 23       gifts in excess of **\$5,000,000** and not in excess of **\$6,000,000**,  
 24       **26 per centum** in addition of such excess.

1        **\$1,122,125 upon net gifts of \$5,000,000; and upon net**  
 2 **gifts in excess of \$6,000,000 and not in excess of \$7,000,000,**  
 3 **27½ per centum in addition of such excess.**

4        **\$1,397,125 upon net gifts of \$7,000,000; and upon net**  
 5 **gifts in excess of \$7,000,000 and not in excess of \$8,000,000,**  
 6 **29 per centum in addition of such excess.**

7        **\$1,687,125 upon net gifts of \$8,000,000; and upon net**  
 8 **gifts in excess of \$8,000,000 and not in excess of \$9,000,000,**  
 9 **30½ per centum in addition of such excess.**

10       **\$1,992,125 upon net gifts of \$9,000,000; and upon net**  
 11 **gifts in excess of \$9,000,000 and not in excess of \$10,000,-**  
 12 **000, 32 per centum in addition of such excess.**

13       **\$2,312,125 upon net gifts of \$10,000,000; and upon**  
 14 **net gifts in excess of \$10,000,000, 33½ per centum in addi-**  
 15 **tion of such excess.**

16 **SEC. 503. TRANSFER FOR LESS THAN ADEQUATE AND FULL**  
 17 **CONSIDERATION.**

18       *Where property is transferred for less than an adequate*  
 19 *and full consideration in money or money's worth, then the*  
 20 *amount by which the value of the property exceeded the*  
 21 *value of the consideration shall, for the purpose of the tax*  
 22 *imposed by this title, be deemed a gift, and shall be included*  
 23 *in computing the amount of gifts made during the calendar*  
 24 *year.*

1 **SEC. 504. NET GIFTS.**

2 (a) **GENERAL DEFINITION.**—The term “net gifts”  
3 means the total amount of gifts made during the calendar  
4 year, less the deductions provided in section 505.

5 (b) **GIFTS LESS THAN \$5,000.**—In the case of gifts  
6 (other than of future interests in property) made to any  
7 person by the donor during the calendar year, the first \$5,000  
8 of such gifts to such person shall not, for the purposes of  
9 subsection (a), be included in the total amount of gifts made  
10 during such year.

11 **SEC. 505. DEDUCTIONS.**

12 In computing net gifts for any calendar year there shall  
13 be allowed as deductions:

14 (a) **RESIDENTS.**—In the case of a citizen; or  
15 resident—

16 (1) **SPECIFIC EXEMPTION.**—An exemption of  
17 \$50,000, less the aggregate of the amounts claimed  
18 and allowed as specific exemption for preceding  
19 calendar years.

20 (2) **CHARITABLE, ETC., GIFTS.**—The amount of  
21 all gifts made during such year to or for the use of—  
22 (A) the United States, any State, Territory,  
23 or any political subdivision thereof, or the District  
24 of Columbia, for exclusively public purposes;

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

9           **(C) a fraternal society, order, or association,**  
10           **operating under the lodge system, but only if such**  
11           **gifts are to be used exclusively for religious,**  
12           **charitable, scientific, literary, or educational pur-**  
13           **poses, including the encouragement of art and the**  
14           **prevention of cruelty to children or animals;**

15           **(D) posts or organizations of war veterans,**  
16           **or auxiliary units or societies of any such posts or**  
17           **organizations, if such posts, organizations, units,**  
18           **or societies are organized in the United States or**  
19           **any of its possessions, and if no part of their net**  
20           **earnings inures to the benefit of any private share-**  
21           **holder or individual;**

22           **(E) the special fund for vocational rehabili-**  
23           **tation authorized by section 12 of the World War**  
24           **Veterans' Act, 1924.**

1       **(b) NONRESIDENTS.**—In the case of a nonresident  
 2 not a citizen of the United States, the amount of all gifts  
 3 made during such year to or for the use of—

4           **(1) the United States, any State, Territory, or**  
 5       **any political subdivision thereof, or the District of**  
 6       **Columbia, for exclusively public purposes;**

7           **(2) a domestic corporation organized and oper-**  
 8       **ated exclusively for religious, charitable, scientific,**  
 9       **literary, or educational purposes, including the encour-**  
 10       **agement of art and the prevention of cruelty to chil-**  
 11       **dren or animals; no part of the net earnings of which**  
 12       **inures to the benefit of any private shareholder or indi-**  
 13       **vidual;**

14           **(3) a trust, or community chest, fund, or found-**  
 15       **ation, organized and operated exclusively for reli-**  
 16       **gious, charitable, scientific, literary, or educational**  
 17       **purposes, including the encouragement of art and the**  
 18       **prevention of cruelty to children or animals; but only**  
 19       **if such gifts are to be used within the United States**  
 20       **exclusively for such purposes;**

21           **(4) a fraternal society, order, or association,**  
 22       **operating under the lodge system, but only if such gifts**  
 23       **are to be used within the United States exclusively**  
 24       **for religious, charitable, scientific, literary, or educa-**

1 tional purposes, including the encouragement of art  
2 and the prevention of cruelty to children or animals;

3 (5) posts or organizations of war veterans, or aus-  
4 iliary units or societies of any such posts or organiza-  
5 tions, if such posts, organizations, units, or societies are  
6 organized in the United States or any of its posses-  
7 sions, and if no part of their net earnings inures to  
8 the benefit of any private shareholder or individual;

9 (6) the special fund for vocational rehabilitation  
10 authorized by section 12 of the World War Veterans'  
11 Act, 1924.

12 (c) The deductions provided in subsection (a)(2) or  
13 (b) shall be allowed only to the extent that the gifts therein  
14 specified are included in the amount of gifts against which  
15 such deductions are applied.

16 **SEC. 506. GIFTS MADE IN PROPERTY.**

17 If the gift is made in property, the value thereof at the  
18 date of the gift shall be considered the amount of the gift.

19 **SEC. 507. RETURNS.**

20 (a) **REQUIREMENT.**—Any individual who within the  
21 calendar year 1932 or any calendar year thereafter makes  
22 any transfers by gift (except those which under section 504  
23 are not to be included in the total amount of gifts for such  
24 year) shall make a return under oath in duplicate. The  
25 return shall set forth (1) each gift made during the calendar

1 year which under section 504 is to be included in computing  
2 net gifts; (2) the deductions claimed and allowable under  
3 section 505; (3) the net gifts for each of the preceding  
4 calendar years; and (4) such further information as may  
5 be required by regulations made pursuant to law.

6 (b) **TIME AND PLACE FOR FILING.**—The return shall  
7 be filed on or before the 15th day of March following the close of  
8 the calendar year with the collector for the district in which is  
9 located the legal residence of the donor, or if he has no legal  
10 residence in the United States, then (unless the Commissioner  
11 designates another district) with the collector at Baltimore,  
12 Maryland.

13 **SEC. 506. RECORDS AND SPECIAL RETURNS.**

14 (a) **BY DONOR.**—Every person liable to any tax im-  
15 posed by this title or for the collection thereof, shall keep  
16 such records, render under oath such statements, make such  
17 returns, and comply with such rules and regulations, as the  
18 Commissioner, with the approval of the Secretary, may from  
19 time to time prescribe.

20 (b) **TO DETERMINE LIABILITY TO TAX.**—Whenever  
21 in the judgment of the Commissioner necessary he may  
22 require any person, by notice served upon him, to make a  
23 return, render under oath such statements, or keep such  
24 records, as the Commissioner deems sufficient to show whether  
25 or not such person is liable to tax under this title.

1 **SEC. 509. PAYMENT OF TAX.**

2 (a) **TIME OF PAYMENT.**—The tax imposed by this  
3 title shall be paid by the donor on or before the 15th day of  
4 March following the close of the calendar year.

5 (b) **EXTENSION OF TIME FOR PAYMENT.**—At the re-  
6 quest of the donor, the Commissioner may extend the time  
7 for payment of the amount determined as the tax by the  
8 donor, for a period not to exceed six months from the date  
9 prescribed for the payment of the tax. In such case the  
10 amount in respect of which the extension is granted shall  
11 be paid on or before the date of the expiration of the period  
12 of the extension.

13 (c) **VOLUNTARY ADVANCE PAYMENT.**—A tax im-  
14 posed by this title may be paid, at the election of the donor,  
15 prior to the date prescribed for its payment.

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

20 (e) **RECEIPTS.**—The collector to whom any payment  
21 of any gift tax is made shall, upon request, grant to the person  
22 making such payment a receipt therefor.

23 **SEC. 510. LIEN FOR TAX.**

24 The tax imposed by this title shall be a lien upon all  
25 gifts made during the calendar year, for ten years from



1 the time the gifts are made. If the tax is not paid when  
 2 due, the donee of any gift shall be personally liable for  
 3 such tax to the extent of the value of such gift. Any part  
 4 of the property comprised in the gift sold by the donee  
 5 to a bona fide purchaser for an adequate and full considera-  
 6 tion in money or money's worth shall be divested of the  
 7 lien herein imposed and the lien, to the extent of the value  
 8 of such gift, shall attach to all the property of the donee  
 9 (including after-acquired property) except any part sold  
 10 to a bona fide purchaser for an adequate and full considera-  
 11 tion in money or money's worth. If the Commissioner is  
 12 satisfied that the tax liability has been fully discharged or  
 13 provided for, he may, under regulations prescribed by him  
 14 with the approval of the Secretary, issue his certificate,  
 15 releasing any or all of the property from the lien herein  
 16 imposed.

17 **SEC. 511. EXAMINATION OF RETURN AND DETERMINATION OF**  
 18 **TAX.**

19 As soon as practicable after the return is filed the Com-  
 20 missioner shall examine it and shall determine the correct  
 21 amount of the tax.

22 **SEC. 512. DEFINITION OF DEFICIENCY.**

23 As used in this title in respect of the tax imposed by  
 24 this title the term "deficiency" means—

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

8           (2) If no amount is shown as the tax by the donor  
9 upon his return, or if no return is made by the donor,  
10 then the amount by which the tax exceeds the amounts  
11 previously assessed (or collected without assessment) as  
12 a deficiency; but such amounts previously assessed, or  
13 collected without assessment, shall first be decreased by  
14 the amounts previously abated, refunded, or otherwise  
15 repaid in respect of such tax.

16 SEC. 513. ASSESSMENT AND COLLECTION OF DEFICIENCIES.

17       (a) PETITION TO BOARD OF TAX APPEALS.—If the  
18 Commissioner determines that there is a deficiency in respect  
19 of the tax imposed by this title, the Commissioner is authorized  
20 to send notice of such deficiency to the donor by registered  
21 mail. Within 60 days after such notice is mailed (not  
22 counting Sunday as the sixtieth day), the donor may file  
23 a petition with the Board of Tax Appeals for a redetermi-  
24 nation of the deficiency. No assessment of a deficiency in  
25 respect of the tax imposed by this title and no distraint or

1 proceeding in court for its collection shall be made, begun,  
 2 or prosecuted until such notice has been mailed to the donor,  
 3 nor until the expiration of such 60-day period, nor, if a  
 4 petition has been filed with the Board, until the decision of  
 5 the Board has become final. Notwithstanding the provisions  
 6 of section 3224 of the Revised Statutes the making of such  
 7 assessment or the beginning of such proceeding or distraint  
 8 during the time such prohibition is in force may be enjoined  
 9 by a proceeding in the proper court.

10 For exceptions to the restrictions imposed by this sub-  
 11 section see—

12 (1) Subsection (d) of this section, relating to  
 13 waivers by the donor;

14 (2) Subsection (f) of this section, relating to  
 15 notifications of mathematical errors appearing upon  
 16 the face of the return;

17 (3) Section 514, relating to jeopardy assessments;

18 (4) Section 516, relating to bankruptcy and  
 19 receiverships; and

20 (5) Section 1001 of the Revenue Act of 1926, as  
 21 amended, relating to assessment or collection of the  
 22 amount of the deficiency determined by the Board pend-  
 23 ing court review.

24 (b) COLLECTION OF DEFICIENCY FOUND BY  
 25 BOARD.—If the donor files a petition with the Board, the

1 entire amount redetermined as the deficiency by the decision of  
2 the Board which has become final shall be assessed and shall  
3 be paid upon notice and demand from the collector. No part  
4 of the amount determined as a deficiency by the Commissioner  
5 but disallowed as such by the decision of the Board which has  
6 become final shall be assessed or be collected by distraint or  
7 by proceeding in court with or without assessment.

8 (c) *FAILURE TO FILE PETITION.*—If the donor does  
9 not file a petition with the Board within the time prescribed in  
10 subsection (a) the deficiency, notice of which has been mailed  
11 to the donor, shall be assessed, and shall be paid upon notice  
12 and demand from the collector.

13 (d) *WAIVER OF RESTRICTIONS.*—The donor shall  
14 at any time have the right, by a signed notice in writing filed  
15 with the Commissioner, to waive the restrictions provided in  
16 subsection (a) on the assessment and collection of the whole  
17 or any part of the deficiency.

18 (e) *INCREASE OF DEFICIENCY AFTER NOTICE*  
19 *MAILED.*—The Board shall have jurisdiction to redetermine  
20 the correct amount of the deficiency even if the amount so  
21 redetermined is greater than the amount of the deficiency,  
22 notice of which has been mailed to the donor, and to determine  
23 whether any additional amount or addition to the tax should  
24 be assessed, if claim therefor is asserted by the Commissioner  
25 at or before the hearing or a rehearing.

1           **(f) FURTHER DEFICIENCY LETTERS RESTRICTED.—**  
2 *If the Commissioner has mailed to the donor notice of a*  
3 *deficiency as provided in subsection (a) of this section, and*  
4 *the donor files a petition with the Board within the time*  
5 *prescribed in such subsection, the Commissioner shall have*  
6 *no right to determine any additional deficiency in respect*  
7 *of the same calendar year, except in the case of fraud, and*  
8 *except as provided in subsection (e) of this section, relating*  
9 *to assertion of greater deficiencies before the Board, or in*  
10 *section 514(c), relating to the making of jeopardy assess-*  
11 *ments. If the donor is notified that, on account of a mathe-*  
12 *matical error appearing upon the face of the return, an*  
13 *amount of tax in excess of that shown upon the return is*  
14 *due, and that an assessment of the tax has been or will be*  
15 *made on the basis of what would have been the correct amount*  
16 *of tax but for the mathematical error, such notice shall not*  
17 *be considered (for the purposes of this subsection, or of sub-*  
18 *section (a) of this section, prohibiting assessment and collec-*  
19 *tion until notice of deficiency has been mailed, or of section*  
20 *528(c), prohibiting credits or refunds after petition to the*  
21 *Board of Tax Appeals) as a notice of a deficiency, and the*  
22 *donor shall have no right to file a petition with the Board*  
23 *based on such notice, nor shall such assessment or collection*  
24 *be prohibited by the provisions of subsection (a) of this*  
25 *section.*

1           **(g) JURISDICTION OVER OTHER CALENDAR**  
2 **YEARS.**—*The Board in redetermining a deficiency in respect*  
3 *of any calendar year shall consider such facts with relation*  
4 *to the taxes for other calendar years as may be necessary*  
5 *correctly to redetermine the amount of such deficiency, but in*  
6 *so doing shall have no jurisdiction to determine whether or*  
7 *not the tax for any other calendar year has been overpaid*  
8 *or underpaid.*

9           **(h) FINAL DECISIONS OF BOARD.**—*For the pur-*  
10 *poses of this title the date on which a decision of the Board*  
11 *becomes final shall be determined according to the provisions*  
12 *of section 1005 of the Revenue Act of 1926.*

13           **(i) EXTENSION OF TIME FOR PAYMENT OF DEFICI-**  
14 **ENCIES.**—*Where it is shown to the satisfaction of the*  
15 *Commissioner that the payment of a deficiency upon the date*  
16 *prescribed for the payment thereof will result in undue hard-*  
17 *ship to the donor the Commissioner, with the approval of the*  
18 *Secretary (except where the deficiency is due to negligence,*  
19 *to intentional disregard of rules and regulations, or to fraud*  
20 *with intent to evade tax), may grant an extension for the*  
21 *payment of such deficiency or any part thereof for a period*  
22 *not in excess of eighteen months, and, in exceptional cases,*  
23 *for a further period not in excess of twelve months. If an*  
24 *extension is granted, the Commissioner may require the*  
25 *donor to furnish a bond in such amount, not exceeding double*

1 *the amount of the deficiency, and with such sureties, as the*  
2 *Commissioner deems necessary, conditioned upon the pay-*  
3 *ment of the deficiency in accordance with the terms of the*  
4 *extension.*

5       **(j) ADDRESS FOR NOTICE OF DEFICIENCY.**—*In the*  
6 *absence of notice to the Commissioner under section 527(a)*  
7 *of the existence of a fiduciary relationship, notice of a*  
8 *deficiency in respect of a tax imposed by this title, if mailed*  
9 *to the donor at his last known address, shall be sufficient*  
10 *for the purposes of this title even if such donor is deceased,*  
11 *or is under a legal disability.*

12 **SEC. 514. JEOPARDY ASSESSMENTS.**

13       **(a) AUTHORITY FOR MAKING.**—*If the Commis-*  
14 *sioner believes that the assessment or collection of a deficiency*  
15 *will be jeopardized by delay, he shall immediately assess such*  
16 *deficiency (together with all interest, additional amounts, or*  
17 *additions to the tax provided for by law) and notice and*  
18 *demand shall be made by the collector for the payment*  
19 *thereof.*

20       **(b) DEFICIENCY LETTERS.**—*If the jeopardy assess-*  
21 *ment is made before any notice in respect of the tax to which*  
22 *the jeopardy assessment relates has been mailed under section*  
23 *513(a), then the Commissioner shall mail a notice under*  
24 *such subsection within 60 days after the making of the*  
25 *assessment.*

1 (c) **AMOUNT ASSESSABLE BEFORE DECISION OF**  
2 **BOARD.**—The jeopardy assessment may be made in respect  
3 of a deficiency greater or less than that notice of which  
4 has been mailed to the donor, despite the provisions of sec-  
5 tion 513(f) prohibiting the determination of additional de-  
6 ficiencies, and whether or not the donor has theretofore filed  
7 a petition with the Board of Tax Appeals. The Commis-  
8 sioner shall notify the Board of the amount of such assess-  
9 ment, if the petition is filed with the Board before the making  
10 of the assessment or is subsequently filed, and the Board  
11 shall have jurisdiction to redetermine the entire amount of  
12 the deficiency and of all amounts assessed at the same time  
13 in connection therewith.

14 (d) **AMOUNT ASSESSABLE AFTER DECISION OF**  
15 **BOARD.**—If the jeopardy assessment is made after the  
16 decision of the Board is rendered, such assessment may be  
17 made only in respect of the deficiency determined by the  
18 Board in its decision.

19 (e) **EXPIRATION OF RIGHT TO ASSESS.**—A jeopardy  
20 assessment may not be made after the decision of the Board  
21 has become final or after the donor has filed a petition for  
22 review of the decision of the Board.

23 (f) **BOND TO STAY COLLECTION.**—When a jeopardy  
24 assessment has been made, the donor, within 10 days after  
25 notice and demand from the collector for the payment of the



1 amount of the assessment, may obtain a stay of collection  
2 of the whole or any part of the amount of the assessment  
3 by filing with the collector a bond in such amount, not ex-  
4 ceeding double the amount as to which the stay is desired,  
5 and with such sureties, as the collector deems necessary, con-  
6 ditioned upon the payment of so much of the amount,  
7 the collection of which is stayed by the bond, as is not  
8 abated by a decision of the Board which has become final,  
9 together with interest thereon as provided in section 523 or  
10 524(b)(4).

11 (g) SAME—FURTHER CONDITIONS.—If the bond is  
12 given before the donor has filed his petition with the Board  
13 under section 513(a), the bond shall contain a fur-  
14 ther condition that if a petition is not filed within  
15 the period provided in such subsection, then the amount the  
16 collection of which is stayed by the bond will be paid on  
17 notice and demand at any time after the expiration of such  
18 period, together with interest thereon at the rate of 6 per  
19 centum per annum from the date of the jeopardy notice and  
20 demand to the date of notice and demand under this subsection.

21 (h) WAIVER OF STAY.—Upon the filing of the bond  
22 the collection of so much of the amount assessed as is covered  
23 by the bond shall be stayed. The donor shall have the right  
24 to waive such stay at any time in respect of the whole or  
25 any part of the amount covered by the bond, and if as a

1 result of such waiver any part of the amount covered by the  
2 bond is paid, then the bond shall, at the request of the donor,  
3 be proportionately reduced. If the Board determines that the  
4 amount assessed is greater than the amount which should  
5 have been assessed, then when the decision of the Board is  
6 rendered the bond shall, at the request of the donor, be pro-  
7 portionately reduced.

8 (i) *COLLECTION OF UNPAID AMOUNTS.*—When the  
9 petition has been filed with the Board and when the amount  
10 which should have been assessed has been determined by a  
11 decision of the Board which has become final, then any  
12 unpaid portion, the collection of which has been stayed by  
13 the bond, shall be collected as part of the tax upon notice and  
14 demand from the collector, and any remaining portion of the  
15 assessment shall be abated. If the amount already collected  
16 exceeds the amount determined as the amount which should  
17 have been assessed, such excess shall be credited or refunded  
18 as provided in section 528, without the filing of claim there-  
19 for. If the amount determined as the amount which should  
20 have been assessed is greater than the amount actually  
21 assessed, then the difference shall be assessed and shall be  
22 collected as part of the tax upon notice and demand from  
23 the collector.

24 **SEC. 515. CLAIMS IN ABATEMENT.**

25 No claim in abatement shall be filed in respect of any  
26 assessment in respect of any tax imposed by this title.

1 **SEC. 516. BANKRUPTCY AND RECEIVERSHIPS.**

2 (a) **IMMEDIATE ASSESSMENT.**—Upon the adjudica-  
3 tion of bankruptcy of any donor in any bankruptcy  
4 proceeding or the appointment of a receiver for any donor  
5 in any receivership proceeding before any court of the United  
6 States or of any State or Territory or of the District of  
7 Columbia, any deficiency (together with all interest, addi-  
8 tional amounts, or additions to the tax provided for by law)  
9 determined by the Commissioner in respect of a tax imposed  
10 by this title upon such donor shall, despite the restrictions  
11 imposed by section 513(a) upon assessments be immediately  
12 assessed if such deficiency has not theretofore been assessed  
13 in accordance with law. Claims for the deficiency and such  
14 interest, additional amounts and additions to the tax may be  
15 presented, for adjudication in accordance with law, to the  
16 court before which the bankruptcy or receivership proceeding  
17 is pending, despite the pendency of proceedings for the  
18 redetermination of the deficiency in pursuance of a petition  
19 to the Board; but no petition for any such redetermination  
20 shall be filed with the Board after the adjudication of bank-  
21 ruptcy or the appointment of the receiver.

22 (b) **UNPAID CLAIMS.**—Any portion of the claim  
23 allowed in such bankruptcy or receivership proceeding which  
24 is unpaid shall be paid by the donor upon notice and demand  
25 from the collector after the termination of such proceeding.

1 and may be collected by distraint or proceeding in court  
 2 within six years after termination of such proceeding.  
 3 Extensions of time for such payment may be had in the same  
 4 manner and subject to the same provisions and limitations as  
 5 are provided in sections 513(i), 521(b), and 524(h)(3)  
 6 in the case of a deficiency in a tax imposed by this title.

7 **SEC. 517. PERIOD OF LIMITATION UPON ASSESSMENT AND**  
 8 **COLLECTION.**

9 (a) **GENERAL RULE.**—Except as provided in subsec-  
 10 tion (b), the amount of taxes imposed by this title shall be  
 11 assessed within three years after the return was filed, and  
 12 no proceeding in court without assessment for the collection  
 13 of such taxes shall be begun after the expiration of three  
 14 years after the return was filed.

15 (b) **EXCEPTIONS—**

16 (1) **FALSE RETURN OR NO RETURN.**—In the  
 17 case of a false or fraudulent return with intent to evade  
 18 tax or of a failure to file a return the tax may be  
 19 assessed, or a proceeding in court for the collection of  
 20 such tax may be begun without assessment, at any time.

21 (2) **COLLECTION AFTER ASSESSMENT.**—Where  
 22 the assessment of any tax imposed by this title has  
 23 been made within the statutory period of limitation  
 24 properly applicable thereto, such tax may be collected  
 25 by distraint or by a proceeding in court, but only if

1        *begun (1) within six years after the assessment of the*  
 2        *tax, or (2) prior to the expiration of any period for*  
 3        *collection agreed upon in writing by the Commissioner*  
 4        *and the donor.*

5        **SEC. 518. SUSPENSION OF RUNNING OF STATUTE.**

6        *The running of the statute of limitations provided in*  
 7        *section 517 on the making of assessments and the beginning*  
 8        *of distraint or a proceeding in court for collection, in respect*  
 9        *of any deficiency, shall (after the mailing of a notice under*  
 10       *section 513(a)) be suspended for the period during which*  
 11       *the Commissioner is prohibited from making the assessment*  
 12       *or beginning distraint or a proceeding in court (and in any*  
 13       *event, if a proceeding in respect of the deficiency is placed*  
 14       *on the docket of the Board, until the decision of the Board*  
 15       *becomes final), and for 60 days thereafter.*

16       **SEC. 519. ADDITIONS TO THE TAX IN CASE OF FAILURE TO**  
 17       **FILE RETURN.**

18       *In case of any failure to make and file a return required*  
 19       *by this title, within the time prescribed by law or pre-*  
 20       *scribed by the Commissioner in pursuance of law, 25 per*  
 21       *centum of the tax shall be added to the tax, except that when*  
 22       *a return is filed after such time and it is shown that the*  
 23       *failure to file it was due to reasonable cause and not due to*  
 24       *willful neglect no such addition shall be made to the tax.*  
 25       *The amount so added to any tax shall be collected at the same*

1 *time and in the same manner and as a part of the tax unless*  
 2 *the tax has been paid before the discovery of the neglect, in*  
 3 *which case the amount so added shall be collected in the*  
 4 *same manner as the tax. The amount added to the tax*  
 5 *under this section shall be in lieu of the 25 per centum*  
 6 *addition to the tax provided in section 3176 of the Revised*  
 7 *Statutes, as amended.*

8 **SEC. 520. ADDITIONS TO THE TAX IN CASE OF DEFICIENCY.**

9       **(a) NEGLIGENCE.**—*If any part of any deficiency*  
 10 *is due to negligence, or intentional disregard of rules and*  
 11 *regulations but without intent to defraud, 5 per centum of*  
 12 *the total amount of the deficiency (in addition to such de-*  
 13 *ficiency) shall be assessed, collected, and paid in the same*  
 14 *manner as if it were a deficiency, except that the provisions*  
 15 *of section 522, relating to interest on deficiencies, shall not*  
 16 *be applicable.*

17       **(b) FRAUD.**—*If any part of any deficiency is due to*  
 18 *fraud with intent to evade tax, then 50 per centum of the*  
 19 *total amount of the deficiency (in addition to such deficiency)*  
 20 *shall be so assessed, collected, and paid, in lieu of the 50*  
 21 *per centum addition to the tax provided in section 3176*  
 22 *of the Revised Statutes, as amended.*

23 **SEC. 521. INTEREST ON EXTENDED PAYMENTS.**

24       **(a) TAX SHOWN ON RETURN.**—*If the time for pay-*  
 25 *ment of the amount determined as the tax by the donor is*

1 *extended under the authority of section 509(b), there shall*  
2 *be collected as a part of such amount, interest thereon at*  
3 *the rate of 6 per centum per annum from the date when*  
4 *such payment should have been made if no extension had*  
5 *been granted, until the expiration of the period of the*  
6 *extension.*

7 (b) *DEFICIENCY.*—*In case an extension for the pay-*  
8 *ment of a deficiency is granted, as provided in section 513(i),*  
9 *there shall be collected, as a part of the tax, interest on the*  
10 *part of the deficiency the time for payment of which is so*  
11 *extended, at the rate of 6 per centum per annum for the*  
12 *period of the extension, and no other interest shall be col-*  
13 *lected on such part of the deficiency for such period.*

14 **SEC. 522. INTEREST ON DEFICIENCIES.**

15 *Interest upon the amount determined as a deficiency*  
16 *shall be assessed at the same time as the deficiency, shall be*  
17 *paid upon notice and demand from the collector, and shall*  
18 *be collected as a part of the tax, at the rate of 6 per centum*  
19 *per annum from the due date of the tax to the date the*  
20 *deficiency is assessed, or, in the case of a waiver under*  
21 *section 513(d), to the thirtieth day after the filing of such*  
22 *waiver or to the date the deficiency is assessed whichever is*  
23 *the earlier.*

1 **SEC. 523. INTEREST ON JEOPARDY ASSESSMENTS.**

2       *In the case of the amount collected under section 514(f)*  
3 *there shall be collected at the same time as such amount, and*  
4 *as a part of the tax, interest at the rate of 6 per centum per*  
5 *annum upon such amount from the date of the jeopardy*  
6 *notice and demand to the date of notice and demand under*  
7 *section 514(i), or, in the case of the amount collected in*  
8 *excess of the amount of the jeopardy assessment, interest as*  
9 *provided in section 522.*

10 **SEC. 524. ADDITIONS TO THE TAX IN CASE OF NONPAYMENT.**

11       **(a) TAX SHOWN ON RETURN—**

12               **(1) PAYMENT NOT EXTENDED.—***Where the*  
13 *amount determined by the donor as the tax imposed by*  
14 *this title, or any part of such amount, is not paid on*  
15 *the due date of the tax, there shall be collected as a*  
16 *part of the tax, interest upon such unpaid amount at*  
17 *the rate of 1 per centum a month from the due date*  
18 *until it is paid.*

19               **(2) PAYMENT EXTENDED.—***Where an extension*  
20 *of time for payment of the amount so determined as*  
21 *the tax by the donor has been granted, and the amount*  
22 *the time for payment of which has been extended, and*  
23 *the interest thereon determined under section 521(a),*  
24 *is not paid in full prior to the expiration of the period*  
25 *of the extension, then, in lieu of the interest provided*



1 for in paragraph (1) of this subsection, interest at  
 2 the rate of 1 per centum a month shall be collected on  
 3 such unpaid amount from the date of the expiration  
 4 of the period of the extension until it is paid.

5 (b) DEFICIENCY—

6 (1) PAYMENT NOT EXTENDED.—Where a defi-  
 7 ciency, or any interest assessed in connection therewith  
 8 under section 522, or any addition to the tax provided  
 9 for in section 3176 of the Revised Statutes, is not paid  
 10 in full within 10 days from the date of notice and  
 11 demand from the collector, there shall be collected his  
 12 part of the tax, interest upon the unpaid amount at  
 13 the rate of 1 per centum a month from the date of such  
 14 notice and demand until it is paid.

15 (2) FILING OF JEOPARDY BOND.—If a bond is  
 16 filed, as provided in section 514, the provisions of  
 17 paragraph (1) of this subsection shall not apply to the  
 18 amount covered by the bond.

19 (3) PAYMENT EXTENDED.—If the part of the  
 20 deficiency the time for payment of which is extended  
 21 as provided in section 513(i) is not paid in accordance  
 22 with the terms of the extension, there shall be collected,  
 23 as a part of the tax, interest on such unpaid amount at  
 24 the rate of 1 per centum a month for the period from

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

4 (4) **JEOPARDY ASSESSMENT—PAYMENT STAYED**  
 5 **BY BOND.**—If the amount included in the notice and  
 6 demand from the collector under section 514(i) is not  
 7 paid in full within 10 days after such notice and  
 8 demand, then there shall be collected, as part of the tax,  
 9 interest upon the unpaid amount at the rate of 1 per  
 10 centum a month from the date of such notice and demand  
 11 until it is paid.

12 (5) **INTEREST IN CASE OF BANKRUPTCY AND**  
 13 **RECEIVERSHIPS.**—If the unpaid portion of the claim  
 14 allowed in a bankruptcy or receivership proceeding, as  
 15 provided in section 516, is not paid in full within 10  
 16 days from the date of notice and demand from the col-  
 17 lector, then there shall be collected as a part of such  
 18 amount interest upon the unpaid portion thereof at the  
 19 rate of 1 per centum a month from the date of such  
 20 notice and demand until payment.

21 **SEC. 525. PENALTIES.**

22 (a) Any person required under this title to pay any  
 23 tax, or required by law or regulations made under authority  
 24 thereof to make a return, keep any records, or supply any  
 25 information, for the purposes of the computation, assessment,

1 or collection of any tax imposed by this title, who willfully  
2 fails to pay such tax, make such return, keep such records,  
3 or supply such information, at the time or times required  
4 by law or regulations, shall, in addition to other penalties  
5 provided by law, be guilty of a misdemeanor and, upon con-  
6 viction in proof, be fined not more than \$10,000, or imprisoned  
7 for not more than one year, or both, together with the costs  
8 of prosecution.

9 (b) Any person who willfully attempts in any man-  
10 ner to evade or defeat any tax imposed by this title or the  
11 payment thereof, shall, in addition to other penalties pro-  
12 vided by law, be guilty of a felony and, on conviction  
13 thereof, be fined not more than \$10,000, or imprisoned  
14 for not more than five years, or both, together with the costs  
15 of prosecution.

16 **SEC. 526. TRANSFERRED ASSETS.**

17 (a) **METHOD OF COLLECTION.**—The amounts of the  
18 following liabilities shall, except as hereinafter in this section  
19 provided, be assessed, collected, and paid in the same manner  
20 and subject to the same provisions and limitations as in the  
21 case of a deficiency in the tax imposed by this title (including  
22 the provisions in case of delinquency in payment after notice  
23 and demand, the provisions authorizing distraint and pro-  
24 ceedings in court for collection, and the provisions prohibiting  
25 claims and suits for refunds):

1           (1) *TRANSFEREES.*—The liability, at law or in  
2 equity, of a transferee of property of a donor, in respect  
3 of the tax (including interest, additional amounts, and  
4 additions to the tax provided by law) imposed by this  
5 title.

6           (2) *FIDUCIARIES.*—The liability of a fiduciary  
7 under section 3467 of the Revised Statutes [U. S. C.,  
8 title 31, sec. 192] in respect of the payment of any such  
9 tax from the estate of the donor.

10 Any such liability may be either as to the amount of tax  
11 shown on the return or as to any deficiency in tax.

12           (b) *PERIOD OF LIMITATION.*—The period of limita-  
13 tion for assessment of any such liability of a transferee or  
14 fiduciary shall be as follows:

15           (1) Within one year after the expiration of the  
16 period of limitation for assessment against the donor.

17           (2) If a court proceeding against the donor for  
18 the collection of the tax has been begun within the period  
19 provided in paragraph (1), then within one year  
20 after return of execution in such proceeding.

21           (c) *PERIOD FOR ASSESSMENT AGAINST DONOR.*—  
22 For the purposes of this section, if the donor is deceased,  
23 the period of limitation for assessment against the donor  
24 shall be the period that would be in effect had the death  
25 not occurred.

1           **(d) SUSPENSION OF RUNNING OF STATUTE OF LIM-**  
 2 **ITATIONS.**—*The running of the statute of limitations upon*  
 3 *the assessment of the liability of a transferee or fiduciary*  
 4 *shall, after the mailing of the notice under section 513(a)*  
 5 *to the transferee or fiduciary, be suspended for the period*  
 6 *during which the Commissioner is prohibited from making*  
 7 *the assessment in respect of the liability of the transferee or*  
 8 *fiduciary (and in any event, if a proceeding in respect of*  
 9 *the liability is placed on the docket of the Board, until the*  
 10 *decision of the Board becomes final), and for 60 days*  
 11 *thereafter.*

12           **(e) PROHIBITION OF SUITS TO RESTRAIN EN-**  
 13 **FORCEMENT OF LIABILITY OF TRANSFEREE OR FIDUCI-**  
 14 **ARY.**—*No suit shall be maintained in any court for the pur-*  
 15 *pose of restraining the assessment or collection of (1) the*  
 16 *amount of the liability, at law or in equity, of a transferee*  
 17 *of property of a donor in respect of any gift tax, or (2) the*  
 18 *amount of the liability of a fiduciary under section 3467 of*  
 19 *the Revised Statutes [U. S. C., title 31, sec. 192] in respect*  
 20 *of any such tax.*

21           **(f) DEFINITION OF "TRANSFEREE".**—*As used in*  
 22 *this section, the term "transferee" includes donee, heir,*  
 23 *legatee, devisee, and distributee.*

24           **(g) ADDRESS FOR NOTICE OF LIABILITY.**—*In the*  
 25 *absence of notice to the Commissioner under section 527(b)*

1 of the existence of a fiduciary relationship, notice of liability  
2 enforceable under this section in respect of a tax imposed by  
3 this title, if mailed to the person subject to the liability at his  
4 last known address, shall be sufficient for the purposes of this  
5 title even if such person is deceased, or is under a legal dis-  
6 ability, or, in the case of a corporation, has terminated its  
7 existence.

8 **SEC. 527. NOTICE OF FIDUCIARY RELATIONSHIP.**

9 (a) **FIDUCIARY OF DONOR.**—Upon notice to the  
10 Commissioner that any person is acting in a fiduciary  
11 capacity such fiduciary shall assume the powers, rights,  
12 duties, and privileges of the donor in respect of a tax imposed  
13 by this title (except as otherwise specifically provided and  
14 except that the tax shall be collected from the estate of the  
15 donor), until notice is given that the fiduciary capacity has  
16 terminated.

17 (b) **FIDUCIARY OF TRANSFEREE.**—Upon notice to  
18 the Commissioner that any person is acting in a fiduciary  
19 capacity for a person subject to the liability specified in  
20 section 526, the fiduciary shall assume, on behalf of such  
21 person, the powers, rights, duties, and privileges of such  
22 person under such section (except that the liability shall be  
23 collected from the estate of such person), until notice is given  
24 that the fiduciary capacity has terminated.

1       (c) *MANNER OF NOTICE.*—Notice under subsection  
2 (a) or (b) shall be given in accordance with regulations  
3 prescribed by the Commissioner with the approval of the  
4 Secretary.

5 **SEC. 528. REFUNDS AND CREDITS.**

6       (a) *AUTHORIZATION.*—Where there has been an over-  
7 payment of any tax imposed by this title, the amount of such  
8 overpayment shall be credited against any gift tax then due  
9 from the taxpayer, and any balance shall be refunded  
10 immediately to the taxpayer.

11       (b) *LIMITATION ON ALLOWANCE.*—

12           (1) *PERIOD OF LIMITATION.*—No such credit or  
13 refund shall be allowed or made after three years from  
14 the time the tax was paid, unless before the expiration  
15 of such period a claim therefor is filed by the taxpayer.

16           (2) *LIMIT ON AMOUNT OF CREDIT OR RE-*  
17 *FUND.*—The amount of the credit or refund shall not  
18 exceed the portion of the tax paid during the three years  
19 immediately preceding the filing of the claim, or if no  
20 claim was filed, then during the three years immediately  
21 preceding the allowance of the credit or refund.

22       (c) *EFFECT OF PETITION TO BOARD.*—If the Com-  
23 missioner has mailed to the taxpayer a notice of deficiency  
24 under section 513(a) and if the taxpayer files a petition with  
25 the Board of Tax Appeals within the time prescribed in such

1 subsection, no credit or refund in respect of the tax for the  
2 calendar year in respect of which the Commissioner has  
3 determined the deficiency shall be allowed or made and no  
4 suit by the taxpayer for the recovery of any part of such  
5 tax shall be instituted in any court except—

6 (1) As to overpayments determined by a deci-  
7 sion of the Board which has become final; and

8 (2) As to any amount collected in excess of an  
9 amount computed in accordance with the decision of  
10 the Board which has become final; and

11 (3) As to any amount collected after the period  
12 of limitation upon the beginning of distraint or a pro-  
13 ceeding in court for collection has expired; but in any  
14 such claim for credit or refund or in any such suit for  
15 refund the decision of the Board which has become final,  
16 as to whether such period has expired before the notice  
17 of deficiency was mailed, shall be conclusive.

18 (d) **OVERPAYMENT FOUND BY BOARD.**—If the  
19 Board finds that there is no deficiency and further finds that  
20 the taxpayer has made an overpayment of tax in respect of  
21 the taxable year in respect of which the Commissioner deter-  
22 mined the deficiency, the Board shall have jurisdiction to  
23 determine the amount of such overpayment, and such amount  
24 shall, when the decision of the Board has become final, be  
25 credited or refunded to the taxpayer. No such credit or



1 refund shall be made of any portion of the tax paid more  
2 than three years before the filing of the claim or the filing  
3 of the petition, whichever is earlier.

4 **SEC. 529. LAWS MADE APPLICABLE.**

5 All administrative, special, or stamp provisions of law,  
6 including the law relating to the assessment of taxes, so far  
7 as applicable, are hereby extended to and made a part of  
8 this title.

9 **SEC. 530. RULES AND REGULATIONS.**

10 The Commissioner, with the approval of the Secretary,  
11 shall prescribe and publish all needful rules and regulations  
12 for the enforcement of this title.

13 **SEC. 531. DEFINITIONS.**

14 For the purposes of this title—

15 (a) **CALENDAR YEAR.**—The term “calendar year”  
16 includes only the calendar year 1932 and succeeding calendar  
17 years, and, in the case of the calendar year 1932, includes  
18 only the portion of such year after the date of the enactment  
19 of this Act.

20 (b) **PROPERTY WITHIN UNITED STATES.**—Stock in a  
21 domestic corporation owned and held by a nonresident shall  
22 be deemed property situated within the United States.

23 **SEC. 532. SHORT TITLE.**

24 This title may be cited as the “Gift Tax Act of 1932”.

**TITLE IV—MANUFACTURERS' EXCISE TAXES****SEC. 601. EXCISE TAXES ON CERTAIN ARTICLES.**

(a) In addition to any other tax or duty imposed by law, there shall be imposed a tax as provided in subsection (c) on every article imported into the United States unless treaty provisions of the United States otherwise provide.

(b) The tax imposed under subsection (a) shall be levied, assessed, collected, and paid in the same manner as a duty imposed by the Tariff Act of 1930, and shall be treated for the purposes of all provisions of law relating to the customs revenue as a duty imposed by such Act, except that—

(1) the value on which such tax shall be based shall be the sum of (A) the dutiable value (under section 503 of such Act) of the article, plus (B) the customs duties, if any, imposed thereon under any provision of law;

(2) for the purposes of section 489 of such Act (relating to additional duties in certain cases of undervaluation) such tax shall not be considered an ad valorem rate of duty or a duty based upon or regulated in any manner by the value of the article and for the purposes of section 336 of such Act (the so-called flexible tariff provision) such tax shall not be considered a duty;

1           (3) such tax shall not be imposed upon any  
2 article imported prior to the date on which this title  
3 takes effect;

4           (4) no drawback of such tax (except tax paid  
5 upon the importation of an article described in sub-  
6 section (c) (4), (5), (6), (7), or (8)) shall be  
7 allowed under section 313(a), (b), or (f) of the  
8 *Tariff Act of 1930* or any provision of law allowing  
9 a drawback of customs duties on articles manufactured  
10 or produced with the use of duty-paid materials;

11           (5) such tax shall be imposed in full notwithstanding  
12 any provision of law granting exemption from or  
13 reduction of duties to products of any possession of the  
14 *United States*.

15           (c) There is hereby imposed upon the following articles  
16 sold in the *United States* by the manufacturer or producer,  
17 or imported into the *United States*, a tax at the rates here-  
18 inafter set forth, to be paid by the manufacturer, producer,  
19 or importer:

20           (1) *Lubricating oils*, 4 cents a gallon; but the  
21 tax on the articles described in this paragraph shall not  
22 apply with respect to the importation of such articles.

23           (2) *Brewer's wort*, 15 cents a gallon. *Liquid*  
24 *malt, malt syrup, and malt extract, fluid, solid, or con-*  
25 *densed, made from malted cereal grains in whole or in*

1        *part, unless sold to a baker for use in baking or to a*  
 2        *manufacturer of malied milk, medicinal products, foods,*  
 3        *cereal beverages, or textiles, for use in the manufac-*  
 4        *ture of such products, 3 cents a pound. For the pur-*  
 5        *poses of this paragraph liquid malt containing less than*  
 6        *15 per centum of solids by weight shall be taxable as*  
 7        *brewer's wort.*

8                *(3) Grape concentrate, evaporated grape juice,*  
 9        *and grape syrup (other than finished or fountain*  
 10        *syrup), if containing more than 35 per centum of*  
 11        *sugars by weight, 20 cents a gallon. No tax shall be*  
 12        *imposed under this paragraph (A) upon any article*  
 13        *which contains preservative sufficient to prevent fer-*  
 14        *mentation when diluted, or (B.) upon any article sold*  
 15        *to a manufacturer or producer of food products or soft*  
 16        *drinks for use in the manufacture or production of*  
 17        *such products.*

18                *(4) Crude petroleum,  $\frac{1}{2}$  cent per gallon; fuel oil*  
 19        *derived from petroleum, gas oil derived from petro-*  
 20        *leum, and all liquid derivatives of crude petroleum,*  
 21        *except lubricating oil and gasoline or other motor*  
 22        *fuel,  $\frac{1}{2}$  cent per gallon; gasoline or other motor fuel,*  
 23         *$2\frac{1}{2}$  cents per gallon; lubricating oil, 4 cents per*  
 24        *gallon; paraffin and other petroleum wax products,*  
 25        *1 cent per pound; natural asphalt and asphalt and*

1 bitumen derived from petroleum, 10 cents per 100  
2 pounds. The tax on the articles described in this para-  
3 graph shall apply only with respect to the importation  
4 of such articles.

5 (5) Coal of all sizes, grades, and classifications,  
6 coke manufactured therefrom; and coal or coke bri-  
7 quettes, 10 cents per 100 pounds. The tax on the  
8 articles described in this paragraph shall apply only  
9 with respect to the importation of such articles, and  
10 shall not be imposed upon any such article if during the  
11 preceding calendar year the exports of the articles de-  
12 scribed in this paragraph from the United States to  
13 the country from which such article is imported have  
14 been greater in quantity than the imports into the United  
15 States from such country of the articles described in  
16 this paragraph.

17 (6) Lumber, rough, or planed or dressed on one  
18 or more sides, \$3 per thousand feet, board measure;  
19 but the tax on the articles described in this paragraph  
20 shall apply only with respect to the importation of such  
21 articles.

22 (7) Copper-bearing ores and concentrates and  
23 articles provided for in paragraph 316, 380, 381,  
24 387, 1620, 1634, 1657, 1658, or 1659 of the Tariff

1        *Act of 1930, 4 cents per pound on the copper contained*  
2        *therein: Provided, That no tax under this paragraph*  
3        *shall be imposed on copper in any of the foregoing*  
4        *which is lost in metallurgical processes. All articles*  
5        *dutiable under the Tariff Act of 1930, not provided*  
6        *for heretofore in this paragraph, in which copper (in-*  
7        *cluding copper in alloys) is the component material of*  
8        *chief value, 3 cents per pound. All articles dutiable*  
9        *under the Tariff Act of 1930, not provided for here-*  
10       *tofore in this paragraph, containing 4 per centum or*  
11       *more of copper by weight, 3 per centum ad valorem or*  
12        *$\frac{1}{2}$  of 1 cent per pound, whichever is the lower. The*  
13       *tax on the articles described in this paragraph shall*  
14       *apply only with respect to the importation of such ar-*  
15       *ticles. The Secretary is authorized to prescribe all*  
16       *necessary regulations for the enforcement of the pro-*  
17       *visions of this paragraph.*

18        *(8) Rubber, 5 cents a pound. All articles con-*  
19        *taining rubber, 5 cents a pound on the rubber contained*  
20        *therein. The tax on the articles described in this para-*  
21        *graph shall apply only with respect to the importation*  
22        *of such articles. As used in this paragraph, the term*  
23        *"rubber" includes all kinds of rubber and gutta-*  
24        *percha.*

1 **SEC. 602. TAX ON AUTOMOBILES, ETC.**

2 *There is hereby imposed upon the following articles*  
3 *sold by the manufacturer, producer, or importer, a tax*  
4 *equivalent to the following percentages of the price for which*  
5 *so sold:*

6 *(a) Automobile truck chassis and automobile truck*  
7 *bodies (including in both cases parts or accessories therefor*  
8 *sold on or in connection therewith or with the sale thereof),*  
9 *3 per centum. A sale of an automobile truck shall, for the*  
10 *purposes of this subsection, be considered to be a sale of the*  
11 *chassis and of the body.*

12 *(b) Other automobile chassis and bodies and motor-*  
13 *cycles (including in each case parts or accessories therefor*  
14 *sold on or in connection therewith or with the sale thereof),*  
15 *except tractors, 4 per centum. A sale of an automobile shall,*  
16 *for the purposes of this subsection, be considered to be a*  
17 *sale of the chassis and of the body.*

18 *(c) Parts or accessories (other than tires and inner*  
19 *tubes) for any of the articles enumerated in subsection (a) or*  
20 *(b), 2 per centum. For the purposes of this subsection and*  
21 *subsections (a) and (b), spark plugs, storage batteries, leaf*  
22 *springs, coils, timers, and tire chains, which are suitable for*  
23 *use on or in connection with, or as component parts of, any of*  
24 *the articles enumerated in subsection (a) or (b), shall be*

1 considered parts or accessories for such articles, whether or  
2 not primarily adapted for such use. This subsection shall  
3 not apply to chassis or bodies for automobile trucks or other  
4 automobiles. Under regulations prescribed by the Commis-  
5 sioner, with the approval of the Secretary, the tax under this  
6 subsection shall not apply in the case of sales of parts or  
7 accessories by the manufacturer, producer, or importer to a  
8 manufacturer or producer of any of the articles enumerated  
9 in subsection (a) or (b). If any such parts or accessories  
10 are resold by such vendee otherwise than on or in connection  
11 with, or with the sale of, an article enumerated in subsection  
12 (a) or (b) and manufactured or produced by such vendee,  
13 then for the purposes of this section the vendee shall be con-  
14 sidered the manufacturer or producer of the parts or  
15 accessories so resold.

16 (d) Under regulations prescribed by the Commissioner,  
17 with the approval of the Secretary, the tax under subsection  
18 (a) shall not apply in the case of sales of bodies by the manu-  
19 facturer, producer, or importer to a manufacturer or pro-  
20 ducer of automobile trucks or other automobiles to be sold  
21 by such vendee. For the purposes of subsection (a) such  
22 vendee shall be considered the manufacturer or producer of  
23 such bodies.

24 (e) (1) Where prior to August 1, 1934, any article  
25 subject to the tax imposed by this section has been sold by



1 the manufacturer, producer, or importer, and is on such  
2 date held by a dealer and intended for sale, there shall be  
3 refunded to the manufacturer, producer, or importer the  
4 amount of the tax, or if the tax has not been paid, the tax shall  
5 be abated.

6 (2) As used in this subsection the term "dealer" includes  
7 a wholesaler, jobber, or distributor. For the purposes of  
8 this subsection, an article shall be considered as "held by a  
9 dealer" if title thereto has passed to such dealer (whether or  
10 not delivery to him has been made), and if for purposes of  
11 consumption title to such article or possession thereof has  
12 not at any time been transferred to any person other than a  
13 dealer.

14 (3) Under regulations prescribed by the Commissioner,  
15 with the approval of the Secretary, the refund provided by  
16 this subsection—(A) may be applied as a credit against the  
17 tax shown by subsequent returns of the manufacturer, pro-  
18 ducer, or importer, and (B) may be made to the dealer  
19 instead of to the manufacturer, producer, or importer, if  
20 the manufacturer, producer, or importer waives any claim  
21 for the amount so to be refunded.

22 (4) When the refund, credit, or abatement provided for  
23 in this subsection has been allowed to the manufacturer, pro-  
24 ducer, or importer, he shall remit to the dealer to whom was  
25 sold the article in respect of which the refund, credit, or abate-

1 ment was allowed, so much of that amount of the tax corre-  
 2 sponding to the refund, credit, or abatement, as was  
 3 included in or added to the price paid or agreed to be paid  
 4 by the dealer. Upon the failure of the manufacturer, pro-  
 5 ducer, or importer to make such remission he shall be liable  
 6 to the dealer for damages in the amount of three times the  
 7 amount thereof, and the court shall include in any judgment  
 8 in favor of the dealer in any suit for the recovery of such  
 9 damages, costs of the suit and a reasonable attorney's fee to be  
 10 fixed by the court.

11 **SEC. 603. TAX ON RADIO RECEIVING SETS, ETC.**

12 There is hereby imposed upon the following articles,  
 13 sold by the manufacturer, producer, or importer, a tax  
 14 equivalent to 5 per centum of the price for which so sold:  
 15 Chassis, cabinets, tubes, reproducing units, power packs, and  
 16 phonograph mechanisms, suitable for use in connection with  
 17 or as part of radio receiving sets or combination radio and  
 18 phonograph sets (including in each case parts or accessories  
 19 therefor sold on or in connection therewith or with the sale  
 20 thereof), and records for phonographs. A sale of any two  
 21 or more of the above articles shall, for the purpose of this  
 22 section, be considered a sale of each separately.

23 **SEC. 604. TAX ON CHEWING GUM.**

24 There is hereby imposed upon chewing gum or substi-  
 25 tutes therefor, sold by the manufacturer, producer, or im-

1 porter, a tax equivalent to 3 per centum of the price for  
2 which so sold.

3 **SEC. 605. DEFINITION OF SALE.**

4 For the purposes of this title, the lease of an article  
5 shall be considered the sale of such article.

6 **SEC. 606. SALE PRICE.**

7 (a) In determining, for the purposes of this title, the  
8 price for which an article is sold, there shall be included any  
9 charge for coverings and containers of whatever nature, and  
10 any charge incident to placing the article in condition packed  
11 ready for shipment, but there shall be excluded the amount  
12 of tax imposed by this title, whether or not stated as a  
13 separate charge. A transportation, delivery, insurance,  
14 installation, or other charge (not required by the foregoing  
15 sentence to be included) shall be excluded from the price  
16 only if the amount thereof is established to the satisfaction  
17 of the Commissioner, in accordance with the regulations.

18 (b) If an article is—

19 (1) sold at retail;

20 (2) sold on consignment; or

21 (3) sold (otherwise than through an arm's-length  
22 transaction) at less than the fair market price;

23 the tax under this title shall (if based on the price for which  
24 the article is sold) be computed on the price for which such  
25 articles are sold, in the ordinary course of trade, by manufac-

1 *turers or producers thereof, as determined by the Commis-*  
 2 *sioner.*

3 *(c) In the case of (1) a lease, (2) a contract for*  
 4 *the sale of an article wherein it is provided that the price*  
 5 *shall be paid by installments and title to the article sold does*  
 6 *not pass until a future date notwithstanding partial payment*  
 7 *by installments, or (3) a conditional sale, there shall be paid*  
 8 *upon each payment with respect to the article that portion*  
 9 *of the total tax which is proportionate to the portion of the*  
 10 *total amount to be paid represented by such payment.*

11 **SEC. 607. SALE OF ARTICLES FOR FURTHER MANUFACTURE.**

12 *Under regulations prescribed by the Commissioner with*  
 13 *the approval of the Secretary, no tax under this title shall*  
 14 *be imposed upon any article sold for use as material in the*  
 15 *manufacture or production of, or for use as a component*  
 16 *part of, an article to be manufactured or produced by the*  
 17 *vendee which will be taxable under this title or sold free of*  
 18 *tax by virtue of this section. If the vendee resells an article*  
 19 *sold to him free of tax under this section, then for the purposes*  
 20 *of this title he shall be considered the manufacturer or producer*  
 21 *of such article.*

22 **SEC. 608. CREDITS AND REFUNDS.**

23 *(a) A credit against tax under this title, or a refund,*  
 24 *may be allowed or made—*

1           (1) to a manufacturer or producer, in the  
2 amount of any tax under this title which has been  
3 paid with respect to any article purchased by him and  
4 used by him as material in the manufacture or pro-  
5 duction of, or as a component part of, an article with  
6 respect to which tax under this title has been paid, or  
7 which has been sold free of tax by virtue of section 607,  
8 relating to sales of articles for further manufacture.

9           (2) to any person who has paid tax under this  
10 title with respect to an article, when the price on which  
11 the tax was based is readjusted by reason of return or  
12 repossession of the article or a covering or container,  
13 or by a bona fide discount, rebate, or allowance; in the  
14 amount of that part of the tax proportionate to the  
15 part of the price which is refunded or credited.

16           (b) Credit or refund under subsection (a) shall be  
17 allowed or made only upon compliance with regulations pre-  
18 scribed by the Commissioner with the approval of the  
19 Secretary.

20           (c) In no case shall interest be allowed with respect to  
21 any amount of tax under this title credited or refunded.

22           (d) No overpayment of tax under this title shall be  
23 credited or refunded (otherwise than under subsection (a)),  
24 in pursuance of a court decision or otherwise, unless the  
25 person who paid the tax establishes, in accordance with

1 regulations prescribed by the Commissioner with the approval  
 2 of the Secretary, (1) that he has not included the tax in the  
 3 price of the article with respect to which it was imposed, or  
 4 collected the amount of tax from the vendee, or (2) that he has  
 5 repaid the amount of the tax to the ultimate purchaser of the  
 6 article, or unless he files with the Commissioner written con-  
 7 sent of such ultimate purchaser to the allowance of the credit  
 8 or refund.

9 **SEC. 609. USE BY MANUFACTURER, PRODUCER, OR IMPORTER.**

10 *If any person manufactures, produces, or imports an*  
 11 *article for his own use (other than use as material in the*  
 12 *manufacture or production of, or as a component part of,*  
 13 *another article to be manufactured or produced by him which*  
 14 *will be taxable under this title or sold free of tax by virtue*  
 15 *of section 607, relating to sale of articles for further manu-*  
 16 *facture) he shall be liable for tax under this title in the same*  
 17 *manner as if such article was sold by him, and the tax shall be*  
 18 *computed on the price at which such or similar articles are*  
 19 *sold, in the ordinary course of trade, by manufacturers,*  
 20 *producers, or importers thereof, as determined by the*  
 21 *Commissioner.*

22 **SEC. 610. SALES BY OTHERS THAN MANUFACTURER, PRO-**  
 23 **DUCEUR, OR IMPORTER.**

24 *In case any person other than the manufacturer, pro-*  
 25 *ducer, or importer of an article, acquires by operation of*

1 law or as a result of any transaction not taxable under this  
2 title, the right to sell such article, the sale of such article by  
3 such person shall be taxable under this title as if made by the  
4 manufacturer, producer, or importer, and such person shall  
5 be liable for the tax.

6 **SEC. 611. CONTRACTS PRIOR TO MAY 1, 1932.**

7 (a) If (1) any person has, prior to May 1, 1932,  
8 made a bona fide contract with another person for the sale,  
9 after the tax takes effect, of any article in respect of the  
10 sale of which a tax is imposed under this title, or in respect  
11 of which a tax is imposed under this subsection, and (2)  
12 such contract does not permit the adding to the amount to be  
13 paid under such contract, of the whole of such tax, then  
14 (unless the contract prohibits such addition) the vendee  
15 shall, in lieu of the vendor, pay so much of the tax as is not  
16 so permitted to be added to the contract price.

17 (b) The taxes payable by the vendee shall be paid to  
18 the vendor at the time the sale is consummated, and shall be  
19 collected, returned, and paid to the United States by such  
20 vendor in the same manner as provided in section 702. In  
21 case of failure or refusal by the vendee to pay such taxes to  
22 the vendor, the vendor shall report the facts to the Commis-  
23 sioner, who shall cause collection of such taxes to be made  
24 from the vendee.

**1 SEC. 612. RETURN AND PAYMENT OF MANUFACTURERS TAXES.**

**2** (a) *Every person liable for any tax imposed by this*  
**3** *title on sales by him shall make monthly returns under*  
**4** *oath in duplicate and pay the taxes imposed by this title to*  
**5** *the collector for the district in which is located his principal*  
**6** *place of business or, if he has no principal place of business*  
**7** *in the United States, then to the collector at Baltimore, Mary-*  
**8** *land. Such returns shall contain such information and be*  
**9** *made at such times and in such manner as the Commissioner,*  
**10** *with the approval of the Secretary, may by regulations*  
**11** *prescribe.*

**12** (b) *The tax shall, without assessment by the Commis-*  
**13** *sioner or notice from the collector, be due and payable to the*  
**14** *collector at the time so fixed for filing the return. If the*  
**15** *tax is not paid when due, there shall be added as part of the*  
**16** *tax interest at the rate of 1 per centum a month from the*  
**17** *time when the tax became due until paid.*

**18 SEC. 613. APPLICABILITY OF ADMINISTRATIVE PROVISIONS.**

**19** *All provisions of law (including penalties) applicable*  
**20** *in respect of the taxes imposed by section 600 of the Revenue*  
**21** *Act of 1926 shall, in so far as applicable and not inconsistent*  
**22** *with this Act, be applicable in respect of the taxes imposed*  
**23** *by this title.*



1 **SEC. 614. RULES AND REGULATIONS.**

2       *The Commissioner, with the approval of the Secretary,*  
 3 *shall prescribe and publish all needful rules and regulations*  
 4 *for the enforcement of this title in so far as it relates to the*  
 5 *taxes on articles sold by the manufacturer, producer, or*  
 6 *importer. The Secretary shall prescribe and publish all*  
 7 *needful rules and regulations for the enforcement of this title*  
 8 *in so far as it relates to the taxes which under the provisions*  
 9 *of section 601(b) are to be levied, assessed, collected, and*  
 10 *paid in the same manner as duties imposed by the Tariff*  
 11 *Act of 1930.*

12 **SEC. 615. EFFECTIVE DATE.**

13       *This title shall take effect on the fifteenth day after the*  
 14 *date of the enactment of this Act, except that section 614,*  
 15 *relating to rules and regulations, and this section shall take*  
 16 *effect on the date of the enactment of this Act. No sale or*  
 17 *importation after June 30, 1934 (or after July 31, 1934, in*  
 18 *the case of articles taxable under section 602, relating to the*  
 19 *tax on automobiles, etc.), shall be taxable under this title.*

20                   **TITLE V—MISCELLANEOUS TAXES**

21       **Part I—Tax on Telegraph, Telephone, Radio, and Cable**  
 22                   **Facilities**

23 **SEC. 701. IMPOSITION.**

24       *(a) On and after the fifteenth day after the date of*  
 25 *the enactment of this Act, there shall be imposed—*

1           (1) in the case of each telegraph, telephone, cable, or  
2           radio dispatch, message, or conversation, which originates  
3           on or after such date and before July 1, 1934, within the  
4           United States, a tax at the following rates:

5           (A) Telephone conversations for which the  
6           charge is 50 cents or more and less than \$1, 10  
7           cents; for which the charge is \$1 or more and less  
8           than \$2, 15 cents; for which the charge is \$2 or  
9           more, 20 cents;

10          (B) telegraph dispatches and messages, 5  
11          per centum of the amount charged therefor; and

12          (C) cable and radio dispatches and mes-  
13          sages, 10 cents;

14          but only one payment of such tax shall be required,  
15          notwithstanding the lines or stations of one or more  
16          persons are used for the transmission of such dispatch,  
17          message, or conversation; and

18          (2) a tax equivalent to 5 per centum of the  
19          amount paid on or after the fifteenth day after the date  
20          of the enactment of this Act to any telegraph or  
21          telephone company for any leased wire or talking circuit  
22          special service furnished on or after such date and  
23          before July 1, 1934. This paragraph shall not apply  
24          to the amount paid for so much of such service as is

1           utilized in the conduct, by a common carrier or telephone  
2           or telegraph company, of its business as such.

3           (b) No tax shall be imposed under this section upon  
4 any payment received for services or facilities furnished to  
5 the United States or to any State or Territory, or political  
6 subdivision thereof, or the District of Columbia. The right  
7 to exemption under this subsection shall be evidenced in such  
8 manner as the Commissioner with the approval of the Secre-  
9- tary may by regulation prescribe.

10 **SEC. 702. RETURNS AND PAYMENT OF TAX.**

11           (a) The taxes imposed by section 701 shall be paid by  
12 the person paying for the services or facilities.

13           (b) Each person receiving any payments specified in  
14 section 701 shall collect the amount of the tax imposed by  
15 such section from the person making such payments, and  
16 shall on or before the last day of each month make a return,  
17 under oath, for the preceding month, and pay the taxes so  
18 collected, to the collector of the district in which his prin-  
19 cipal place of business is located, or if he has no principal  
20 place of business in the United States, to the collector at  
21 Baltimore, Maryland. Such returns shall contain such  
22 information and be made in such manner as the Commis-  
23 sioner with the approval of the Secretary may by regulation  
24 prescribe. The Commissioner may extend the time for mak-

1 *ing returns and paying the taxes collected, under such rules*  
 2 *and regulations as he shall prescribe with the approval of*  
 3 *the Secretary, but no such extension shall be for more than*  
 4 *90 days.*

5 **Part II—Admissions Tax**

6 **SEC. 711. ADMISSIONS TAX.**

7 *(a) Paragraph (1) of section 500(a) of the Revenue*  
 8 *Act of 1926, as amended, is amended to read as follows:*

9 **“(1) A tax of 1 cent for each 10 cents or fraction**  
 10 **thereof (or, in the case of admission to a horse or dog**  
 11 **race, 25 per centum) of the amount paid for admission**  
 12 **to any place, including admission by season ticket or**  
 13 **subscription, to be paid by the person paying for such**  
 14 **admission; except that in case the amount paid for**  
 15 **admission is \$3 or less, less than 11 cents, no tax**  
 16 **shall be imposed, and except that in case of ad-**  
 17 **mission to a prize fight, or boxing, sparring, or**  
 18 **other pugilistic match or exhibition, for which the**  
 19 **amount paid for admission is \$5 or more, the tax**  
 20 **shall be 25 per centum of such amount; Provided,**  
 21 **That an equivalent tax shall be collected on**  
 22 **all free or complimentary tickets or admissions**  
 23 **to such prize fight, or boxing, sparring, or other**  
 24 **pugilistic match or exhibition and the tax shall be on**  
 25 **the amount for which a similar seat or box is sold at**

1 the said match or exhibition imposed. In the case of  
2 persons (except bona fide employees, municipal officers  
3 on official business, and children under 12 years of age)  
4 admitted free or at reduced rates to any place at a time  
5 when and under circumstances under which an admis-  
6 sion charge is made to other persons, an equivalent tax  
7 shall be collected based on the price so charged to such  
8 other persons for the same or similar accommodations,  
9 to be paid by the person so admitted. Amounts paid  
10 for admission by season ticket or subscription shall be  
11 exempt only if the amount which would be charged  
12 to the holder or subscriber for a single admission is \$3  
13 or less; less than 11 cents;"

14 (b) Paragraph (2) of section 500(a) of the Revenue  
15 Act of 1926, as amended, is amended to read as follows:

16 "(2) Upon tickets or cards of admission to  
17 theaters, operas, and other places of amusement, sold  
18 at news stands, hotels, and places other than the ticket  
19 offices of such theaters, operas, or other places of  
20 amusement, at not to exceed 75 cents a price in excess  
21 of the sum of the established price therefor at such  
22 ticket offices plus the amount of any tax imposed under  
23 paragraph (1), a tax equivalent to 5 per centum 10  
24 per centum of the amount of such excess; and if sold  
25 for more than 75 cents in excess of the sum of such  
26 established price plus the amount of any tax imposed

1 under paragraph (1), a tax equivalent to 50 per  
 2 centum of the whole amount of such excess, such taxes  
 3 tax to be returned and paid, in the manner and subject  
 4 to the interest provided in section 502, by the person  
 5 selling such tickets;"

6 (c) Section 500 of the Revenue Act of 1926, as  
 7 amended, is amended by adding at the end thereof the  
 8 following subdivision:

9 "(c) The exemption from tax provided by subdivision  
 10 (b)(1)(A) shall not be allowed in the case of admissions  
 11 to wrestling matches, prize fights, or boxing, sparring, or  
 12 other pugilistic matches or exhibitions, except in the case  
 13 of admissions the proceeds of which inure exclusively to the  
 14 benefit of educational institutions."

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

1       (d) Subsections (a) and (c) shall take effect on the  
2       fifteenth day after the date of the enactment of this Act.

3       (e) Effective July 1, 1934, section 500(a)(1) of the  
4       Revenue Act of 1926, as amended by subsection (a) of this  
5       section, is amended by striking out "less than 11 cents"  
6       wherever appearing in such paragraph, and inserting in lieu  
7       thereof "\$3 or less".

8       **SEC. 712. ADMISSION TO OLYMPIC GAMES.**

9       The tax imposed by section 500 of the Revenue Act  
10      of 1926, as amended, shall not be imposed in respect of  
11      admission to the games of the Xth Olympiad to be held in  
12      the United States in the calendar year 1932.

13                                   **Part III—Stamp Taxes**

14      **SEC. 721. STAMP TAX ON ISSUES OF BONDS, ETC.**

15      (a) Subdivision 1 of Schedule A of Title VIII of  
16      the Revenue Act of 1926 is amended by striking out "5  
17      cents" and inserting in lieu thereof "10 cents"; and by  
18      inserting at the end thereof a new sentence to read as follows:  
19      "The tax under this subdivision shall not apply to any in-  
20      strument under the terms of which the obligee is required  
21      to make payment therefor in installments and is not permitted  
22      to make in any year a payment of more than 20 per centum  
23      of the cash amount to which entitled upon maturity of the  
24      instrument."

1       (b) Subsection (a) shall take effect on the 15th day  
2 after the date of the enactment of this Act.

3       (c) Effective July 1, 1934, such subdivision 1, as  
4 amended by subsection (a) of this section, is amended by  
5 striking out "10 cents" and inserting in lieu thereof  
6 "5 cents".

7 SEC. 722. STAMP TAX ON ISSUES OF STOCK, ETC.

8       (a) Subdivision 2 of Schedule A of Title VIII of the  
9 Revenue Act of 1926 is amended to read as follows:

10       "2. Capital stock (and similar interests), issue: On  
11 each original issue, whether on organization or reorganiza-  
12 tion, of shares or certificates of stock, or of profits,  
13 or of interest in property or accumulations, by any cor-  
14 poration, or by any investment trust or similar organization  
15 (or by any person on behalf of such investment trust or  
16 similar organization) holding or dealing in any of the instru-  
17 ments mentioned or described in this subdivision or subdivi-  
18 sion 1 (whether or not such investment trust or similar  
19 organization constitutes a corporation within the meaning  
20 of this Act), on each \$100 of par or face value or fraction  
21 thereof of the certificates issued by such corporation or by  
22 such investment trust or similar organization (or of the shares  
23 where no certificates were issued), 5 cents 10 cents: Provided,  
24 That where a certificate is such shares or certificates are  
25 issued without par or face value, the tax shall be 5 cents



1 10 cents per share (corporate share, or investment trust or  
 2 other organization share, as the case may be), unless the  
 3 actual value is in excess of \$100 per share, in which case  
 4 the tax shall be ~~5 cents~~ 10 cents on each \$100 of actual  
 5 value or fraction thereof of such certificates (or of the  
 6 shares where no certificates were issued), or unless the actual  
 7 value is less than \$100 per share, in which case the tax  
 8 shall be ~~4 cent~~ 2 cents on each \$20 of actual value, or frac-  
 9 tion thereof. thereof, of such certificates (or of the shares  
 10 where no certificates were issued).

11 "The stamps representing the tax imposed by this  
 12 subdivision shall be attached to the stock books or corre-  
 13 sponding records of the organization and not to the  
 14 certificates issued."

15 (b) Subsection (a) shall take effect on the fifteenth  
 16 day after the date of the enactment of this Act.

17 (c) Effective July 1, 1934, such subdivision 2, as  
 18 amended by subsection (a) of this section, is amended by  
 19 striking out "10 cents" wherever appearing in such sub-  
 20 division and inserting in lieu thereof "5 cents", and by  
 21 striking out "2 cents" and inserting in lieu thereof "1  
 22 cent".

23 **SEC. 723. STAMP TAX ON TRANSFER OF STOCKS, ETC.**

24 (a) Subdivision 3 of Schedule A of Title VIII of the  
 25 Revenue Act of 1926 is amended to read as follows:

1           " 3. Capital stock (*and similar interests*), sales or  
2 transfers: On all sales, or agreements to sell, or memo-  
3 randa of sales or deliveries of, or transfers of legal title to  
4 shares or certificates of stock or of profits or of interest in  
5 property or accumulations in any corporation, *any of the*  
6 *shares or certificates mentioned or described in subdivision 2,*  
7 or to rights to subscribe for or to receive such shares or  
8 certificates, whether made upon or shown by the books of  
9 the corporation or *other organization*, or by any assignment  
10 in blank, or by any delivery, or by any paper or agreement  
11 or memorandum or other evidence of transfer or sale,  
12 *whether sale (whether* entitling the holder in any manner  
13 *to the benefit of such stock share, certificate, interest, or*  
14 *rights, or not not),* on each \$100 of *par or face value or*  
15 *fraction thereof of the certificates of such corporation or*  
16 *other organization (or of the shares where no certificates*  
17 *were issued), 2 cents 4 cents,* and where such shares or  
18 *certificates* are without par or face value, the tax shall be  
19 *2 cents 4 cents* on the transfer or sale or agreement to sell  
20 on each share (*corporate share, or investment trust or other*  
21 *organization share, as the case may be*): *Provided,* That it is  
22 not intended by this title to impose a tax upon an agreement  
23 evidencing a deposit of certificates as collateral security for  
24 money loaned thereon, which certificates are not actually  
25 sold, nor upon the delivery or transfer for such purpose of

1 certificates so deposited, nor upon mere loans of stock nor  
2 upon the return of stock so loaned: *Provided further*, That  
3 the tax shall not be imposed upon deliveries or transfers to  
4 a broker for sale, nor upon deliveries or transfers by a  
5 broker to a customer for whom and upon whose order he  
6 has purchased same, but such deliveries or transfers shall  
7 be accompanied by a certificate setting forth the facts:  
8 *Provided further*, That the tax shall not be imposed upon  
9 deliveries or transfers from a fiduciary to a nominee of such  
10 fiduciary, or from one nominee of such fiduciary to another,  
11 if such shares or certificates continue to be held by such nomi-  
12 nee for the same purpose for which they would be held if  
13 retained by such fiduciary, or from the nominee to such  
14 fiduciary, but such deliveries or transfers shall be accom-  
15 panied by a certificate setting forth the facts: *Provided*  
16 *further*, That in case of sale where the evidence of trans-  
17 fer is shown only by the books of the corporation or  
18 other organization the stamp shall be placed upon such  
19 books; and where the change of ownership is by transfer of  
20 the certificate the stamp shall be placed upon the certificate;  
21 and in cases of an agreement to sell or where the transfer  
22 is by delivery of the certificate assigned in blank there shall  
23 be made and delivered by the seller to the buyer a bill or  
24 memorandum of such sale, to which the stamp shall be  
25 affixed; and every bill or memorandum of sale or agreement

1 to sell before mentioned shall show the date thereof, the  
2 name of the seller, the amount of the sale, and the matter  
3 or thing to which it refers. Any person liable to pay the  
4 tax as herein provided, or anyone who acts in the matter  
5 as agent or broker for such person, who makes any such  
6 sale, or who in pursuance of any such sale delivers any  
7 certificate or evidence of the sale of any stock, *share*, interest  
8 or right, or bill or memorandum thereof, as herein required,  
9 without having the proper stamps affixed thereto, with  
10 intent to evade the foregoing provisions, shall be deemed  
11 guilty of a misdemeanor, and upon conviction thereof shall  
12 pay a fine of not exceeding \$1,000, or be imprisoned not  
13 more than six months, or both."

14 (b) *Subsection (a) shall take effect on the fifteenth day*  
15 *after the date of the enactment of this Act.*

16 (c) *Effective July 1, 1934, such subdivision 3, as*  
17 *amended by subsection (a) of this section, is amended by*  
18 *striking out "4 cents" wherever appearing in such subdivi-*  
19 *vision and inserting in lieu thereof "2 cents".*

20 **SEC. 724. STAMP TAX ON TRANSFER OF BONDS, ETC.**

21 (a) *Schedule A of Title VIII of the Revenue Act of*  
22 *1926 is amended by adding at the end thereof a new subdivi-*  
23 *vision to read as follows:*

24 "9. *Bonds, etc., sales or transfers: On all sales, or*  
25 *agreements to sell, or memoranda of sales or deliveries of,*

1 or transfers of legal title to any of the instruments mentioned  
2 or described in subdivision 1 and of a kind the issue of which  
3 is taxable thereunder, whether made by any assignment  
4 in blank or by any delivery, or by any paper or agree-  
5 ment or memorandum or other evidence of transfer or sale  
6 (whether entitling the holder in any manner to the benefit of  
7 such instrument or not), on each \$100 of face value or frac-  
8 tion thereof, 4 cents: Provided, That it is not intended by this  
9 title to impose a tax upon an agreement evidencing a deposit of  
10 instruments as collateral security for money loaned thereon,  
11 which instruments are not actually sold, nor upon the delivery  
12 or transfer for such purpose of instruments so deposited:  
13 Provided further, That the tax shall not be imposed on  
14 deliveries or transfers of bonds in connection with a reorgani-  
15 zation (as defined in section 112 of the Revenue Act of  
16 1932) if the entire amount of gain or loss from the exchange  
17 or distribution involved in the delivery or transfer is not  
18 recognized under the income tax law applicable to the year  
19 in which the delivery or transfer is made: Provided further,  
20 That the tax shall not be imposed upon deliveries or transfers  
21 to a broker for sale, nor upon deliveries or transfers by a  
22 broker to a customer for whom and upon whose order he  
23 has purchased same, but such deliveries or transfers shall  
24 be accompanied by a certificate setting forth the facts:  
25 Provided further, That the tax shall not be imposed upon

1 deliveries or transfers from a fiduciary to a nominee of  
2 such fiduciary, or from one nominee of such fiduciary to  
3 another, if such instruments continue to be held by such  
4 nominee for the same purpose for which they would be  
5 held if retained by such fiduciary, or from the nominee  
6 to such fiduciary, but such deliveries or transfers shall be  
7 accompanied by a certificate setting forth the facts: Provided  
8 further, That where the change of ownership is by  
9 transfer of the instrument the stamp shall be placed upon  
10 the instrument; and in cases of an agreement to sell or  
11 where the transfer is by delivery of the instrument assigned  
12 in blank there shall be made and delivered by the  
13 seller to the buyer a bill or memorandum of such sale, to  
14 which the stamp shall be affixed; and every bill or memo-  
15 randum of sale or agreement to sell before mentioned shall  
16 show the date thereof, the name of the seller, the amount of  
17 the sale, and the matter or thing to which it refers. Any  
18 person liable to pay the tax as herein provided, or anyone  
19 who acts in the matter as agent or broker for such person,  
20 who makes any such sale, or who in pursuance of any such  
21 sale delivers any certificate or evidence of the sale of any  
22 such instrument, or bill or memorandum thereof, as herein  
23 required, without having the proper stamps affixed thereto,  
24 with intent to evade the foregoing provisions, shall be deemed  
25 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 (unless  
15 deposited in escrow before April 1, 1932), whereby any  
16 lands, tenements, or other realty sold shall be granted, as-  
17 signed, transferred, or otherwise conveyed to, or vested  
18 in, the purchaser or purchasers, or any other person or  
19 persons, by his, her, or their direction, when the considera-  
20 tion or value of the interest or property conveyed, exclusive  
21 of the value of any lien or encumbrance remaining thereon  
22 at the time of sale, exceeds \$100 and does not exceed \$500,  
23 50 cents; and for each additional \$500 or fractional part  
24 thereof, 50 cents. This subdivision shall not apply to any  
25 instrument or writing given to secure a debt."

1 **Part IV—Tax on Transportation of Oil by Pipe Line**

2 **SEC. 731. TAX ON TRANSPORTATION OF OIL BY PIPE LINE.**

3 (a) *There is hereby imposed upon all transportation of*  
4 *crude petroleum and liquid products thereof by pipe line*  
5 *originating on or after the fifteenth day after the date of the*  
6 *enactment of this Act and before July 1, 1934—*

7 (1) *A tax equivalent to 3 per centum of the*  
8 *amount paid on or after the fifteenth day after the*  
9 *date of the enactment of this Act for such transporta-*  
10 *tion, to be paid by the person furnishing such trans-*  
11 *portation.*

12 (2) *In case no charge for transportation is made,*  
13 *either by reason of ownership of the commodity trans-*  
14 *ported or for any other reason, a tax equivalent to 3*  
15 *per centum of the fair charge for such transportation,*  
16 *to be paid by the person furnishing such transportation.*

17 (3) *If (other than in the case of an arm's length*  
18 *transaction) the payment for transportation is less than*  
19 *the fair charge therefor, a tax equivalent to 3 per centum*  
20 *of such fair charge, to be paid by the person furnishing*  
21 *such transportation.*

22 (b) *For the purposes of this section, the fair charge for*  
23 *transportation shall be computed—*

24 (1) *from actual bona fide rates or tariffs, or*



1           (2) if no such rates or tariffs exist, then on the  
2 basis of the actual bona fide rates or tariffs of other  
3 pipe lines for like services, as determined by the Com-  
4 missioner, or

5           (3) if no such rates or tariffs exist, then on the  
6 basis of a reasonable charge for such transportation,  
7 as determined by the Commissioner.

8           (c) Every person liable for the tax imposed under  
9 subsection (a) shall make monthly returns under oath in  
10 duplicate and pay such taxes to the collector for the district  
11 in which is located his principal place of business or, if he  
12 has no principal place of business in the United States, then  
13 to the collector at Baltimore, Maryland. Such returns shall  
14 contain such information and be made at such times and in  
15 such manner as the Commissioner, with the approval of the  
16 Secretary, may by regulations prescribe.

17                           Part V—Tax on Checks, etc.

18           SEC. 741. TAX ON CHECKS, ETC.

19           (a) There is hereby imposed a tax of 2 cents upon  
20 each of the following instruments, made or drawn on or  
21 after the 15th day after the date of the enactment of this Act  
22 and before July 1, 1934: Checks, drafts, or orders for the  
23 payment of money, drawn upon any bank, banker, or trust  
24 company; such tax to be paid by the maker or drawer.

1       (b) Every person paying any of the instruments men-  
2 tioned in subsection (a) as drawee of such instrument shall  
3 collect the amount of the tax imposed under such subsection  
4 by charging such amount against any deposits to the credit  
5 of the maker or drawer of such instrument, and shall on or  
6 before the last day of each month make a return, under oath,  
7 for the preceding month, and pay such taxes to the collector  
8 of the district in which his principal place of business is  
9 located, or if he has no principal place of business in the  
10 United States, to the collector at Baltimore, Maryland.  
11 Such returns shall contain such information and be made in  
12 such manner as the Commissioner, with the approval of the  
13 Secretary, may by regulations prescribe. Every person  
14 required to collect any tax under this section is hereby  
15 indemnified against the claims and demands of any person  
16 for the amount of any payments made in accordance with  
17 the provisions of this section.

18                               Part VI—Tax on Cigarette Papers

19       SEC. 751. TAX ON CIGARETTE PAPERS.

20       Section 402 of the Revenue Act of 1926 is amended by  
21 inserting after "importer" a comma and the following: "or  
22 removed for consumption or sale," and by striking out, "more  
23 than twenty-five but".

**Part VII—Administrative Provisions****SEC. 761. PAYMENT OF TAXES.**

*The taxes imposed by Parts I, IV, and V of this title shall, without assessment by the Commissioner or notice from the collector, be due and payable to the collector at the time fixed for filing the return. If the tax is not paid when due, there shall be added as part of the tax interest at the rate of 1 per centum a month from the time the tax became due until paid.*

**SEC. 762. REFUNDS AND CREDITS.**

*(a) Credit or refund of any overpayment of tax imposed by Part I or V of this title may be allowed to the person who collected the tax and paid it to the United States if such person establishes, to the satisfaction of the Commissioner, under such regulations as the Commissioner with the approval of the Secretary may prescribe, that he has repaid the amount of such tax to the person from whom he collected it, or obtained the consent of such person to the allowance of such credit or refund.*

*(b) Any person entitled to refund of tax under Part I, IV, or V, of this title paid, or collected and paid, to the United States by him may take credit therefor against taxes due upon any monthly return.*

1           (c) Any person making a refund of any payment on  
2 which tax under Part I has been collected, may repay  
3 therewith the amount of tax collected on such payment, and  
4 the amount of tax so repaid may be credited against the  
5 tax under any subsequent return.

6 **SEC. 763. REGULATIONS.**

7           The Commissioner, with the approval of the Secre-  
8 tary, shall prescribe and publish all needful rules and regu-  
9 lations for the enforcement of Parts I, IV, and V of this  
10 title.

11 **SEC. 764. APPLICABILITY OF ADMINISTRATIVE PROVISIONS.**

12           All provisions of law (including penalties) applicable  
13 in respect of the taxes imposed by section 500 of the Rev-  
14 enue Act of 1926, shall, in so far as applicable and not  
15 inconsistent with this Act, be applicable in respect of the taxes  
16 imposed by Parts I, IV, and V of this title.

17           **TITLE VI—ESTATE TAX AMENDMENTS**

18 **SEC. 801. CREDIT OF GIFT TAX ON ESTATE TAX.**

19           Section 301 of the Revenue Act of 1926 is amended by  
20 inserting after subdivision (a) a new subdivision to read as  
21 follows:

22           “(b) (1) If a tax has been paid under Title III of  
23 the Revenue Act of 1932 on a gift, and thereafter upon the  
24 death of the donor any amount in respect of such gift is  
25 required to be included in the value of the gross estate of

1 the decedent for the purposes of this title, then there shall  
 2 be credited against the tax imposed by subdivision (a) of  
 3 this section the amount of the tax paid under such Title III  
 4 with respect to so much of the property which constituted  
 5 the gift as is included in the gross estate, except that the  
 6 amount of such credit shall not exceed an amount which bears  
 7 the same ratio to the tax imposed by subdivision (a) of this  
 8 section as the value (at the time of the gift or at the time of  
 9 the death, whichever is lower) of so much of the property  
 10 which constituted the gift as is included in the gross estate,  
 11 bears to the value of the entire gross estate.

12       “(2) For the purposes of paragraph (1), the amount  
 13 of tax paid for any year under Title III of the Revenue  
 14 Act of 1932 with respect to any property shall be an amount  
 15 which bears the same ratio to the total tax paid for such year  
 16 as the value of such property bears to the total amount of  
 17 net gifts (computed without deduction of the specific exemp-  
 18 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

1 shall not exceed 80 per centum of the tax imposed by this  
 2 section subdivision (a) (after deducting from such tax the  
 3 credits provided by subdivision (b)), and shall include only  
 4 such taxes as were actually paid and credit therefor claimed  
 5 within three four years after the filing of the return required  
 6 by section 304, except that—

7           “(1) If a petition for redetermination of a defi-  
 8           ciency has been filed with the Board of Tax Appeals  
 9           within the time prescribed in section 308, then within  
 10          such four-year period or before the expiration of 60  
 11          days after the decision of the Board becomes final.

12          “(2) If, under subdivision (b) of section 305 or  
 13          subdivision (i) of section 308, an extension of time  
 14          has been granted for payment of the tax shown on the  
 15          return, or of a deficiency, then within such four-year  
 16          period or before the date of the expiration of the period  
 17          of the extension.

18          Refund based on the credit may (despite the provisions of  
 19          section 319) be made if claim therefor is filed within the  
 20          period above provided. Any such refund shall be made  
 21          without interest, except that where the overpayment was made  
 22          prior to the enactment of the Revenue Act of 1932, then  
 23          interest shall be allowed and paid on the amount refunded  
 24          at the rate of 6 per centum per annum from the date of the  
 25          overpayment to the date of such enactment.”

1           **(b) If any return required by section 304 of the Revenue**  
2 **Act of 1926 was filed more than three years before the**  
3 **enactment of this Act (except in cases where a petition for**  
4 **redetermination of a deficiency has been filed with the Board**  
5 **of Tax Appeals within the time prescribed in section 308)**  
6 **the credit for estate, inheritance, legacy, or succession taxes**  
7 **shall be determined as if this section had not been enacted.**

8 **SEC. 303. FUTURE INTERESTS.**

9           **(a) Section 302(c) of the Revenue Act of 1926, as**  
10 **amended by the Joint Resolution of March 3, 1931, is**  
11 **amended to read as follows:**

12           **“(c) To the extent of any interest therein of which**  
13 **the decedent has at any time made a transfer, by trust or**  
14 **otherwise, in contemplation of or intended to take effect in**  
15 **possession or enjoyment at or after his death, including a**  
16 **transfer under which the transferor has retained for his life**  
17 **or any period not ending or of which he has at any time**  
18 **made a transfer, by trust or otherwise, under which he has**  
19 **retained for his life or for any period not ascertainable**  
20 **without reference to his death or for any period which does**  
21 **not in fact end before his death (1) the possession or**  
22 **enjoyment of, or the right to the income from, the property**  
23 **or property, or (2) the right to right, either alone or in**  
24 **conjunction with any person, to designate the persons who**  
25 **shall possess or enjoy the property or the income there-**



1 from; except in case of a bona fide sale for an adequate and  
2 full consideration in money or money's worth. Where  
3 within two years prior to his death but after the enactment  
4 of this Act and without such a consideration the decedent  
5 has made a transfer or transfers, by trust or other-  
6 wise, of any of his property, or an interest therein,  
7 not admitted or shown to have been made in con-  
8 templation of or intended to take effect in possession  
9 or enjoyment at or after his death, and the value or  
10 aggregate value, at the time of such death, of the property  
11 or interest so transferred to any one person is in excess of  
12 \$5,000, then, to the extent of such excess, such transfer or  
13 transfers shall be deemed and held to have been made in  
14 contemplation of death within the meaning of this title.  
15 Any transfer of a material part of his property in the nature  
16 of a final disposition or distribution thereof, made by the  
17 decedent within two years prior to his death but prior to the  
18 enactment of this Act, without such consideration, shall,  
19 unless shown to the contrary, be deemed to have been made  
20 in contemplation of death within the meaning of this title;

21 *(b) Section 302(f) of the Revenue Act of 1926 is*  
22 *amended to read as follows:*

23 *"(f) To the extent of any property passing under a*  
24 *general power of appointment exercised by the decedent*

1 (1) by will, or (2) by deed executed in contemplation  
 2 of, or of or intended to take effect in possession or enjoy-  
 3 ment at or after, his after his death, or (3) by deed under  
 4 which he has retained for his life or any period not ascer-  
 5 tainable without reference to his death or for any period  
 6 which does not in fact end before his death (A) the possession  
 7 or enjoyment of, or the right to the income from, the property,  
 8 or (B) the right, either alone or in conjunction with any  
 9 person, to designate the persons who shall possess or enjoy  
 10 the property or the income therefrom; except in case of a  
 11 bona fide sale for an adequate and full consideration in money  
 12 or money's worth; and "

13 (c) The first sentence of section 315(b) of the Revenue  
 14 Act of 1926 is amended to read as follows:

15 " (b) If (1) except in the case of a bona fide sale for  
 16 an adequate and full consideration in money or money's  
 17 worth, the decedent makes a transfer, by trust or otherwise,  
 18 of any property in contemplation of or intended to take  
 19 effect in possession or enjoyment at or after his death (ex-  
 20 cept in the case of a bona fide sale for an adequate and full  
 21 consideration in money or money's worth) death, or makes  
 22 a transfer, by trust or otherwise, under which he has retained  
 23 for his life or for any period not ascertainable without ref-  
 24 erence to his death or for any period which does not in fact

1 *end before his death (A) the possession or enjoyment of, or*  
 2 *the right to the income from, the property, or (B) the right,*  
 3 *either alone or in conjunction with any person, to designate*  
 4 *the persons who shall possess or enjoy the property or the*  
 5 *income therefrom, or (2) if insurance passes under a con-*  
 6 *tract executed by the decedent in favor of a specific bene-*  
 7 *ficiary, and if in either case the tax in respect thereto is not*  
 8 *paid when due, then the transferee, trustee, or beneficiary*  
 9 *shall be personally liable for such tax, and such property,*  
 10 *to the extent of the decedent's interest therein at the time*  
 11 *of such transfer, or to the extent of such beneficiary's inter-*  
 12 *est under such contract of insurance, shall be subject to a*  
 13 *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.

14 **SEC. 304. RELINQUISHMENT OF DOWER, ETC., AS CONSIDERA-**  
 15 **TION.**

16 *Section 303(d) of the Revenue Act of 1926 is amended*  
 17 *by adding at the end thereof a new sentence to read as*  
 18 *follows:*

19 *"For the purposes of this title, a relinquishment or*  
 20 *promised relinquishment of dower, curtesy, or of a state-*

1 tory estate created in lieu of dower or curtesy, or of other  
 2 marital rights in the decedent's property or estate, shall not  
 3 be considered to any extent a consideration 'in money or  
 4 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.

5 **SEC. 305: DEDUCTIONS.**

6 Section 303(a)(1) of the Revenue Act of 1926, as  
 7 amended, is amended to read as follows:

8 "(1) Such amounts—

9 "(A) for funeral expenses,

10 "(B) for administration expenses,

11 "(C) for claims against the estate,

12 "(D) for unpaid mortgages upon, or any  
 13 indebtedness in respect to, property (except, in  
 14 the case of a resident decedent, where such prop-  
 15 erty is not situated in the United States) where  
 16 the value of decedent's interest therein, undimin-  
 17 ished by such mortgage or indebtedness, is included  
 18 in the value of the gross estate, to the extent that  
 19 such claims, mortgages, or indebtedness were  
 20 incurred or contracted bona fide and for an ade-

1                    **quate and full consideration in money or money's**  
 2                    **worth, losses incurred during the settlement of the**  
 3                    **estate arising from fires, storms, shipwreck, or**  
 4                    **other casualty, or from theft, when such losses**  
 5                    **are not compensated for by insurance or other-**  
 6                    **(1)                    wise, and**

7                    **“(E) such amounts reasonably required and**  
 8                    **actually expended for the support during the set-**  
 9                    **tlement of the estate of those dependent upon the**  
 10                    **decedent,**  
 11                    **as are allowed by the laws of the jurisdiction, whether**  
 12                    **within or without the United States, under which the**  
 13                    **estate is being administered, but not including any**  
 14                    **income taxes upon income received after the death of**  
 15                    **the decedent, or property taxes not accrued before his**  
 16                    **death, or any estate, succession, legacy, or inheritance**  
 17                    **taxes. The deduction herein allowed in the case of**  
 18                    **claims against the estate, unpaid mortgages, or any**  
 19                    **indebtedness shall, when founded upon a promise or**  
 20                    **agreement, be limited to the extent that they were con-**  
 21                    **tracted bona fide and for an adequate and full consid-**  
 22                    **eration in money or money's worth. There shall also**  
 23                    **be deducted losses incurred during the settlement of**  
 24                    **estates arising from fires, storms, shipwrecks, or other**  
 25                    **casualties, or from theft, when such losses are not**

1        *compensated for by insurance or otherwise, and if at*  
2        *the time of the filing of the return such losses have not*  
3        *been claimed as a deduction for income tax purposes*  
4        *in an income tax return."*

5        **SEC. 806. PRIOR TAXED PROPERTY.**

6        *(a) Section 303(a)(2) of the Revenue Act of 1926*  
7        *is amended to read as follows:*

8                **"(2) An amount equal to the value of any prop-**  
9                **erty (A) forming a part of the gross estate situated**  
10              **in the United States of any person who died within**  
11              **five years prior to the death of the decedent, or (B)**  
12              **transferred to the decedent by gift within five years**  
13              **prior to his death, where such property can be identi-**  
14              **fied as having been received by the decedent from**  
15              **~~such~~ the donor by gift ~~or~~ gift, or from such prior dece-**  
16              **dent by gift, bequest, devise, or inheritance, or which**  
17              **can be identified as having been acquired in exchange**  
18              **for property so received. This deduction shall be al-**  
19              **lowed only where a gift tax imposed under the Revenue**  
20              **Act of ~~1924~~, or 1932, or an estate tax imposed under**  
21              **this or any prior Act of Congress ~~was~~ Congress, was**  
22              **finally determined and paid by or on behalf of ~~the~~ such**  
23              **donor ~~or~~ donor, or the estate of such prior decedent ~~as~~**  
24              **decedent, as the case may be, and only in the amount**  
25              **of finally determined as the value placed by the Com-**

1 ~~missioner on~~ of such property in determining the value  
2 of the ~~gift or~~ gift, or the gross estate of such prior dece-  
3 dent, and only to the extent that the value of such prop-  
4 erty is included in the decedent's gross estate and not  
5 deducted under paragraph (1) or (3) of this subdivision.

6 *Where a deduction was allowed of any mortgage or*  
7 *other lien in determining the gift tax, or the estate tax*  
8 *of the prior decedent, which was paid in whole or in*  
9 *part prior to the decedent's death, then the deduction*  
10 *allowable under this paragraph shall be reduced by the*  
11 *amount so paid. The deduction allowable under this*  
12 *paragraph shall be reduced by an amount which bears*  
13 *the same ratio to the amounts allowed as deductions*  
14 *under paragraphs (1), (3), and (4) of this subdivi-*  
15 *sion as the amount otherwise deductible under this para-*  
16 *graph bears to the value of the decedent's gross estate.*  
17 *Where the property referred to in this paragraph con-*  
18 *sists of two or more items the aggregate value of such*  
19 *items shall be used for the purpose of computing the*  
20 *deduction."*

21 (b) Section 303(b)(2) of the Revenue Act of 1926  
22 is amended to read as follows:

23 " (2) An amount equal to the value of any prop-  
24 erty (A) forming a part of the gross estate situated  
25 in the United States of any person who died within

1 five years prior to the death of the decedent, or (B)  
2 transferred to the decedent by gift within five years  
3 prior to his death, where such property can be iden-  
4 tified as having been received by the decedent from  
5 ~~such the~~ donor by ~~gift or gift~~, or from such prior  
6 decedent by gift, bequest, devise, or inheritance, or  
7 which can be identified as having been acquired in  
8 exchange for property so received. This deduction  
9 shall be allowed only where a gift tax imposed under  
10 the Revenue Act of ~~1924~~, or 1932, or an estate tax  
11 imposed under this or any prior Act of ~~Congress was~~  
12 *Congress, was finally determined and paid by or on*  
13 *behalf of the such donor or donor, or the estate of such*  
14 *prior decedent as decedent, as the case may be, and*  
15 *only in the amount of finally determined as the value*  
16 *placed by the Commissioner on of such property in*  
17 *determining the value of the gift or gift, or the gross*  
18 *estate of such prior decedent, and only to the extent*  
19 *that the value of such property is included in that part*  
20 *of the decedent's gross estate which at the time of his*  
21 *death is situated in the United States and not deducted*  
22 *under paragraph (1) or (2) of this subdivision.*  
23 *Where a deduction was allowed of any mortgage or*  
24 *other lien in determining the gift tax, or the estate tax*



1 of the prior decedent, which was paid in whole or in  
2 part prior to the decedent's death, then the deduction  
3 allowable under this paragraph shall be reduced by  
4 the amount so paid. The deduction allowable under  
5 this paragraph shall be reduced by an amount which  
6 bears the same ratio to the amounts allowed as deduc-  
7 tions under paragraphs (1) and (3) of this subdivi-  
8 sion as the amount otherwise deductible under this para-  
9 graph bears to the value of that part of the decedent's  
10 gross estate which at the time of his death is situated  
11 in the United States. Where the property referred  
12 to in this paragraph consists of two or more items the  
13 aggregate value of such items shall be used for the pur-  
14 pose of computing the deduction."

15 **SEC. 807. DEDUCTION OF BEQUESTS, ETC., TO CHARITY.**

16 Sections 303(a)(3) and 303(b)(3) of the Revenue  
17 Act of 1926 are amended by inserting after the first sentence  
18 of each a new sentence to read as follows:

19 "If the tax imposed by section 301, or any estate, succession,  
20 legacy, or inheritance taxes, are, either by the terms of the  
21 will, by the law of the jurisdiction under which the estate is  
22 administered, or by the law of the jurisdiction imposing the  
23 particular tax, payable in whole or in part out of the  
24 bequests, legacies, or devises otherwise deductible under this

1 paragraph, then the amount deductible under this paragraph  
 2 shall be the amount of such bequests, legacies, or devises  
 3 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 purposes, 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-*  
16   *sioner may require the executor to furnish a bond in such*  
17   *amount, not exceeding double the amount in respect of which*  
18   *the extension is granted, and with such sureties as the Com-*  
19   *missioner deems necessary, conditioned upon the payment*  
20   *of the amount in respect of which the extension is granted*  
21   *in accordance with the terms of the extension."*

1           ***(b) Section 308(i) of the Revenue Act of 1926 is***  
2 ***amended to read as follows:***

3           ***“(i) Where it is shown to the satisfaction of the Com-***  
4 ***missioner that the payment of a deficiency upon the date***  
5 ***prescribed for the payment thereof will result in undue hard-***  
6 ***ship to the estate, the Commissioner with the approval of***  
7 ***the Secretary (except where the deficiency is due to negli-***  
8 ***gence, to intentional disregard of rules and regulations, or***  
9 ***to fraud with intent to evade tax) may grant an extension***  
10 ***for the payment of such deficiency or any part thereof for***  
11 ***a period not in excess of two ~~two~~ four years. If an extension***  
12 ***is granted, the Commissioner may require the executor to***  
13 ***furnish a bond in such amount, not exceeding double the***  
14 ***amount of the deficiency, and with such sureties as the***  
15 ***Commissioner deems necessary, conditioned upon the pay-***  
16 ***ment of the deficiency in accordance with the terms of the***  
17 ***extension. In such case *the running of the statute of limi-****  
18 ***tations for assessment and collection, as provided in sections***  
19 ***310(a) and 311(b), shall be suspended for the period of***  
20 ***any such extension, and there shall be collected, as a part***  
21 ***of the tax, interest on the part of the deficiency the time***  
22 ***for payment of which is so extended, at the rate of 6 per***  
23 ***centum per annum for the period of the extension, and no***  
24 ***other interest shall be collected on such part of the deficiency***

•

1 for such period. If the part of the deficiency the time for  
 2 payment of which is so extended is not paid in accordance  
 3 with the terms of the extension, there shall be collected, as  
 4 a part of the tax, interest on such unpaid amount at the rate  
 5 of 1 per centum a month for the period from the time fixed  
 6 by the terms of the extension for its payment until it is  
 7 paid, and no other interest shall be collected on such unpaid  
 8 amount for such period."

9 **SEC. 809. LIEN FOR TAXES.**

10 *(a) Section 315(a) of the Revenue Act of 1926, as*  
 11 *amended, is amended by adding at the end thereof a new*  
 12 *sentence to read as follows:*

13 *"If the Commissioner is satisfied that the tax liability of an*  
 14 *estate has been fully discharged or provided for, he may,*  
 15 *under regulations prescribed by him with the approval of the*  
 16 *Secretary, issue his certificate, releasing any or all property*  
 17 *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.

18 *(b) Section 613(b) of the Revenue Act of 1928 (relat-*  
 19 *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.

1 **SEC. 810. REFUNDS.**

2 *(a) Section 319(b) of the Revenue Act of 1926 is*  
3 *amended to read as follows:*

4 *“(b) All claims for the refunding of the tax imposed*  
5 *by this title alleged to have been erroneously or illegally*  
6 *assessed or collected must be presented to the Commissioner*  
7 *within three years next after the payment of such tax.*  
8 *The amount of the refund shall not exceed the portion of the*  
9 *tax paid during the three years immediately preceding the*  
10 *filing of the claim, or if no claim was filed, then during the*  
11 *three years immediately preceding the allowance of the*  
12 *refund.”*

13 *(b) The last sentence of section 319(c) of the Revenue*  
14 *Act of 1926 is amended to read as follows:*

15 *“Such refund shall be made either (1) if claim therefor*  
16 *was filed within the period of limitation provided for by law,*  
17 *or (2) if the petition was filed with the Board within four*  
18 *years after the tax was paid, or, in the case of a tax imposed*  
19 *by this title, within three years after the tax was paid. No*  
20 *such refund shall be made of any portion of the tax paid more*  
21 *than four years (or, in the case of a tax imposed by this*  
22 *title, more than three years) before the filing of the claim*  
23 *or the filing of the petition, whichever is earlier.”*

24 *(c) Title III of the Revenue Act of 1924 is amended*  
25 *by inserting after section 318 a new section to read as*  
26 *follows:*

1           “**SEC. 318½.** *The amount of any refund of the tax*  
 2 *imposed by Part I of this title shall not exceed the portion*  
 3 *of the tax paid during the four years immediately preceding*  
 4 *the filing of the claim, or if no claim was filed, then during*  
 5 *the four years immediately preceding the allowance of the*  
 6 *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.

7           *(d) Section 319(b) of the Revenue Act of 1926, as*  
 8 *amended by this Act, and section 318½ of the Revenue Act*  
 9 *of 1924, as added by this Act, shall not bar from allowance a*  
 10 *claim for refund filed prior to the enactment of this Act*  
 11 *which but for such enactment would have been allowable.*

12       **SEC. 811. FUTURE INTERESTS—EXTENSION OF TIME FOR PAY-**

13                       **MENT OF TAX.**

14           *(a) Section 305 of the Revenue Act of 1926 is amended*  
 15 *by adding at the end thereof a new subdivision to read as*  
 16 *follows:*

17           “*(c) Where there is included in the value of the gross*  
 18 *estate the value of a reversionary or remainder interest in*  
 19 *property, the payment of the part of the tax imposed by this*  
 20 *title attributable to such interest may, at the election of the*  
 21 *executor, be postponed until six months after the termination*  
 22 *of the precedent interest or interests in the property, and the*

1 amount the payment of which is so postponed shall then be  
2 payable, together with interest thereon at the rate of 6 per  
3 centum per annum from eighteen months after the date of  
4 the decedent's death until such amount is paid. The post-  
5 ponement of payment of such amount shall be under such  
6 regulations as the Commissioner with the approval of the  
7 Secretary may prescribe, and shall be upon condition that  
8 the executor, or any other person liable for the tax, shall  
9 furnish a bond in such an amount, and with such sureties,  
10 as the Commissioner deems necessary, conditioned upon the  
11 payment within six months after the termination of such  
12 precedent interest or interests of the amount the payment of  
13 which is so postponed, together with interest thereon, as above  
14 provided. Such part of any estate, inheritance, legacy, or  
15 succession taxes allowable as a credit against the tax imposed  
16 by this title as is attributable to such reversionary or remain-  
17 der interest may be allowed as a credit against the tax  
18 attributable to such interest, subject to the percentage limita-  
19 tion contained in section 301(c), if such part is paid, and  
20 credit therefor claimed, at any time prior to the expiration  
21 of 50 days after the termination of the precedent interest or  
22 interests in the property."

23 (b) The amendment to section 305 of the Revenue Act of  
24 1926 made by subsection (a) of this section shall be applicable  
25 only in the case of the estates of decedents dying after the  
26 enactment of this Act.



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 *by a domestic corporation or partnership, or by a trust which*  
7 *is not a foreign trust, to a foreign corporation as paid-in*  
8 *surplus or as a contribution to capital, or to a foreign trust,*  
9 *or to a foreign partnership, an excise tax equal to 25 per*  
10 *centum of the excess of (1) the value of the stock or secu-*  
11 *rities so transferred over (2) its adjusted basis in the hands*  
12 *of the transferor as determined under section 113 of this Act.*

13 **SEC. 902. NONTAXABLE TRANSFERS.**

14 *The tax imposed by section 901 shall not apply—*

15 *(a) if the transferee is an organization exempt from*  
16 *income tax under section 103 of this Act; or*

17 *(b) if prior to the transfer it has been established to*  
18 *the satisfaction of the Commissioner that such transfer is*  
19 *not in pursuance of a plan having as one of its principal*  
20 *purposes the avoidance of Federal income taxes.*

21 **SEC. 903. DEFINITION OF "FOREIGN TRUST".**

22 *A trust shall be considered a foreign trust within the*  
23 *meaning of this title if, assuming a subsequent sale by the*  
24 *trustee, outside the United States and for cash, of the prop-*

1 *erty so transferred, the profit, if any, from such sale would*  
2 *not be included in the gross income of the trust under Title I*  
3 *of this Act.*

4 **SEC. 904. PAYMENT AND COLLECTION.**

5 *(a) The tax imposed by section 901 shall, without*  
6 *assessment or notice and demand, be due and payable by*  
7 *the transferor at the time of the transfer, and shall be as-*  
8 *essed, collected, and paid under regulations prescribed by*  
9 *the Commissioner with the approval of the Secretary.*

10 *(b) Under regulations prescribed by the Commis-*  
11 *sioner with the approval of the Secretary the tax may be*  
12 *abated, remitted, or refunded if after the transfer it has*  
13 *been established to the satisfaction of the Commissioner that*  
14 *such transfer was not in pursuance of a plan having as one*  
15 *of its principal purposes the avoidance of Federal income*  
16 *taxes.*

17 *(c) All administrative, special, or stamp provisions of*  
18 *law, including penalties and including the law relating to*  
19 *the assessment of taxes, so far as applicable, are hereby*  
20 *extended to and made a part of this title.*

21 **TITLE VIII—POSTAL RATES**

22 **SEC. 1001. POSTAL RATES.**

23 *(a) On and after the thirtieth day after the date of the*  
24 *enactment of this Act and until July 1, 1934, the rate of*  
25 *postage on all mail matter of the first class (except postal*

1 cards and private mailing or post cards, and except other  
2 first class matter on which the rate of postage under existing  
3 law is 1 cent for each ounce or fraction thereof) shall be 1  
4 cent for each ounce or fraction thereof in addition to the  
5 rate provided by existing law.

6 (b) On and after July 1, 1932, and until July 1,  
7 1934, on the advertising portion of any publication entered  
8 as second-class matter subject to the zone rates of postage  
9 under existing law, the rates per pound or fraction thereof  
10 for delivery within the eight postal zones established for  
11 fourth-class matter shall be as follows:

12 For the first and second zones, 2 cents.

13 For the third zone, 3 cents.

14 For the fourth zone, 5 cents.

15 For the fifth zone, 6 cents.

16 For the sixth zone, 7 cents.

17 For the seventh zone, 9 cents.

18 For the eighth zone, and between the Philippine Islands  
19 and any portion of the United States, including the District  
20 of Columbia and the several Territories and possessions, 10  
21 cents.

22 (c) Only 85 per centum of the gross postal receipts  
23 during the period the increased rate of postage provided in  
24 subsection (a) remains in force shall be counted for the pur-  
25 pose of determining the class of the post office or the com-

1 *compensation or allowances of postmasters or of postal employees*  
 2 *of post offices of the first, second, and third classes. For the*  
 3 *purpose of determining the commissions (as distinguished*  
 4 *from the compensation and the allowances based thereon) of*  
 5 *postmasters of the fourth class, only 85 per centum of the*  
 6 *applicable cancellations, collections, and receipts during such*  
 7 *period shall be counted.*

8 **TITLE IX—ADMINISTRATIVE AND GENERAL**  
 9 **PROVISIONS**

10 **SEC. 1101. REVIEW OF DECISIONS OF BOARD OF TAX APPEALS.**

11 *(a) Section 1001(a) of the Revenue Act of 1926 (re-*  
 12 *lating to time for filing petition for review of decisions of the*  
 13 *Board of Tax Appeals) is amended by striking out "within*  
 14 *six months after the decision is rendered" and inserting in*  
 15 *lieu thereof "within three months after the decision is*  
 16 *rendered".*

17 *(b) The amendment made by subsection (a) of this*  
 18 *section shall not apply in respect of decisions of the Board*  
 19 *of Tax Appeals rendered on or before the date of the enact-*  
 20 *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. LIMITATIONS ON SUITS BY TAXPAYERS.**

11 (a) *Section 3226 of the Revised Statutes, as amended,*  
12 *is amended to read as follows:*

13 " *SEC. 3226. No suit or proceeding shall be main-*  
14 *tained in any court for the recovery of any internal-revenue*  
15 *tax alleged to have been erroneously or illegally assessed or*  
16 *collected, or of any penalty claimed to have been collected*  
17 *without authority, or of any sum alleged to have been exces-*  
18 *sive or in any manner wrongfully collected until a claim*  
19 *for refund or credit has been duly filed with the Commis-*  
20 *sioner of Internal Revenue, according to the provisions of*  
21 *law in that regard, and the regulations of the Secretary*  
22 *of the Treasury established in pursuance thereof; but such*  
23 *suit or proceeding may be maintained, whether or not such*  
24 *tax, penalty, or sum has been paid under protest or duress;*  
25 *No such suit or proceeding shall be begun before the expiration*

1 of six months from the date of filing such claim unless the  
2 Commissioner renders a decision thereon within that time,  
3 nor after the expiration of two years from the date of mail-  
4 ing by registered mail by the Commissioner to the taxpayer  
5 of a notice of the disallowance of the part of the claim to  
6 which such suit or proceeding relates."

7 (b) Suits or proceedings instituted before the date  
8 of the enactment of this Act shall not be affected by the amend-  
9 ment made by subsection (a) of this section to section 3226  
10 of the Revised Statutes. In the case of suits or proceedings  
11 instituted on or after the date of the enactment of this Act  
12 where the part of the claim to which such suit or proceeding  
13 relates was disallowed before the date of the enactment of  
14 this Act, the statute of limitations shall be the same as  
15 provided by such section 3226 before its amendment by  
16 subsection (a) of this section.

17 **SEC. 1104. DATE OF ALLOWANCE OF REFUND OR CREDIT.**

18 Where the Commissioner has (before or after the  
19 enactment of this Act) signed a schedule of overassessments  
20 in respect of any internal revenue tax imposed by this Act  
21 or any prior revenue Act, the date on which he first signed  
22 such schedule (if after May 28, 1928) shall be considered  
23 as the date of allowance of refund or credit in respect of  
24 such tax.

1 **SEC. 1105. JEOPARDY ASSESSMENT.**

2       *(a) If the Commissioner finds that a person liable for*  
3 *tax (other than income tax) under any provision of the*  
4 *internal-revenue laws designs quickly to depart from the*  
5 *United States or to remove his property therefrom, or to*  
6 *conceal himself or his property therein, or to do any other*  
7 *act tending to prejudice or to render wholly or partly*  
8 *ineffectual proceedings to collect such tax unless such pro-*  
9 *ceedings be brought without delay, the Commissioner shall*  
10 *cause notice of such finding to be given such person, together*  
11 *with a demand for an immediate return and immediate*  
12 *payment of such tax, and such tax shall thereupon become*  
13 *immediately due and payable.*

14       *(b) If such person (1) is not in default in making any*  
15 *return or paying any tax under the internal-revenue laws,*  
16 *and (2) furnishes to the United States, under regulations to*  
17 *be prescribed by the Commissioner with the approval of the*  
18 *Secretary, security approved by the Commissioner that he*  
19 *will duly return and pay the tax to which the Commissioner's*  
20 *finding relates, then such tax shall not be payable prior to the*  
21 *time otherwise fixed for payment.*

22 **SEC. 1106. REFUNDS OF MISCELLANEOUS TAXES.**

23       *Subsection (a) of section 3228 of the Revised Statutes,*  
24 *as amended, is amended by adding at the end thereof the*  
25 *following:*

1 "The amount of the refund shall not exceed the portion of the  
2 tax, penalty, or sum paid during the four years immediately  
3 preceding the filing of the claim, or if no claim was filed, then  
4 during the four years immediately preceding the allowance of  
5 the refund."

6 **SEC. 1107. SPECIAL DISBURSING AGENTS OF TREASURY.**

7 The Secretary of the Treasury is authorized to desig-  
8 nate agents in charge of divisions of internal revenue agents  
9 to act as special disbursing agents of the Treasury for the  
10 payment of all salaries and expenses of such divisions, on  
11 giving good and sufficient bond in such form and with such  
12 security as the Secretary of the Treasury may approve, not-  
13 withstanding section 3144, Revised Statutes, as amended.

14 **SEC. 1108. REFUND OF TAXES FOR TAXABLE YEAR 1918.**

15 Section 284(k) of the Revenue Act of 1926 is  
16 amended to read as follows:

17 "(h) Except as provided in subdivision (d) this sec-  
18 tion shall not (1) bar from allowance a claim for credit or  
19 refund filed prior to the enactment of this Act which but  
20 for such enactment would have been allowable, or (2) bar  
21 from allowance a claim in respect of a tax for the taxable  
22 year ~~1919~~ or 1918, 1919, or 1920 if such claim is filed  
23 before the expiration of five years after the date the return  
24 was due."



## 1 SEC. 701 1109. DEFINITIONS.

2 (a) When used in this Act—

3 (1) The term "person" means an individual,  
4 a trust or estate, a partnership, or a corporation.5 (2) The term "corporation" includes associa-  
6 tions, joint-stock companies, and insurance companies.7 (3) *The term "partnership" includes a syndicate,*  
8 *group, pool, joint venture, or other unincorporated*  
9 *organization, through or by means of which any busi-*  
10 *ness, financial operation, or venture is carried on,*  
11 *and which is not, within the meaning of this Act, a*  
12 *trust or estate or a corporation; and the term "part-*  
13 *ner" includes a member in such a syndicate, group,*  
14 *pool, joint venture, or organization.*15 ~~(3)~~ (4) The term "domestic" when applied to a  
16 corporation or partnership means created or organized  
17 in the United States or under the law of the United  
18 States or of any State or Territory.19 ~~(4)~~ (5) The term "foreign" when applied to a  
20 corporation or partnership means a corporation or  
21 partnership which is not domestic.22 ~~(5)~~ (6) The term "fiduciary" means a guard-  
23 ian, trustee, executor, administrator, receiver, conserv-  
24 ator, or any person acting in any fiduciary capacity  
25 for any person.

1           ~~(6)~~ (7) The term "withholding agent" means  
2 any person required to deduct and withhold any tax  
3 under the provisions of section ~~144~~ 143 or ~~145~~ 144.

4           ~~(7)~~ (8) The term "stock" includes the share in  
5 an association, joint-stock company, or insurance  
6 company.

7           ~~(8)~~ (9) The term "shareholder" includes a  
8 member in an association, joint-stock company, or  
9 insurance company.

10           ~~(9)~~ (10) The term "United States" when used  
11 in a geographical sense includes only the States, the  
12 Territories of Alaska and Hawaii, and the District of  
13 Columbia.

14           ~~(10)~~ (11) The term "Secretary" means the  
15 Secretary of the Treasury.

16           ~~(11)~~ (12) The term "Commissioner" means the  
17 Commissioner of Internal Revenue.

18           ~~(12)~~ (13) The term "collector" means collector  
19 of internal revenue.

20           ~~(13)~~ (14) The term "taxpayer" means any  
21 person subject to a tax imposed by this Act.

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

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

5 **SEC. 1110. SEPARABILITY CLAUSE.**

6           *If any provision of this Act, or the application thereof*  
7 *to any person or circumstances, is held invalid, the remainder*  
8 *of the Act, and the application of such provisions to other*  
9 *persons or circumstances, shall not be affected thereby.*

10 **SEC. 1111. EFFECTIVE DATE OF ACT.**

11           *Except as otherwise provided, this Act shall take effect*  
12 *upon its enactment.*

**REVENUE ACT OF 1932**

**COMPARATIVE PRINT**

Showing Changes from Existing Law Made by the  
Bill as Reported to the Senate

72<sup>d</sup> CONGRESS }  
1<sup>st</sup> 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

MAY 9, 1932

Reported with amendments